A multimodal Goffmanian analysis of impression management behaviour in the annual reports of listed Australian companies

by

Sue Hrasky, BCom (Hons), MSocSci, PGradDipA(AppLing)

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Declarations

Statement of originality

This thesis contains no material that has been accepted for a degree or diploma by the University or any other institution. To the best of my knowledge and belief, this thesis contains no material previously published or written by another person, except where due acknowledgement is made in the text.

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Abstract

The major objective of this research is to contribute to the academic literature by developing a comprehensive multi-modal framework to document the impression management strategies that might underpin the narrative and visual material voluntarily included in corporate annual reports. The analysis takes as its starting point the seminal work of Goffman [1959] into self-presentation, widely acknowledged as the first comprehensive exposition of the sociological phenomenon of impression management. The eight elements identified by Goffman in his dramaturgical description of impression management performances are presented as an integrated conceptual model from which such behaviour can be analysed.

Using a meso-paradigmatic approach, propositions are developed which underpin a multi-level theory explaining how micro-level incentives motivate individual organisational members to engage collectively in impression management behaviour at a meso (team) level to produce macro-level organisational phenomena such as organisational image or reputation. Prior research into impression management and organisational phenomena has typically either anthropomorphised the organisation or employed a personification metaphor in which the organisation is equated to an individual to facilitate analysis. Neither of these approaches, both of which lack empirical validity, is utilised here because the view articulated in the multi-level theory is one of the organisation as a coalition of individual actors, working collectively to produce what observers perceive as the actions or outcomes of the organisation.

Focus then narrows to the use of the corporate annual report as a strategic impression management instrument. The approach adopted is holistic and multi-modal because, as Goffman [1959] clearly articulated, impression management performances are of this nature. In the context of annual reporting, it is the combination of narrative and visual report content that represents the elements of the impression management performance. However, the question of whether mutually supportive narrative and visual strategies are adopted within and across the various sections and subsections of the annual reports has been largely ignored. As such, any understanding of impression management activity in annual reports is partial at best, and it may be the case that behaviour has been misunderstood or misinterpreted.

To facilitate the required holistic view, an integrated framework of mutually supportive rhetorical elements for narrative and visual annual report content is developed. This forms the basis from which three exploratory research questions are formulated. Case study analysis of the reporting practices of five large listed Australian companies is presented to explore these research questions. The evidence suggests that, on the whole, the nature of voluntary disclosure in the annual reports studied is consistent with the staging of a holistic impression management performance in the Goffmanian sense.

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CHAPTER ONE: INTRODUCTION

1.1   BACKGROUND TO THE RESEARCH

Annual reports have traditionally been an important source of information to stakeholders regarding company performance. Courtis [1998: 459] argues that the annual report "facilitates the confirmation, revision and formation of readers' expectations about a company in which they have an interest". Although the statutory reports and financial statements included in annual reports are regulated and subject to audit, these are usually preceded by voluntary narrative and pictorial disclosures that are largely unregulated.

Unregulated voluntary disclosure provides a potential avenue for preparers to behave opportunistically to use the annual report as an impression management device. The goal of this behaviour is to influence and control the perceptions or impressions that others form about an entity or situation [Schneider, 1981; Leary and Kowalski, 1990; Gardner, 1992; Winter et al, 2003]. Impression management behaviour is self-interested and goal directed with those involved strategically managing verbal and non-verbal behaviors to try to create the desired view [Bozeman and Kacmar, 1997].

There is general consensus that corporate annual reports are important impression management instruments [e.g. see Salancik and Meindl, 1984; Ginzel et al, 1991; Neu et al, 1998; Mohamed et al, 1999; Arndt and Bigelow, 2000; White and Hanson, 2002; Sittle, 2003]. They are particularly suited to this role because they are viewed as authoritative and legitimate documents, yet editorial control remains with those responsible for their preparation [Neu et al, 1998; White and Hanson, 2002]. Neu et al [1998: 269] suggest that it is the apparent credibility of the annual report and its wide dissemination to stakeholders that provides those within the organisation with a unique opportunity to create and promote a specific organisational image.

There are many of forms that impression management in voluntary disclosures in annual reports may take. For example, narrative disclosures may be biased in terms of the

amount of positive versus negative news that is disclosed [Deegan and Rankin, 1996; Deegan et al, 2000; Clatworthy and Jones, 2003; Tauringana and Chong, 2004; Rutherford, 2005] or in terms of the attributions made for good versus poor outcomes [Staw et al, 1983; Bettman and Weitz, 1983; Clapham and Schwenk, 1991; Aerts, 1994, 2001, 2005]. The clarity of communication may differ depending on the nature of the news being discussed [Jones, 1988; Smith and Taffler, 1992a,b; Subramanian et al, 1993; Courtis, 2004; Li, 2006]. The particular linguistic devices and styles used in narratives may vary with the context and nature of the disclosures made [Thomas, 1997; Hyland, 1998; Jameson, 2000; Sydserff and Weetman, 2002].

Strategic choices in regard to imagery can also support impression management objectives. For example Beattie and Jones [1999, 2000a,b] provide evidence of selectivity in graph use in annual reports. They observe that graphs of key financial variables are significantly more likely to be included in annual reports when they portray a favorable trend. Further, graph distortion is more likely to enhance favourable trends. Similarly, the use of photographs can be influential in signalling particular features and supporting desired messages [Preston et al, 1995; David, 2001; Bernadi et al, 2002; Davison, 2002].

1.2 MOTIVATION FOR THIS STUDY

The stimulus for this research derives from a need to broaden the research agenda for the investigation of impression management and voluntary annual report content in the accounting and accounting-related literature. Specifically, it is motivated by an opportunity to make a significant contribution to the conceptualisation of impression management as an organisational activity in general, and its manifestation in annual reports in particular. In turn this should promote an understanding of the complex phenomenon of impression management at the organisational level that is more strongly grounded in sound theoretical roots, and should ultimately help to refocus future research.

Although the research examining what might be impression management behaviour in corporate annual reports is relatively extensive, it also tends to be somewhat narrow and fragmented in its focus. Many studies have focused on one or, at best, a few of the vast range of phenomena that might be reflective of impression management behaviour. However, as noted above, there are many ways in which report preparers might attempt to influence the impressions formed by readers of reports and it may be naïve to expect that any one technique would be used in isolation or to the exclusion of others.

Further, some aspects of voluntary annual report disclosures have received much more systematic research attention than others. Specifically, the content and characteristics of the narrative material included in annual reports has received greater attention than have aspects related to the use of imagery in these reports. Graphs have received relatively less attention than their narrative counterparts and photographs even less, despite the potential power of visual forms of communication. Other facets of reporting such as decisions about typography, structure, the use of colour and other presentation aesthetics have generated very little or no research interest.

Research that has adopted an impression management perspective has done so most typically by assessing whether narrative aspects in reports of firms experiencing good performance differ from those reporting poor results. This research has often generated equivocal findings. One reason for this may be a failure to recognise the multi-faceted nature of impression management. Failure to observe a majority of organisations adopting a particular reporting technique in a particular context does not mean impression management is not occurring. It may simply indicate that different techniques are favoured by different report preparers to construct similar impressions.

The key contention in this thesis is that there are shortcomings apparent in the literature that arise because the theory of impression management requires better articulation and further development in research investigating the connection between impression management and annual reporting. Contemporary impression management theory has its roots in the work of Goffman [1959]. Goffman's view of self-presentation (or impression management behaviour as it is now more commonly labelled) is one of a

holistic, coordinated activity that contains a number of elements that collectively result in the delivery of a cohesive performance, the objective of which is to influence the impressions formed by those to whom the performance is delivered.

It is argued here that the accounting and accounting-related literature has generally reflected too narrow a focus because researchers have often failed to embrace the holistic and multi-faceted nature of impression management behaviour as described by Goffman [1959]. As such, any understanding of impression management activity in annual reports is likely to be partial at best, but it may be the case that behaviour has been misunderstood or misinterpreted. Specifically it is argued that in order to obtain evidence that impression management is occurring in annual reports it is necessary to look across a range of techniques as not all would be expected to be present in all reports at all times. Further, it should be the case that mutually reinforcing techniques can be observed being implemented throughout all aspects of the annual report. These issues are yet to be effectively addressed in the extant literature.

1.3   OBJECTIVES OF THE STUDY

Given the observations and concerns outlined above, the primary aim of this research is to make a theoretical rather than an empirical contribution to the literature. The major objectives in this regard are to:

1.   provide a structured synthesis of Goffman's [1959] work in order to develop an integrated model of the elements of self-presentation behaviour that can serve as a useful descriptive framework from which impression management behaviour can be analysed;

2.   develop a multi-level model to demonstrate that the concepts underpinning individually-based self-presentation behaviour can be applied to behaviour in organisational contexts; and

3. develop a comprehensive framework of the impression management strategies that might be used in voluntary disclosures in corporate annual reports, identifying how and where they might be manifest in those reports.

A secondary aim is to conduct exploratory research related to the use of the strategies included in the comprehensive framework to provide a preliminary analysis of how that framework can be operationalised to examine annual report content. This will also yield some initial insights into whether impression management, in the Goffmanian sense, appears to be occurring in voluntary disclosures in contemporary Australian annual reports.

1.4   JUSTIFICATION FOR THE RESEARCH

The need for corporate accountability and transparency has assumed greater prominence since what have been described as the corporate excesses and unexpected collapses of the 1990s [e.g. see Leung and Cooper, 2003]. Following the downfall of corporations such as Enron, HIH and One.Tel, improved transparency and disclosure extending beyond that of the financial and operating results have been highlighted as key aspects of good corporate governance systems necessary to afford investor protection [Mallin, 2002: 253]. Echoing this, regulators worldwide have been showing an increasing interest in expanding disclosures in annual reports in addition to those required in the financial report.

For example in Australia, the Corporations Act was amended in 2004 to add Section 299A which required the directors' report of listed companies to include information sufficient to, amongst other things, permit an informed assessment of the entity's business strategies and its prospects for future financial years. Corporate governance recommendations in Australia, New Zealand and the UK are also promoting expanded narrative disclosures. The Modernisation Directive of the European Union, by virtue of amendments to Article 46 that apply from 2005, requires, *inter alia,* a balanced and comprehensive narrative review of the company's business and position in its annual report [Directive 2003/51/EC, para 14].

However, simply expanding disclosure requirements is unlikely to effect significant improvements in investor protection if those preparing annual reports utilise them as an opportunity to engage in a deliberate and strategic attempt to manipulate the impressions that report users form about corporations. For example, in their analysis of the final annual report letter written by Enron's chairperson and CEO prior to that company's unexpected collapse, Amernic and Craig [2004b] document the use of a number of inappropriate literary devices used to create an impression of invincibility despite the fact that the authors would have been aware that failure was both imminent and inevitable. In fact, an increase in the apparent regulation of report content may serve to assist report preparers pursuing impression management goals in voluntary disclosures by strengthening the veneer of credibility that users associate with the annual report document. The effect of this may be to enhance the likelihood of success for those behaving opportunistically. Thus there is an important contribution to be made to the debate about expanded disclosure in terms of whether and how report disclosures may be manipulated to serve opportunistic impression management goals.

Extensive research has been conducted to contribute to the parallel debate that has developed about regulatory issues and opportunistic earnings management in financial reports [e.g. see Healy and Wahlen, 1999; Schipper and Vincent, 2003]. However, this has not been balanced by a similar focus on opportunistic aspects of non-financial and voluntary disclosures in the broader annual report in which the financial report is disseminated. This is despite the fact that research consistently indicates that voluntary narrative and pictorial disclosures rank very highly on the list of those parts of the annual report that are read by users [e.g. see Anderson and Epstein, 1995; Bartlett and Chandler, 1997; Anderson, 1998]. A sensible starting point is an improved holistic understanding of how impression management processes might influence voluntary report disclosures.

1.5   OVERVIEW OF THE RESEARCH APPROACH AND DESIGN

To achieve the primary aim of this research, that of contributing to a more robust understanding of the theoretical roots of impression management behaviour and how it

applies to corporate annual reporting, qualitative reasoning is used rather than an empirical approach. To meet the first objective, conceptual modelling is used to make explicit the structures and interrelationships underpinning the elements of Goffman's [1959] exposition of self-presentation behaviour. In turn, an integrated, descriptive framework of Goffmanian impression management will be developed. Conceptual modelling is an approach that summarises the important concepts, their nature, and the nature of the relationships between them [Soulliere et al, 2001].

The meso-paradigmatic framework for integrating micro and macro level research in organisational behaviour developed by House et al [1995] is utilised to meet the second major objective, that of developing a multi-level model of impression management behaviour in organisational contexts. This requires inference from a set of propositions inductively derived from the literature to construct a multi-level theory in which the micro-level incentives of individuals to act cooperatively at the meso (or team) level to create or influence what are perceived as macro (or organisational) level phenomena are explained. Specifically, defeasible reasoning rather than strict deductive logic guides the model construction. Defeasible reasoning involves the development of logically convincing entailments premised on reasonable inferences about what would normally, but not always, occur [Asher and Morreau, 1991; Colburn, 1991]. The resulting arguments are, therefore, intuitively valid but not necessarily strictly deductively valid.

The third objective, that of creating a comprehensive framework describing how and where a range of impression management strategies might be manifest in annual reports, relies on the extant literature. A comprehensive review is undertaken, extending beyond the accounting and accounting-related literature, to develop a set of tentative expectations regarding impression management behaviour in annual reports. These are drawn variously from the results of empirical research, professional opinions and normative claims. Again, defeasible reasoning guides the development of this framework.

In the exploratory research relating to the use of the impression management strategies identified in the framework, an idiographic case–based approach is adopted. Annual report pairs compromising one report from a year in which corporate performance was very strong and one from a year in which it was very poor are studied for five large listed Australian companies. Pattern matching is used to evaluate whether observed voluntary disclosure practices in annual reports appear to be consistent with Goffmanian impression management. The specific details of the case study design and the data collection processes are detailed in Chapter Seven.

1.6 THE STRUCTURE OF THE THESIS

The structure of this thesis and the role of each chapter in meeting the research objectives are described below.

- ❖ In *Chapter Two* a review of the literature considering the content and use of corporate annual reports is conducted with the aim of establishing three conditions. The first is that voluntary disclosures are included in contemporary annual reports in addition to the mandated content necessary to meet legal reporting obligations. The second is that there is an audience for the annual report and the third is that it is reasonable to assume that members of that report audience read at least some of its discretionary content. These conditions are necessary to sustain an argument that corporate annual reports might be used to further impression management goals.

- ❖ In *Chapter Three* the first two major objectives of the research are addressed. First, the elements of Goffman's [1959] exposition of self-presentation behaviour are integrated to develop a descriptive conceptual model of Goffmanian impression management. This is followed by the development of a multi-level model of impression management behaviour in organisational settings. The role of the corporate annual report is reconsidered in light of this model and the nature of Goffmanian impression management.

- ❖ A review of research into annual report narratives and a review of that into visual communication in the annual report and in broader contexts is presented in *Chapter*

Four and *Chapter Five* respectively. These chapters provide the foundation for developing what is effectively a catalogue of narrative and visual strategies that might be exploited by annual report preparers to serve impression management goals.

❖ The purpose of *Chapter Six* is to provide a synthesis of the previous three chapters culminating in the development of an integrated framework of mutually supportive rhetorical reporting strategies that might be adopted throughout the annual report when engaging in impression management behaviour. As such this framework satisfies the third major objective of this study, and it is used as the basis from which three exploratory research questions are formulated.

❖ To fulfil the secondary aim of the study, a preliminary investigation of the three research questions is undertaken. A justification for the case study approach adopted to explore these questions is provided in *Chapter Seven*. This is followed by a detailed description of how the range of potential impression management strategies included in the framework developed in Chapter Six will be identified, measured and assessed.

❖ The results of the case study analysis are presented and discussed in *Chapter Eight*. Overall, the case evidence supports the assertion that corporate annual reports are used as coordinated impression management vehicles and that report preparers choose from a range of potential impression management tools when pursuing impression management goals.

❖ The practical significance and implications of the research are outlined in *Chapter Nine* along with identification of its contribution to the academic literature and the implications that follow for the broad direction of future research in this area. This is followed by a discussion of the limitations of the study and the thesis concludes with the identification of some specific suggestions for future research that derive from its findings.

CHAPTER TWO: CORPORATE ANNUAL REPORTS - CONTENT AND AUDIENCE

2.1   INTRODUCTION

One of the major objectives of this research is to apply Goffman's [1959] impression management framework to the corporate annual reporting process. A further objective is to develop a comprehensive framework of the impression management techniques that might be used in corporate annual reports and the circumstances in which particular ones are used. Three implicit but necessary preconditions underpin the formulation of these objectives. The first is that annual reports do contain disclosures in excess of the minimum required by law. The second is that an audience for the annual report actually exists, and the third is that it is reasonable to assume that this audience does read some of the discretionary disclosures included in annual reports.

It is axiomatic that if the annual report is to serve as an effective impression management vehicle firms must be able to, and be observed to, exercise discretion in relation to the nature and extent of disclosure in the annual report. Impression management involves the deliberate and strategic manipulation of report content, including what will be disclosed and how and where it will be presented in the report, in an attempt to influence the perceptions that users form about the entity that is the subject of the report. If annual reports reflect simply the minimum statutory reporting requirements, with little variation in format and content from company to company or period to period, it is difficult to argue that they are anything more than formulaic documents, prepared to satisfy regulatory requirements rather than impression management motives.

Further, annual report preparers are only likely to view the annual report as an impression management device if it can reasonably be expected that there exists an audience which actually reads that report, or parts of it. If annual reports are simply filed for regulatory purposes and do not reach a wider audience, it is difficult to identify the targets at which the impression management behaviour might be aimed, and

therefore unlikely that an impression management role exists. Finally, report preparers need to have a reasonable basis to presume that report readers do actually read the non-mandated material that is included in their reports. If evidence suggests that the discretionary report content is actually read, this potentially creates an incentive for companies to use the annual reporting process to support impression management objectives.

In this chapter, literature relevant to the three preconditions identified above is reviewed. First, annual report content that is required by regulation is identified to establish the minimum annual reporting requirements for listed Australian companies. This is followed by a review of research into actual annual report content, both over time and across jurisdictions, to provide an understanding of the nature of typical annual report coverage. It is argued that the contemporary annual report is a sophisticated, professionally produced document, incorporating a variety of visual design techniques, containing disclosures well in excess of those required to meet regulatory requirements. As such, the first precondition of varied, discretionary report disclosures is met. Secondly, research into users and uses of annual reports is discussed. A diverse audience for annual reports is identified, thus satisfying the second precondition. Finally research evidence is presented that suggests that annual report readers do, to various extents, look at the non-mandated content typically included in the annual report, satisfying the final necessary precondition.

2.2   ANNUAL REPORT CONTENT

2.2.1   Institutional and regulatory influences

In Australia, as in many other jurisdictions, the need for companies to report annually is legislatively prescribed. The *Corporations Act 2001* and the Australian Stock Exchange's [ASX] listing rules determine the minimum annual reporting requirements but do not constrain additional disclosure nor prescribe any specific attributes that additional disclosures should display. In fact, legislation has not sought to define what is meant by the term "annual report" or the purpose it is intended to serve. A view has persisted through time that annual reporting is a subset of the accounting process

[Olsson, 1980; Edwards, 1989; Stanton and Stanton, 2002]. However, as the discussion below indicates, accounting policy makers have shown little interest in the broader annual report and accounting standards do not extend to general annual report content.

2.2.1.1 Accounting policy makers

Although the annual report may have developed as a by-product of the annual financial reporting process [Lee, 1976], the influence of accounting standard setters has not similarly developed and is restricted to the format and content of the specific financial report components. From time to time, standard setters internationally have pondered the issue of the objectives of financial reporting. For example, in the United States the *Trueblood Report* [AICPA, 1973] considered the principles and concepts underpinning financial statements but its concern was restricted to financial reporting and the financial statements only. The report did not assess the broader disclosure issues associated with annual reporting. The US Financial Accounting Standards Board's first concepts statement, issued in 1978 [FASB, 1978], similarly dealt with financial reporting issues only and not the wider issue of annual report content. Likewise, the UK's *Corporate Report* [ICAEW 1976] was concerned with the aims and scope of the financial report rather than the annual report, although it did suggest the inclusion of a statement of corporate objectives as part of the reporting obligation. In Canada, the *Stamp Report* [CICA, 1980] also considered additional disclosures but these were still within the confines of the financial report structure, with extra disclosure to be achieved through adding columns to the existing statements or providing supplementary statements. The focus was not on narrative or pictorial disclosures that might be presented in addition to the financial report.

Standard setters in Australia have similarly largely ignored the broader content and presentation of the annual report document in which the financial statements are conveyed to users. As part of its Conceptual Framework project, the Australian Accounting Research Foundation [AARF] issued its second statement of accounting concepts in 1990. This dealt with the objectives of general purpose financial reporting. Although there was an acknowledgement [AARF, 1990: .10] that other information can

best be provided outside the financial report, this is not discussed further. In 2004, the Australian Accounting Standards Board (AASB) issued its *Framework for the Preparation and Presentation of Financial Statements*. This framework is not a mandatory one, but it serves to guide standard setters in the development of the specific accounting standards that do, by virtue of Section 296 of the *Corporations Act*, have regulatory force. Consistent with previous pronouncements, the framework, in paragraph 7, clearly separates the financial report items from other items such as directors' reports and chairpersons' statements. The framework applies only to the financial statements and not to the wider annual report content. Further, none of the accounting standards developed by the AASB have been concerned with annual report content other than that which constitutes the financial report. Accounting standard AASB 101, *Presentation of Financial Statements*, applicable from 2005, requires the financial report to be clearly distinguished from other content in the document in which it is presented and reinforces the view that accounting standards apply only to the financial report and not to the other information surrounding it in an annual report.

The only obligation acknowledged by Australian standard setters in relation to the broader content of the annual report is contained in an auditing standard. ASA 720 outlines the auditor's responsibility for other information in documents containing the audited financial report. It is only in this pronouncement that the term "annual report" can be found:

> [a]n entity ordinarily issues on an annual basis a document which includes its audited financial report together with the auditor's report thereon. This document is frequently referred to as the "annual report". In issuing such a document, an entity may include, either by law or custom, other financial and non-financial information [AUASB, 2006: para. 7]

The obligation of the auditor in relation to the other information is restricted to reading it to identify any material inconsistencies between it and the audited financial report. The scope of the audit does not extend to the other information. Thus there is no expectation that an auditor should determine the veracity or fairness of the other information surrounding the financial report.

2.1.1.2 The Corporations Act

Section 292 of the *Corporations Act* specifies the reporting requirements for the entities covered by it. Entities must prepare for each financial year, a financial report and a directors' report. The financial report consists of the financial statements (the income statement, the balance sheet and the statement of cash flows), the notes to the accounts and the directors' declaration about the financial statements and the ability of the company to pay its debts [Sec. 295]. The financial report must be accompanied by an independent audit report and a copy of the auditor's independence declaration that is required under Section 307C.

Section 292 also requires the inclusion of a directors' report. The directors' report must set out the general and specific information required under Sections 299, 299A, 300 and 300A of the Act. Sections 299 and 299A, require the general information to cover a review of operations, activities and financial position. Section 300 lists several specific disclosures that need to be made such as dividends paid or recommended, and various pieces of information pertaining to the directors. Under Section 300A, listed companies must also include in the report a discussion of board remuneration policies and their relationship with performance, along with specific details about director emoluments.

The requirements of the *Corporations Act*, therefore, are not confined to a financial report comprising the financial statements and footnotes. The inclusion of a directors' report means that some narrative disclosures are required. However, the mandated scope is narrow and the extent of detail required in the general information called for by Sections 299 and 299A is not indicated. No consideration is given to other disclosures that entities tend to make and no attempt is made to regulate the form or content of other information provided in the annual report. In fact the term "annual report" is neither defined nor used in the Act.

2.2.1.3 Stock Exchanges

In general, stock exchanges internationally have paid more attention to narrative disclosures that accompany the financial report than have other regulators. This is

particularly apparent in their consideration of corporate governance issues. For example, the *Cadbury Report* for the London Stock Exchange called for a "coherent narrative" to support the financial report to give a balanced assessment of the company's position [Committee on the Financial Aspects of Corporate Governance, 1992: 4.50]. This notion was endorsed and retained in the *Hampel Report* in 1998 [Committee on Corporate Governance, 1998: 2.18]. The Australian Stock Exchange also calls on companies to "include a commentary on their financial results to enhance the clarity and balance of reporting" [ASX Corporate Governance Council, 2003: 36].

ASX Listing Rule 4.10.17, introduced in September 1999, requires companies to include in their annual reports a review of operations and activities, but the rule does not specify the particular content or format for this review. It endorses, however, the Group of 100's *Guide to Review of Operations* [G100, 2003]. This guide calls for a comprehensive review to aid comprehension of the financial report. The information contained therein should be neutral and deal with both positive and negative aspects of performance and future prospects. The review should be written in a clear style, avoiding technical language and it should be in a narrative form, supported by graphs and figures where their inclusion assists understanding. The focus should be on analytical information to promote understanding of the financial report rather than simply replicating financial report information [G100, 2003, *passim*].

Listing Rule 4.10.3 requires a narrative discussion of matters relating to corporate governance. Specifically firms are required to indicate the extent to which they comply with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* [2003]. Where a principle is not adhered to, an explanation is required. There are some additional specific disclosure requirements set out in Listing Rule 4.10, but these tend to be formulaic, note-type disclosures relating to shareholder details and corporate information.

2.2.1.4 Minimum report content

If the requirements of the regulatory bodies are considered together, the corporate annual report of listed Australian companies need contain only the following:

- The financial statements and the notes there to, prepared in accordance with Australian accounting standards
- The Directors' Report
- The Directors' Declaration
- A narrative review of operations and financial condition
- A narrative discussion of corporate governance practices
- The auditor's independence declaration; and
- The audit report.

There are no specific regulatory guides in relation to other information that may or may not be included in the annual report document. As such firms have discretion as to what sorts of information, if any, will be disclosed in addition to the mandated elements, how much will be disclosed, and what format the additional disclosures might take. Furthermore, these non-mandated disclosures are, for the most part, not subject to audit, further reinforcing the large degree of discretion that managements can exercise. The discussion which follows indicates that firms do choose to exercise that discretion by including a variety of voluntary disclosures in their annual reports, using a variety of visual design techniques.

2.2.2 The form and content of the annual report

Studies investigating annual report content, across time and across jurisdictions indicate that corporate annual reports, in English-speaking countries at least, exhibit a trend of increasing disclosure in excess of that mandated by regulators. At their inception, annual reports may have been little more than the annual accounts, together with the associated notes [Crowther, 2002] but the content has changed and grown over time to the extent that the amount of voluntarily disclosure often exceeds the mandated portion [Stanton and Stanton, 2002]. The discussion in this section reports the literature which has documented these developments.

2.2.2.1 Annual reporting circa 1950

Chambers [1955] provided the first comprehensive analysis of annual reporting in Australia. He documented information about the content of the 1953 annual reports of forty-seven Australian companies, and although the investigation was not systematic, he notes that the companies chosen represent a wide range of size and industries [Chambers, 1955: 96]. Chambers does not present an empirical analysis of the reports but uses examples from them to illustrate his discussion. However he provides, as an appendix, data about the content of the annual reports, analysis of which allows insight into the nature of Australian annual reports in the 1950's. Despite his claim that brief formal reports of about four pages were in the majority [Chambers, 1955: 99], the data reported in the appendix suggest that at least some reports were more sophisticated.

Analysis of the data provided by Chambers on the annual reports from 1953 reveals that they were, on average, between twelve and thirteen pages long, with the financial statements (being the profit and loss statement and the balance sheet) and notes taking up four to five pages. On average, around eight pages were devoted to content other than the financial statements. Chambers noted that these other pages were devoted to such matters as reporting summaries, highlights, historical reviews, mission statements and tributes. Chambers also reports diversity in the size and quality of paper used in the reports and that some reports contained tables, diagrams and pictures, some of which were full colour. However visual images were not yet the norm for annual reporting. Arnold and Matthews [2002] report similar findings in their survey of annual reports produced by UK companies in 1950. Only a very small minority used colour, illustrations, graphs or photographs. Tables 2.1, 2.2 and 2.3 present an analysis of Chambers' data showing the frequency with which tables, photographs and graphs were used in annual reports in 1953.

Adams [1958: 173] observed an improvement in the presentation of Australian annual reports during the 1950s, noting that it was only a few, middle-sized and old-established companies that generated the same report each year, changing only the figures and dates. Meyer [1979] identifies the 1950s in the United States as the period in which

corporations began to produce "slick magazine-style" reports [p. 33], and indicates that this style of report was commonplace by the mid-1960s. Lewis [1971] aligns the change in the style of annual reporting with the industrial super-boom of the mid-1950s in the United States, when, amongst other things, share prices increased sharply and a greater number of smaller shareholders were taking an interest in corporate annual reports.

Table 2.1 Frequency of Use of Tables in 1953 Annual Reports		
Number of Tables	*Companies [n]*	*Percentage*
None	26	55.3
1	5	10.6
2	6	12.8
3	4	8.5
4	3	6.4
5	2	4.3
6	1	2.1
Total	47	100

Table 2.2 Frequency of Use of Graphs in 1953 Annual Reports		
Number of Tables	*Companies [n]*	*Percentage*
None	33	70.1
1	6	12.8
2	1	2.1
3	2	4.3
4	2	4.3
5	2	4.3
8	1	2.1
Total	47	100

Table 2.3 Frequency of Use of Pictures in 1953 Annual Reports		
Number of Tables	*Companies [n]*	*Percentage*
None	20	42.6
1 - 5	14	29.8
6 - 10	5	10.6
> 10	8	17.0
Total	47	100

Yorston and Owens [1958] provide a similar explanation for the introduction of, and increased use of, narrative and visual images by Australian companies in their annual reports during the 1950s. They explain that in the late 1940s, five-shilling shares were introduced which increased the number of small shareholders. These shareholders had very limited knowledge of business affairs and technical reporting terminology, a state of affairs which Yorston and Owens [1958: 15] assert could have caused great harm to public confidence in the corporate sector, potentially prompting companies to make their reports more understandable through the inclusion of narrative and imagery. To illustrate their concern about the limited proficiency of smaller shareholders in business language, they offer the following anecdote:

> [a]t a shareholders' meeting in 1947 occurred a first rate illustration of the lack of knowledge of a common accounting and business term. The meeting was an extraordinary one, called to consider the winding up of a public company which by its nature attracted a large number of women shareholders, some of them elderly. The chairman came to the principal item on the agenda and put the proposition to the meeting, and from the immediate reaction it seemed certain that the resolution would be carried almost unanimously. However, the chairman was asked to clarify the motion so that all would clearly understand what they were doing. He explained that the notice convening the meeting clearly set out the situation which was that the company was to be "wound up". Before he could proceed further a dear old lady in the front row rose to her feet and put her hand in the air and said "Yes, yes, wind it up and make it go" [Yorston and Owens, 1958: 5].

Chambers [1955: 21] offers a different view about discretionary disclosure in annual reports, a view that is consistent with an impression management perspective on reporting:

> [t]he amount of information released is what is necessary to induce support. It is the outcome of the actual, or potential, action or agitation of other interest groups in the community. The merits and deficiencies of published statements, in this view, are not determined by accounting standards but by what becomes necessary by virtue of the attitudes of, and relationships between different groups in society [Chambers, 1955: 21].

2.2.2.2 Reporting trends since the 1950s

Olsson [1980] reports that by the 1970s many Australian companies were expanding the information disclosed in their annual reports, despite the absence of any regulatory requirement to do so. McKeon [1976] concurs, noting increased attention to the provision of supplementary information and to the quality of layout and presentation. Similarly, Meyer [1979] reports that while there were some corporations in the United

States in the 1970s reporting only the required financial information, these were very few in number. In his study of twenty-six British annual reports over the period from 1965 to 1988, Lee [1994] found that the number of pages devoted to voluntarily disclosed items increased by 164 per cent over that period, whilst the mandated content increased by 107 per cent. In their twenty-year case-study of one British company, Bartlett and Jones [1997] reported a similar trend with voluntary versus mandatory disclosures. Lee also reports that in 1965 only thirty-six per cent of the companies studied included voluntary material in front of the mandatory requirements. By 1998, all companies were doing so. Both Lee and Bartlett and Jones indicate that by the 1980s, regulatory disclosures often accounted for less than fifty per cent of the content of the annual report. Beynon et al [2004] report the findings of an Arthur Anderson study which found that amongst one hundred UK public companies, narrative content accounted for fifty-seven per cent of annual report content in 2001, an increase from the 1996 level of forty-five per cent.

Through directors' reports exceeding the legally required minimum disclosures, letters or addresses to shareholders, chairpersons' reviews and such like, narrative disclosures are being used to amplify the financial statement data [Wilton and Tabb, 1978; Stanton and Stanton, 2002]. Marino [1995] notes an increasing trend in the use of these types of addresses, reporting that, in 1985, sixty per cent of CEO letters were less than two pages long, while the median length in 1994 was over three pages. Voluntary disclosure of environmental and social information has also been increasing. Gibson and O'Donovan [2007] report that, in a study of forty-one Australian companies over the twenty-one year period from 1983 to 2003, the percentage voluntarily disclosing environmental information in their annual reports increased from forty-six per cent to one hundred per cent. Furthermore, the amount of space allocated to these disclosures increased from an average of around a quarter of a page to more than one and a half pages over that period.

Voluntary disclosure of summarised financial information, usually presented as financial highlights, similarly increased during the 1980s and 1990s [Mezzina, 1997], with a majority of firms presenting such data. Pictorial disclosures, encompassing graphs,

diagrams and photographs, have also been increasing. In their case study of Burton PLC's annual report, Bartlett and Jones [1997: 107] find that "every conceivable design device" had been used by the company since 1984. Lee [1994] reports that pictorial images covered an average of ten pages in British annual reports in 1988, an increase of 233 per cent over the 1965 level. Visual images have been the fastest growing type of content in annual reports [Lee, 1994; Stanton and Stanton, 2002].

Not surprisingly, given the changes in content identified above, responsibility for the preparation of the annual report has also changed. In 1971, the first book dealing with the design and production of annual reports was produced [Lewis, 1971]. Gradually, annual report production has been placed in the hands of external professional designers. Meyer [1979] observed that many US corporations hired professional writers and designers during the 1970s. Epstein and Pava [1993] report 1975 data indicating that less than twenty per cent of US annual reports were prepared by the finance department of the company. Alexander Communication Incorporated [1987] reports similar results from its survey of report preparers in the US in 1986. Lee [1994] reports that in 1965 only twelve per cent of the British companies surveyed used design consultants. This had risen to eighty per cent in 1988. Stanton and Stanton [2002] report that in 1999 only six per cent of the FTSE Top 250 Companies produced their annual reports in-house. Ewen [1988, cited in Lee, 1994: 219] describes annual reports as "the domain of designers who slip fantasy between facts and figures". As Stanton and Stanton [2002: 479] put it, "[d]esign consultants, employed as image managers, create explicit images ... and complement them with high-resolution colour, merged or fused pictures and narrative messages".

2.2.2.3 The contemporary annual report

The contemporary annual report has evolved from a scant document conveying the minimum of financial information required by law, presented in black and white without accompanying narratives or visual images. Most contemporary annual reports are now presented in a glossy magazine style, produced by professional designers, featuring a mix of visual and design resources [Iedema, 2003]. They comprise quantitative

information, tables, narratives, graphs, photographs and diagrams [Courtis, 2000; Stanton and Stanton, 2002; Courtis, 2000]. The financial statements are typically relegated to the latter part of the report, preceded by the non-mandated information that companies choose to disclose.

The contemporary annual report of a large Australian company typically contains, along with the mandated content, a summary of performance highlights, a letter from the chairperson to shareholders, a review by the chairman and/or the chief executive officer and a review of operations [McBride, 1997]. Casual observation of such reports indicates that they typically make use of multiple colours, and frequently accompany narrative material with graphs and photographs. The production costs are not trivial. McQueen [2001] estimated that the annual report industry in Australia in 2000 was approaching $100 million a year. He suggests that the average cost of producing and distributing a typical report is around $25 per copy, but provides examples of more excessive costs, including that of a leather-bound, gold embossed report produced by Quintex Corporation before its demise which exceeded $100 per copy.

If those within companies are choosing to expend significant resources to produce glossy, magazine-style annual reports, with a significant proportion of the content reflecting voluntary disclosures, it is reasonable to assume that they consider the exercise to be a cost-beneficial one. One of the benefits that might be obtained is that of influencing the impressions that outside decision makers form about the company. Epstein and Pava [1993] report the results of an unpublished study conducted in 1975 in which it was found that many corporate executives saw the role of the annual report more as being an advertising tool to influence external decision makers than as a medium for financial reporting. This is consistent with Bartlett and Chandler's [1997] finding that the annual report is perceived by management to be an opportunity to promote corporate image, suggesting its role is more one of image or impression management than one of discharging of financial stewardship obligations.

2.3   USERS OF ANNUAL REPORTS

The preceding discussion indicates that companies do exercise the discretion afforded them in annual reporting by including voluntary disclosures in their annual reports. However, if annual reports are to serve an impression management role, it must also be demonstrated that there is an audience for the annual report at whom the impression management signals might be targeted. In this section, research into the users of annual reports is reviewed. First the argument deriving from a capital markets perspective that annual reports are irrelevant documents is briefly overviewed. The results of survey studies of report users are then presented to provide evidence suggesting that there is a diverse audience of users who indicate that they find the annual report to be a useful document.

2.3.1 The irrelevance argument

For some commentators, the existence of the annual report is an enigma. Since the seminal works of Ball and Brown [1968] and Beaver [1968], capital market research has consistently failed to find any share price reaction coinciding with the release of corporate annual reports [e.g. see Foster III et al, 1986; Cready & Mynott, 1991]. Such observations have been interpreted as indicating, consistent with the efficient market hypothesis, that annual reports have no usefulness. This is because they report historical data already in the public domain and therefore provide no incremental information content to market participants. As such, the annual report should be viewed as an irrelevant document and one that could not be expected to attract wide readership.

However, as Hines [1982] explains, there is an anomaly between the conclusions drawn by capital market researchers and the evidence provided from surveys of potential annual report audiences. Bartlett and Chandler [1997] suggest four reasons as to why annual reports might be read even if capital markets are efficient. The first is that some investors do perceive the reported information to be price relevant and they do trade on the basis of that information. However, such investors do not have sufficient market power to effect an aggregate share price reaction. This argument is consistent with one of the findings of Cready and Mynott [1991]. Although they found no share price

reaction to annual report releases, they did observe a significant increase in the number of transactions occurring in the five days following the report release. Further, their results indicate that the trading increase was driven by individual rather than institutional investors.

The second reason advanced by Bartlett and Chandler [1997] is that investors might find annual report information useful, but choose not to trade on it. Hines [1982] suggests that the report might provide a convenient summary for investors and play a confirmatory role assisting them in longer term investment decisions. In a similar vein, the third reason proffered by Bartlett and Chandler is that the annual report provides information which has "control value", with the directors' explanations of performance being of particular interest to small shareholders. Finally, Bartlett and Chandler suggest that because reports often provide information about broader issues of accountability, notably environmental and social information, they are of potential use to particular user groups who have an interest in such information. The results of the survey research outlined in the next section indicate, *inter alia*, that the reasons outlined here have empirical plausibility.

2.3.2 Surveys of potential annual report users
2.3.2.1 Individual shareholders
Surveys of individual shareholders conducted during the 1970s consistently showed that they did read and use information in annual reports. For example, the Securities and Exchange Commission [SEC, 1977] surveyed individual shareholders in the US, reporting that ninety-one per cent indicated that they read the annual report, with seventy-seven per cent indicating that they read it thoroughly. Lee and Tweedie [1975] report similarly high readership of many parts of the annual report by private investors in the UK. Survey evidence in Australia from the same period indicates that individual shareholders typically ranked the annual report first as the most important source of information for decision making [e.g. see Chenhall and Juchau, 1976; Winfield, 1978].

Research results reported during the 1980s similarly identify the annual report as an important information source for individual investors. Chang and Most [1980] found that individual investors in the United States ranked the annual report as their most important information source, while those in the United Kingdom and New Zealand ranked it as second or third. Courtis [1982] reports that sophisticated individual shareholders in Australia rated the annual report as the second most important source while unsophisticated users ranked it third behind stockbroker advice and newspapers. He also notes that only fifteen per cent of respondents would prefer not to receive an annual report and that more than one in three would be prepared to pay for the report.

More recently, Epstein and Pava [1993] found that individual investors in the UK were increasing their reliance on the annual report for investment decision information, ranking it first most frequently as the most used information source, with approximately three-quarters of respondents rating the annual report as very or moderately useful. Bartlett and Chandler [1997] found that only twenty-seven per cent of UK private investors did not read the annual report at all. In their study of Australian investors, Anderson and Epstein [1995] report that seventy-two per cent of individual shareholders rated the annual report as moderately or very useful for making investment decisions. Nonetheless, Anderson [1998] reports the annual report ranked third behind stockbrokers and financial newspapers as the main information source for individual Australian investors. Deegan and Rankin [1997] report that seventy-three per cent of the shareholders they surveyed looked to the annual report for information about environmental issues.

2.3.2.2 Other stakeholder groups
The research evidence suggests that it is not only the individual shareholders who read and use the annual report. Anderson [1981] reports that institutional investors in Australia also use the annual report, ranking it as their most important source of information. Lee and Tweedie [1981] similarly identified high readership of annual reports by institutional investors in the UK. Analysts also rate the annual report as useful. For example, Day [1986] in her interviews with investment analysts found that

analysts rate the annual report as an important source of background data for use in forecasting. Firth [1978] reports that financial analysts and bank loan officers gave rankings of over four to many corporate annual report items on a five point scale where five indicated the greatest importance for decision making. Deegan and Rankin [1997] found that thirty-one per cent of the analysts and brokers they surveyed looked for environmental disclosures in the annual report. They also report that fifty per cent of the financial institutions and eighty-three per cent of the review organisations that they surveyed similarly sought environmental disclosures in the annual report. Tilt [1994] found that the pressure groups she surveyed ranked the annual report first as the best place to make environmental and social disclosures.

2.4 READERSHIP OF ANNUAL REPORT CONTENT

In the discussion above evidence is reported that suggests that corporate annual reports do contain a variety of voluntary discretionary disclosures and that diverse audiences exist that read and potentially use the information in the annual report. The final precondition underpinning an impression management role for the annual report is that users of reports do read the voluntary disclosures and not just the more formulaic disclosures made to meet mandatory reporting requirements. In this final section, research is reviewed that indicates that voluntary disclosures are read, and are often read more widely than the mandated report content.

Studies conducted over time and in various national settings have consistently found that the chairperson's statement (often referred to as the chairperson's letter or address), a voluntary report inclusion, ranks as the most widely read and best understood component in the annual report [Lee and Tweedie, 1975; Lee and Tweedie, 1977; Anderson, 1979; Wilton and Tabb, 1978; Winfield, 1978]. For example, Lee and Tweedie [1975] report that around ninety-six per cent of shareholders read the Chairman's Report while Wilton and Tabb [1975] report readership rate of around eighty-seven per cent. In both cases, more than fifty per cent of respondents indicated that they read it thoroughly, ranking it the most thoroughly read part of the annual report, ahead of the profit and loss statement which was typically ranked second.

Anderson [1979] suggested that the appeal of the chairperson's statement may be that it is considered to be readable and understandable. He reports that around eighty-three per cent of respondents had no difficulty in understanding its content, consistent with Lee and Tweedie's [1975] finding that seventy-four per cent of respondents understood the chairperson's statement, ranking it first well ahead of the second-placed audit report (forty-one per cent), the balance sheet (thirty-seven per cent) and the profit and loss statement (twenty-six per cent).

Research results indicate that the chairperson's statement is not only read and understood, but that it is also used to assist individuals in their investment decisions. Lee and Tweedie [1975] report that users rated the chairperson's statement second behind the profit and loss statement as the most influential component of the annual report for investment decisions. Anderson [1979] reported the same ranking in his survey of Australian investors. Furthermore Lee and Tweedie [1975] found that the chairperson's statement was more influential for investors who were less well-informed about accounting issues. Analysts also appear to read and use the information included in the chairperson's statement. Day [1986] found that it came sixth in the list of the first ten annual report items refereed to by the analysts she interviewed. Firth [1978] found that that financial analysts and bank loan officers rated the discussion of the previous year's performance, a common inclusion in the chairperson's statement, as falling between important and very important on a scale assessing the usefulness of specific annual report disclosures.

More recent studies confirm the earlier findings that the chairperson's statement is one of the most widely and thoroughly read sections of the annual report [Courtis 1982; Bartlett and Chandler, 1997; Anderson, 1998]. Furthermore, evidence suggests that it is still seen as useful by investors. For example, Bartlett and Chandler [1997] report that the chairperson's statement ranked as the second most important annual report item, being placed between the financial summary and the profit and loss statement. Anderson [1998] found that the profit and loss statement was rated the most useful, followed by the balance sheet and the chairperson's statement. However, he noted that

the chairperson's statement experienced the largest percentage increase in its usefulness rating when compared to the results of his 1979 survey.

Institutional investors appear to differ slightly in their use of the annual report. Anderson [1981] found that the balance sheet and profit and loss statement are read more widely than the chairperson's statement and these statements are read the most thoroughly of any report components [Lee and Tweedie, 1981]. The profit and loss statement and the balance sheet are also rated as having the maximum influence on investment decisions by institutional shareholders, but the chairperson's statement is still ranked as having moderate to considerable influence [Anderson, 1981; Lee and Tweedie, 1981].

There is evidence indicating that other voluntary report disclosures also have an audience. For example, Anderson [1998] found other voluntary essay and pictorial disclosures ranked fourth in readership, outranked by the chairperson's statement, the directors' report and the profit and loss statement, but nonetheless attracting a readership of nearly fifty per cent of report users. Similarly Anderson and Epstein [1995] found that the essay and pictorial information about operations ranked third in readership. Epstein and Freedman [1994] report a strong demand for social information, particularly in regard to product safety and quality and environmental issues, in the annual report. As previously noted, there is demand for environmental information from a variety of stakeholder groups, including review organisations, pressure groups, financial institutions and some brokers and analysts.

2.5   OVERVIEW

The discussion in this chapter commenced with identification of three preconditions that needed to be satisfied if the corporate annual report is to play an impression management role. The first was that that annual reports contain disclosures in excess of those required by law. A review of the relevant research confirmed that annual reports do contain a variety of voluntary disclosures. The second precondition was that an audience for the annual report actually exists. The review of the literature revealed wide

and diverse user groups who collectively form the annual report audience. The final precondition was that is was reasonable to believe that the report audience reads some of the discretionary report content and, again, the research evidence supports this expectation. Thus the three preconditions necessary if corporate annual reports are to serve an impression management role are satisfied. The next step is to analyse more rigorously the applicability of Goffman's [1959] impression management framework to companies and to their reports. In the next chapter, the key aspects of the framework are identified and modelled and extended to the organisational context.

CHAPTER THREE: GOFFMAN'S SELF-PRESENTATION FRAMEWORK AND ITS APPLICABILITY IN ORGANISATIONAL IMPRESSION MANAGEMENT CONTEXTS

3.1 INTRODUCTION

In the previous chapter three preconditions were identified that necessarily underpinned the use of the corporate annual report as an impression management tool. A review of the relevant literature suggested that these three preconditions were satisfied. In this chapter the concept of impression management in the organisational context is examined more rigorously as is its applicability to corporate annual reports. The major elements of Goffman's [1959] analysis of self-presentation behaviour exhibited by individuals in social interactions are outlined. This is necessary because it is from this work that contemporary impression management theory has evolved. The specific purpose of the chapter is to achieve the first two objectives of primary aim of this study. The first is to develop an integrated model of Goffman's [1959] conceptualisation of self-presentation behaviour and the second is to construct a multi-level model demonstrating that the concepts underpinning individually-based self-presentation behaviour could be applied to behaviour in organisational contexts.

Fundamental to Goffman's[1] approach is the notion that individuals adopt expressive behaviours in social interactions. Such behaviour is intended to engender particular impressions in the minds of the audience members to whom it is directed. As such, Goffman utilises a dramaturgical analogy to describe individual impression management behaviour. More recently, researchers have extended Goffmanian impression management principles to organisational contexts. However, in order to do so legitimately, it needs to be argued that the individually-based concept of self-presentation can be appropriately extended as a logical descriptor of what might be perceived as organisational behaviour. If this can be accomplished, the next step in achieving the objectives of this study is to show that the annual report can, at least in

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[1] All further general references to Goffman are to his 1959 work

theory, be used as an impression management tool in a manner consistent with the Goffmanian impression management framework.

This chapter is structured as follows. First, Goffman's concept of self-presentation activity is overviewed. Its key elements and features are identified. An integrated conceptual model of the dramaturgical elements of self-presentation behaviour is proposed as a descriptive framework that follows from Goffman's work. Next the contemporary concept of impression management and its key motivations and strategies are overviewed. The relationship between these individually-based concepts and impression management at an organisational level is developed. The view articulated is one of the organisation as a coalition of individual actors, working collectively to produce what observers perceive as the actions or outcomes of the organisation.

A meso-paradigmatic approach is adopted in which the micro-level incentives and motivations of individual organisational members to act collectively at a meso (team)level to produce macro-level organisational phenomena are explained. This involves applying defeasible reasoning to outline the costs and benefits for the organisation and for its individual members when audiences foster positive versus negatives images of the organisation. The specific types of impression management techniques that might be used by organisational members are presented, along with a consideration of what each might be aiming to achieve.

Finally, the discussion focuses specifically on the corporate annual report, characterising it as the product of a team performance collectively orchestrated by individuals within the organisation to achieve impression management goals. It is argued that the annual report can be viewed as an instance of a team performance, and one which exhibits all of the elements of performance that Goffman considered to be important. Examples of how specific impression management techniques might be used in an annual report performance are provided. Finally it is noted that when viewing the annual report as performance in its own right, analysis of it from an impression management perspective must consider all elements of the performance collectively. If focus is restricted to

individual aspects in isolation, judgments about the cohesiveness and coordination of the performance, and therefore its likely success, cannot be reliably made.

3.2 THE GOFFMANIAN SELF-PRESENTATION FRAMEWORK

3.2.1 Social interaction and self-presentation: a dramaturgical analogy

The first comprehensive exposition of the sociological phenomenon of impression management is commonly attributed to Goffman as a result of his seminal monograph *Presentation of Self in Everyday Life,* published in 1959 [e.g. see Schneider, 1981; Leary and Kowalski, 1990; Bozeman and Kacmar, 1997; Dillard et al, 2000; Oswick et al, 2001]. Although there had been sporadic interest in the concept in earlier literature, it was Goffman's work which expanded and consolidated these prior references and served as the foundation for an impression management theory that was to be researched extensively by social scientists [Schneider, 1981; Schlenker and Weigold, 1992]. Within twenty years of the monograph's publication, Goffman's self-presentation framework had become an established mainstream theoretical framework [Clarke and Mangham, 2004] and it remains the most commonly used impression management perspective [Winter et al, 2003].

Goffman's aim in his 1959 work was to detail a "sociological perspective from which social life can be studied" [p. ix]. He did so by describing the nature of social interactions between individuals. He argued that individuals, when in the presence of others, generally have a motive to try to create impressions of themselves that serve their own self interests. Specifically Goffman [1959: 3] explained:

> [r]egardless of the particular objective which the individual has in mind and of his motive for this objective, it will be in his interests to control the conduct of others, especially their responsive treatment of him. This control is achieved largely by influencing the definition of the situation which others come to formulate, and he can influence this definition by expressing himself in such a way as to give them the kind of impression that will lead them to act voluntarily in accordance with his own plan. Thus when an individual appears in the presence of others, there will usually be some reason for him to mobilize his activity so that it will convey an impression to others which it is in his interests to convey.

The act of manipulating or controlling information about the self that is revealed to others in an attempt to foster those desired impressions has been labeled "self-

presentation" [Goffman, 1959; Schneider, 1981; Gardner and Martinko, 1988b]. Goffman utilised principles from the theatrical world to explain his self-presentation framework. He compared individuals to actors who, either deliberately or unwittingly, put on a performance when interacting with others. The purpose of the performance was to attempt to encourage those viewing it, the audience, to adopt a particular impression of the individual and/or the situation.

In engaging in self-presentation behaviour, therefore, an individual is engaging in expressive activity. However, as Goffman [1959: 2] explained, there are two distinct and radically different expressions that result from the self-presentation performance. The first is the expression "given". The second is the expression "given off". The expression given is the traditional verbal (or equivalent) communication delivered in the performance. The expression given off is the more subtle impression created by other factors, often seen as incidental to the performance and, perhaps, unintentional or involuntary. Such factors would include the confidence of the delivery, hesitations, facial expressions, gestures and so on, deliberate or otherwise. These factors can have a profound effect on how the performance is received by the audience, potentially reinforcing its effect, perhaps weakening it, or possibly contradicting it. It was with the expression given off that Goffman's account was more concerned, and he described it as the part of the communication that was "the more theatrical and contextual kind" [Goffman, 1959: 4].

Not surprisingly, researchers who have followed Goffman's approach typically refer to it as a dramaturgical perspective [e.g. Gardner and Martinko, 1988b; Oswick et al, 2001; Winter et al, 2003] or as a dramaturgical metaphor [e.g. Neu et al, 1998; Futrell, 1999; Sawyer, 2001]. Mangham [1990] is a notable exception, describing Goffman's dramaturgical analogy as a simile. Consistent with Mangham, the view adopted here is that Goffman is using simile specifically and deliberately as an explanatory device. The term "perspective" is imprecise and therefore unhelpful to those trying to enrol Goffman's theatrical comparisons to explain self-presentation and social interaction. Conversely, although precise, the term "metaphor" is inaccurate. Goffman does not

literally portray social interactive behaviour *as* theatre, but demonstrates that interactive behaviour is *like* theatre.

Goffman himself explained in his conclusion that the theatrical analogy was used as rhetorical scaffolding to help in the exposition of his account of self-presentation, a scaffolding that he acknowledges can and should be dropped. However, by drawing comparisons with the stage and by showing that self-presentation behaviour is like theatrical behaviour, Goffman provides a powerful analytical approach that can be utilised when attempting to analyse such behaviour. Heeding the caution of Bozeman and Kacmar [1997: 9] that to "truly understand the process of impression management it is essential to return to its [Goffmanian] roots", an appropriate starting point is Chapter One of the 1959 work. Here Goffman identifies the key aspects of theatrical performance that are pertinent to the analysis of individual behaviour in social settings. Although this behaviour is not literally theatre, researchers failing to consider all aspects of the theatrical simile potentially run the risk of achieving an incomplete description and understanding of individual behaviour in social interactions.

3.2.2 The key features of the performance

Goffman identified eight aspects of theatrical performance that are relevant to self-presentation behaviour. These aspects are not mutually exclusive, nor are they systematically developed to provide a logically sequenced and structured exposition of the nature of a performance. Instead they represent elements or characteristics of theatrical performance that Goffman viewed as important in describing individual behaviour in social settings. Collectively they represent a robust descriptive framework, providing eight dimensions to consider when such behaviour is analysed. Each instance of observed behaviour, if it is in fact self-presentation behaviour as described by Goffman, should be capable of being analysed in terms of these dimensions and, to some extent, display the aspects of performance described by him. Each of the eight aspects is now considered.

3.2.2.1 Belief in the part

When engaging in self-presentation behaviour, individuals (actors) want those observing that behaviour (the audience) to take them seriously and to believe that the impression they are trying to convey is sincere [Goffman, 1959: 15]. However the extent to which the actor believes in the role will vary. The actor may completely believe the impression conveyed to be the true impression, or may see it as completely false. Goffman describes this dimension of the performance as producing a continuum of belief, anchored at one end by sincerity and by cynicism at the other. Thus, although using the theatrical analogy, it is not a prerequisite of Goffmanian self-presentation that actors adopt roles that they view to some extent as a facade, as is generally the case in real theatre. Further, an actor projecting an untrue self-image in an interaction is still engaging in self-presentation in the Goffmanian sense, despite the fact that it is a false self that is being projected. The key requirement is that the actor is motivated to portray the role played in such a way that the audience is likely to perceive the performance as sincere, regardless of the actor's actual level of belief in the part.

3.2.2.2 Front

The second element of the performance identified by Goffman is "front". He describes front as: "the expressive equipment of a standard kind intentionally or unwittingly employed during the performance" [Goffman, 1959: 19]. Front includes setting, manner and appearance. Setting refers to the physical elements surrounding and used in the performance. This encompasses such things as the location in which the performance takes place, the scenery surrounding it, and the props used to support the performance. Manner and appearance collectively constitute the "personal front" of the actor [Goffman, 1959: 21]. Personal front includes individual characteristics such as gender, age and ethnicity. It also incorporates personal effects, such as clothing, and expressive elements, for example facial expressions, intonation, stance and gestures. Both setting and personal front are likely to impact on the effectiveness of the performance, particularly in regard to the expression given off. First, as Goffman [1959: 24] explains, actors must select a front appropriate to the role and, secondly, all aspects of the front should be consistent. If aspects of front are inconsistent, the effectiveness of the

performance is likely to be diminished. Thus self-presentation behaviour needs to focus on the elements of front to try to ensure that the expression given off supports and enhances the more overt expression conveyed by the words of the "script".

3.2.2.3 Dramatic realisation

Dramatic realisation relates to the need for actors to decide which specific facts are to be emphasised in their performance. Dramatic realisation is the dramatic action taken by actors to project their desired image or identity. As Goffman [1959: 26-7] explains: "the individual typically infuses his activity with signs that dramatically highlight and portray confirmatory facts that otherwise remain unapparent or obscure". Self-presentation involves the deliberate selection and highlighting of facts that are consistent with the desired image an actor is attempting to convey, particularly those that are likely to be unnoticed by those also engaged in the social interaction. Thus another aspect of self-presentation behaviour is that the performance is not an unbiased representation of an inherent underlying activity. It represents the result of a deliberate choice as to what aspects of that activity can and will be dramatically highlighted that are consistent with the objective of the self-presentation activity.

3.2.2.4 Idealisation

Not only do actors choose what aspects of their activity to highlight in their performances, they are also selective in the norms and values that they reveal and emphasise. Goffman [1959: 31] called this idealisation, explaining that: "when the individual presents himself before others, his performance will tend to incorporate and exemplify the officially accredited values of society, more so, in fact, than does his behaviour as a whole". Idealisation results in a biased performance because actors wish to be perceived as behaving in a manner that is highly consistent with those norms that are valued by society. As well as requiring potential dramatic exaggeration, idealisation necessarily also involves concealment of behaviour not consistent with the idealised values [Goffman, 1959: 36]. Hence it should be expected that self-presentation behaviour will exhibit an expressive bias, the particular direction of which is to overemphasise behaviour that is consistent with the norms and values that are held in

high esteem by society, while eliminating from the performance any activity that is inconsistent with these ideals.

3.2.2.5 Maintenance of expressive control

It is important that expressive control be maintained throughout any performance to maximise its effectiveness. The actor needs to minimise the likelihood that the audience might misunderstand any part of the performance. All cues, signs and gestures need to have expressive coherence, contributing to a consistent impression of the situation being portrayed in the performance [Goffman, 1959: 45]. Goffman particularly noted the potential for minor accidents or unmeant gestures to contradict the rest of the performance, despite them ostensibly appearing to be relatively brief or meaningless in the context of the overall performance. He gives as an example the fact that just one note off-key can disrupt the entire tone of a musical performance [Goffman, 1959: 45].

Goffman [1959: 46] classified incidents threatening expressive cohesiveness into three categories. The first was those that inadvertently suggested a lack of capacity or respect, such as yawning at an inopportune moment or making a slip of the tongue. The second category related to the apparent level of concern or commitment shown. Actors may have an appearance of too little commitment to their role, projected, for example, through hesitations or inappropriate emotive expressions, which reduce the actor's apparent sincerity and thus the believability of the part played. Similarly overacting, showing too much concern with the role, can also reduce the audience perception of its credibility. Finally, inadequate direction can contribute to unmeant interpretations of a performance. If the set or the props are not coherent with other expressive aspects of the performance or if they are in disarray, the desired interpretation of the performance may be lost or, indeed, contradicted. Hence, self-presentation behaviour can be expected to pay attention to the detail of ostensibly minor incidents or effects in order to maintain expressive control and minimise the opportunity for accidents, unmeant gestures or other inconsistencies to detract from the impression that the actor intends to convey.

3.2.2.6 Misrepresentation

Goffman [1959: 57] points out that misrepresentation is inherent in any performance because "the representation of an activity will vary in some degree from the activity itself and therefore inevitably misrepresent it". The misrepresentation can occur because of deliberate communication strategies employed by the actor. These include "innuendo, strategic ambiguity, and crucial omissions [which] allow the misinformer to profit from lies without, technically, telling any" [Goffman, 1959: 54]. However, misrepresentation can occur in the absence of such strategies simply because the actor chooses, in good faith, communication techniques intended to depict an activity accurately and authentically, but the resultant signs conveyed are perceived in a different way by the audience. A performance may be affected by, for example, loss of expressive control that renders the ultimate impression perceived by the audience different from the representation intended by the actor. Thus those engaged in self-presentation, and those analysing it, need to accept that misrepresentation is an inherent risk associated with such activity, and a risk that remains despite the absence of any malicious or deliberate motive to deceive.

3.2.2.7 Mystification

If self-presentation behaviour is likely to be successful, there must exist a degree of mystification that can be maintained between the actor and the situation, and the audience [Goffman, 1959: 58-61]. There needs to be some social distance and knowledge asymmetry between the actor and the audience. The actor requires some latitude in order to create a performance. If the audience is fully aware of all information pertinent to the performance and its objective, and is fully familiar with the actor and the actor's activities, the performance is likely to fail. The actor needs to maintain a situation of information asymmetry having greater access to the real facts than does the audience. Similarly the actor must control contact with that audience in other settings to prevent demystification occurring. Thus self-presentation behaviour is only likely to occur in situations where mystification has and can be maintained.

3.2.2.8 Reality and contrivance

The final aspect of the performance discussed by Goffman is reality and contrivance. He indicates that regardless of how real an appearance may seem, that appearance could still have been managed, noting that there is "a statistical relation between appearances and reality, not an intrinsic or necessary one" [Goffman, 1959: 62]. In fact many of the constructs that create the appearance of a particular reality are not material things that can be displayed. Creating an appearance of reality involves "a pattern of appropriate conduct, coherent, embellished and well-articulated" [Goffman, 1959: 65-66]. "Appropriate" here means conduct and action appropriate to the desired appearance being projected. It does not mean that the actor necessarily engages in this conduct, or actually possesses a particular attribute, in everyday life.

Thus, the dramatisation of particular conduct or attributes in the performance may be a contrivance to help sustain the performance and enhance its likelihood of success. To illustrate, the example given by Goffman is that of a young middle class American girl in the 1950s "playing dumb" for the benefit of her boyfriend. There is no doubt that the girl is a young, middle class American – this is reality – but the appearance of "playing dumb", however real and convincing it may seem, is a contrivance to achieve the image that she desires to project. Hence any self-presentation performance can be, and most likely is, a mixture of reality and contrivance.

3.2.2.9 A structured synthesis of the aspects of the performance

It was noted above that Goffman's exposition of the eight aspects of performance was not particularly structured or logically sequenced. However, closer consideration of Goffman's discussion suggests that an interrelated structure and sequence does, in fact, exist among the elements. A proposed conceptual model is presented in Figure 3.1. It consists of three parts: the performance pre-conditions, the performance, and the performance outcomes. Each is now discussed in turn.

Figure 3.1 A structured synthesis of Goffman's eight features of the performance

Performance Pre-conditions	→	The Performance	→	Performance outcomes

Effective scripting and effective staging choices

Necessary:
- A degree of mystification exists between actor and audience

Sufficient
- Actor is motivated to play the role, regardless of degree of belief in the role

Scripting Elements

Dramatic realisation
- Emphasis of confirmatory facts

Idealisation
- Emphasis of valued societal norms
- Concealment of inconsistent values

Misrepresentation
- Innuendo
- Strategic ambiguity
- Crucial omission

Reality and contrivance
- Contrived activity
- Embellishment

Staging Elements

Front
- selection of appropriate front
- coherence of setting, manner and appearance

Maintenance of expressive control
- reduce risks of accidents and unmeant gestures
- cohesive direction

Effective scripting + ineffective staging choices

Ineffective scripting + effective staging choices

Successful outcome
- Audience perception of situation is consistent with the impression the actor was trying to present

Unpredictable Outcome

Unsuccessful outcome
- Audience perception of situation is not consistent with the impression the actor was trying to present

Ineffective scripting and ineffective staging choices

3.2.2.9.1 Performance pre-conditions

Two of the eight aspects discussed by Goffman are not really elements of the performance *per se* but relate to conditions that must exist if a performance is likely to occur. The first of these is the necessary condition of mystification. As noted above, if actors are to impress their audiences to accept a particular view of the situation being presented in a performance, there must be information asymmetry and distance between the actor and the audience. Without mystification there is no incentive to perform because the actor lacks the power to influence an audience if its members are in full command of the actual facts surrounding the situation.

Secondly, the element of belief in the part also relates to performance pre-conditions. Specifically it is suggesting that it is not necessary that actors actually believe the parts they play, nor is it necessary that they see each part as fiction as is normally the case in real theatre. It is sufficient that an actor has the motivation to play the role effectively, regardless of their actual degree of belief in the part. If the conditions of motivation and mystification are satisfied, a self presentation performance is likely, and the actor's consideration turns, deliberately or involuntarily, to the construction of the actual performance.

3.2.2.9.2 The performance

In Figure 3.1 the performance is depicted as being constructed of two distinct elements. The first is the scripting of the performance. Four of Goffman's eight features of performance are relevant here. Dramatic realisation suggests that script content will favour positive, confirmatory facts, particularly those that may otherwise go unnoticed. Idealisation also leads to selective content. Behaviour that is consistent with the norms that the actor believes are valued by the audience will be scripted, and perhaps overrepresented relative to its actual occurrence. Any conduct that suggests the actor's values are inconsistent with those valued by observers will be excluded from the script. Misrepresentation suggests that the script may well contain omission, innuendo and ambiguity if this is likely to help to achieve the objective of the performance. The final scripting element is reality and contrivance, signifying that the actor may embellish the

performance with contrivances in order to sustain and enhance the impression being projected. Collectively, the scripting elements are the "expression given".

With the key elements of the script decided, the performance must be staged. Goffman's remaining elements of performance, front and maintenance of expressive control, are relevant here. They relate to the coordinated and cohesive delivery of the script, that is, the expression "given off". Actors must assume a manner and appearance (personal front) consistent with the role, and act out the script surrounded by appropriate scenery and props that reinforce the impression being conveyed throughout the performance. Finally, good direction and careful acting is necessary to maintain expressive control. That is, the performance should proceed with no accidental, unmeant gestures, outbursts, or other inconsistencies that detract from the portrayal of an image that is perceived by the audience to be consistent and convincing.

3.2.2.9.3 Performance outcomes

The ultimate objective of the self-presentation performance is to have observers perceive the actor and/or the situation in the way intended by the actor. Thus a successful performance is one in which the audience's interpretation of the situation matches that which actor is trying to convey in the performance. That is not to say that the interpretation accords with reality. The situation portrayed could be entirely false, in that the actor is deliberately trying to misrepresent a situation. Success is measured by the degree of alignment between the actor-intended outcome and the audience-perceived outcome, not the degree of correspondence between audience perceptions and reality. If an actor is able to discern the important elements of the role and is able to judge the predisposition of the audience accurately, effective scripting content choices are likely to be made. The more effective are these choices, the more likely it is that the self presentation behaviour will achieve its objective. Similarly, the more effective are the staging choices, the more likely it is that the performance objective will be achieved.

However, in order to predict the success or otherwise of the performance, it is necessary, as is indicated in Figure 3.1, to consider collectively the elements of scripting and

staging. If scripting choices are appropriate but staging elements are inconsistent and/or inappropriate, it is difficult to predict the outcome of the performance. Some minor discrepancies may be overlooked by the audience, while other seemingly trivial accidents or losses of expressive control can overwhelm the scripted content rendering it ineffective. Similarly, effectively combined staging elements that are not supported by a coherent, effective script may also fail. Thus those constructing a performance and those analysing it should adopt a holistic view that encompasses both the scripting and staging elements. Further, it is not sufficient to focus on certain aspects of scripting and staging. All aspects must be considered, because omissions, problems or inconsistencies that may seem innocuous when viewed in isolation can have a profound effect on the impression that is left with the audience when viewed in the context of the whole performance.

3.2.3 Individual versus team performances

The discussion above has focused on the elements of performances conducted by individuals engaging in self-presentation behaviour. When observing performances, Goffman [1959: 67] offered two further insights. First, the personal front adopted by individuals was often not an end in itself purely to portray a particular image of the individual. Rather the purpose may be to contribute something to the broader scene that constitutes the situations in which individuals find themselves. Secondly, the situation projected by an individual is often an integral part of a projection that involves other cooperating actor-participants. This led Goffman [1959: 69 – 70] to suggest that, while individual actors can be observed as contributing the fundamental units of activity, the team performance in which the actors cooperate should be the fundamental point of reference for the study of impression management.

Goffman [1959: 90] defined a team as: "a set of individuals whose intimate cooperation is required if a given definition of the situation is to be maintained". He noted that teams are not informal clique-type groupings, nor are they necessarily formally defined structures like those that might occur, for example, in organisations by virtue of staff status or divisional classification. Instead performance teams consist of those

individuals who act cooperatively to create or maintain a particular impression. Individuals in the team may enact similar performances or they may play dissimilar parts. Nonetheless the performance gives rise to a team impression that can be viewed as a distinct outcome in its own right [Goffman, 1959: 69].

In developing the performance team concept, Goffman [1959: 71-72] identified two conditions inherent in such teams: the existence of reciprocal dependence and the existence of reciprocal familiarity. Reciprocal dependence refers to the fact that each team member is dependent on the others to play appropriate parts in constructing the team impression that emerges from the performance. Any member is capable of defying the "party line" [p. 74] and undermining the team performance through inappropriate expressive activity. Reciprocal dependence bonds the team members together. Reciprocal familiarity describes the fact that all team members are "in the know" [p. 72]. They share an understanding of the level of reality and contrivance, the biased script choices, the deliberate fronts adopted, and so on. It is these two elements, dependence and familiarity, that distinguish performance teams from other team groupings.

Two final features of the team performance observed by Goffman were the "conceptions of dramatic and directive dominance" [1959: 88]. The dramatically dominant team member is the one who is the most prominent figure in the performance, playing the starring or leading role. The remaining team members will differ in their degree of dramatic dominance, some playing strong supporting roles, others acting out the bit parts as required by the script. The team member with directive dominance is the individual who has assumed, or been given the right to, control the formulation and conduct of the performance. The director's duties can be many and varied, including tasks such as maintaining team coherence and discipline, allocating parts, and selecting and coordinating aspects of front.

3.2.4 Summary

The framework developed by Goffman to describe self-presentation behaviour by individuals utilised a dramaturgical simile to describe the behaviour of individuals as

similar to that of actors on the stage. Individuals adopt roles and act them out in order to try to leave a particular impression with their audience. As such, close attention must be paid to coherent, consistent scripting and staging if the desired performance outcome is to be achieved. In analysing the performance, Goffman suggests that the team performance is the appropriate level of analysis. In certain situations individuals need to act cooperatively to create a team impression, bound together by mutual dependence and mutual familiarity. Individuals within the team may play different roles each with their own personal front, and display degrees of dramatic and directive dominance, but work together collectively and cooperatively to create an agreed upon team impression.

3.3 CONTEMPORARY CONCEPTIONS OF IMPRESSION MANAGEMENT

3.3.1 From self-presentation to impression management

It is Goffman's fundamental notion of self-interested, self-presentation behaviour that has formed the foundation of the large body of impression management research that has emerged, predominantly since the 1980s. Impression management is typically described as a process in which individuals engage to create and maintain a particular identity for the purpose of achieving a desired goal [Schlenker and Weigold, 1992; Bozeman and Kacmar, 1997]. It is an attempt by an individual to influence and control the perceptions or impressions that others form about that individual or situation [Schneider, 1981; Leary and Kowalski, 1990; Gardner, 1992, Winter et al, 2003]. The individual strategically manages verbal and non-verbal behaviours in order to try to create the desired view [Bozeman and Kacmar, 1997].

Although the label used in contemporary research is typically "impression management", the behaviour explained or assumed is most often that of self-presentation as described by Goffman. Despite a tendency for the processes of self-presentation and impression management to be treated as different terms for the same process [e.g. see Leary and Kowalski, 1990], a number of researchers argue that a distinction can and should be made. Gardner and Martinko [1988b] suggest that self–presentation is one type of impression management behaviour, albeit the most prominent. An individual may engage in behaviour that is designed to influence perceptions about entities other

than the self. For example, an individual may participate in a performance with the objective of managing impressions about others, organisations, cities and so on [Leary and Kowalski, 1990].

Schlenker and Weigold [1992] express a similar view. They elaborate, noting that in some circumstances the information that individuals attempt to control may be only indirectly self-relevant. An example would be that of an individual engaged in a public relations role for a business [Schlenker and Weigold, 1992; Gardner and Avolio, 1998]. Consistent with Schlenker and Weigold's approach, Gardner and Avolio [1998: 34] provide a contemporary definition of impression management as: "the goal-directed activity of regulating information about some object or event, including the self, (subsuming the concept of self-presentation), primarily for other persons".

On the surface, this may appear to be a slightly different concept from that advanced by Goffman. However, his views of the objective of the performance are pertinent here:

> In thinking about a performance it is easy to assume that the content of the presentation is merely an expressive extension of the character of the performer and to see the function of the performance in these personal terms. This is a limited view and can obscure important differences in the function of the performance for the interaction as a whole.
>
> First, it often happens that the performance serves mainly to express the characteristics of the task that is performed and not the characteristics of the performer. Thus one finds that service personnel whether in profession, bureaucracy, business or craft enliven their manner with movements which express proficiency and integrity, but, whatever this manner conveys about them, often its major purpose is to establish a favourable definition of their service or product. Further, we often find that the personal front of the performer is employed not so much because it allows him to present himself as he would like to appear but because his appearance and manner can do something for a scene of wider scope. [Goffman, 1959: 67].

Thus, recourse to Goffman suggests that his view of performance, the term he used to describe the holistic expression of an instance of self-presentation behaviour, is sufficiently broad to encompass behaviour that is undertaken with the primary aim of influencing the impression that audiences form of something other than the actor. Presumably, too, the performance behaviour is at least indirectly self-relevant to the actor, and therefore goal directed, otherwise there is little incentive to invest effort in providing a sincere performance. Thus the distinction between the concepts of self-

presentation and impression management is pragmatic, not semantic. Consistent with much of the recent literature, the term "impression management" is adopted hereafter.

3.3.2 Motivation to engage in impression management behaviour

It was noted above that impression management behaviour is goal-directed. Individuals will only be motivated to invest effort in such behaviour if it is related, directly or indirectly, to the achievement of their goals. Goffman did not analyse the motivation behind impression management behaviour [Schneider, 1981; Leary and Kowalski, 1990]. However, Leary and Kowalski [1990], after reviewing an extensive body of impression management literature, identified impression motivation as the first of the two distinct processes that constituted impression management (the second being impression construction). In his review of Jones and Pitman's 1980 work, Schneider [1981], reiterated five specific motivations that individuals may have when engaging in impression management. These were a desire to have others like them, think them competent, judge them to be morally worthy, fear them, or feel sorry for them.

The extent to which individuals act on these motivations through impression management behaviour depends upon three main factors [Leary and Kowalski, 1990]. These factors are the goal relevance of the impression, the value of the desired outcomes, and the discrepancy between the individual's current image and the desired one. Firstly, then, impression management behaviour is instrumental: the more likely it is that the behaviour will result in a desired goal, the more motivated is the individual to engage in it [Schlenker and Weigold, 1992; Bolino, 1999]. Secondly, the incentive increases as the value of the desired outcome increases [Leary and Kowalski, 1990; Bolino, 1999]. Finally, motivation is linked to the need to modify one's image in order to achieve the desired outcome. The greater is the discrepancy between the individual's perception of their current image and that considered necessary to achieve the desired outcome, the greater is the incentive to try to modify that image [Leary and Kowalski, 1990; Bolino, 1999].

The desired outcomes that individuals strive for can relate directly to a tangible benefit where individuals engage in impression management behaviour in order to attempt to acquire economic resources from others [Schneider, 1981]. This is what Leary and Kowalski [1990] describe as maximising the material reward-to-cost-ratio. In other cases the initial desired outcome can be less tangible. The objective may be to enhance self-regard, social relations and/or to create or reinforce a desired self-identity [Schneider, 1981; Leary and Kowalski, 1990]. Often, as Leary and Kowalski note, the desired outcomes are not mutually exclusive. Behaviour which creates an identity that enhances an individual's self-esteem might also ultimately lead to other social and economic rewards. For example, individuals attempting to create an identity as a competent and valuable employee may be rewarded by both enhanced self-esteem and improved salary as a result of the impression they have been able to construct.

3.3.3 Impression construction

Impression construction was the second distinct process identified by Leary and Kowalski [1990] in their two component model of impression management. After reviewing a number of experimental studies they identified five primary factors that influence the way in which individuals actually attempt to manage their impressions. These were [Leary and Kowalski, 1990: 40 – 41]:

- *The concept of self*: individuals attempt to emphasise what they perceive to be the more favourable aspects of themselves when projecting an image in the public domain. Hence an individual's perception of their own image or their sense of personal identity will affect choices about what aspects of image are more likely to be promoted or hidden in impression management attempts.

- *Desired and undesired identities*: as well as having a sense of their own identity, individuals often perceive other characteristics as desirable. Impression management activities are usually biased towards projecting those characteristics that are consistent with the image that the individual desires to have.

- *Role constraints*: the fact that others perceive certain roles as having particular characteristics associated with them limits the range of behaviour that individuals will tend to display in public. Individuals will avoid behaviours that would

generally be considered to be "out of role" behaviour. For example, the patron of an organisation lobbying to prevent whaling would not also publicly dine on whale meat. Such a public display would be inconsistent with the patron role and serve to reduce its credibility.

- *Target's values*: in constructing the image to be projected through impression management, individuals tend to try to conform to the values and expectations that they believe are held by others who are considered important to the individual's impression management goals. Thus the perceived values and norms held by significant members of the audience influence the behaviour displayed by an individual.

- *Current or potential social image*: impression management behaviour is aimed at projecting and maintaining a particular desired image. Thus impression management behaviour will be regulated by the individual's perception of how they are currently regarded by the audience and/or how their image might change in the future. For example, self-perceived deficiencies in the image projected will compel behaviour to remedy those deficiencies. Similarly fears about possible future revelations may result in certain behaviours now in order to try to mitigate those effects, or conversely actions might seek to capitalise on revelations that are expected to have a positive effect.

Regardless of the particular strategies induced by the five factors above, two distinct categories of impression management behaviour have been observed [Gardner and Martinko, 1988b; Dutton and Dukerich, 1991; Schlenker and Weigold, 1992; Mohamed et al, 1999; Arndt and Bigelow, 2000; Hooghiemstra, 2000; Palmer et al, 2001]. The first category is assertive (or acquisitive / proactive) impression management which is undertaken to enhance an already established image or identity. Typical strategies include "acclamation" and "entitlement" whereby the individual takes credit for positive outcomes, and magnifies the achievement in order to maximise the image enhancement potential. The second category is defensive (or protective / reactive) behaviour which is adopted when an existing image needs to be repaired or protected from an image-threatening event. Typical strategies here include offering "accounts" to excuse or

justify behaviour in order to try to save face or possibly to deny an event or to disclaim involvement or responsibility. Whatever the particular form, defensive strategies aim to minimise the harm to an individual's image that can flow from a negative event with which the individual is seen to be associated.

These categories of impression management behaviour can be further classified as direct or indirect [Schlenker and Weigold, 1992; Mohamed et al, 1999]. Direct strategies are ones in which individuals promote themselves by presenting positive information about themselves. For example, individuals draw attention to a desirable personal characteristic or a particular positive achievement by referring explicitly to this information and its association with them in the presence of the target audience. Indirect strategies involve a third party [Gardner, 1992; Andrews and Kacmar, 2001]. Individuals either disclose information to a third party in the hope that it will ultimately be conveyed to the target audience, or they try to draw attention to associations with "favourable others" in an attempt to have the positive characteristics of those favourable others also associated with themselves. Conversely, individuals will conceal or distance themselves from associations that are likely to have negative connotations for the target audience.

Impression construction involves the use of both verbal and nonverbal strategies [Gardner and Martinko, 1988b]. Verbal strategies are the accounts or explanations that actors give in their performances [Giacalone, 1988; Elsbach, 1994]. These correspond to the scripting elements of the performance (the "expression given") in Figure 3.1. Nonverbal strategies relate to the staging elements of the performance and contribute primarily to the "expression given off" [Gardner and Avolio, 1998]. These strategies consist of nonverbal expressive behaviours and artefactual displays. Expressive behaviours refer to such things as voice tone, facial expression and body positioning while artefactual displays refer to dress, physical appearance and aspects of the physical setting [Schneider, 1981; Gardner, 1992].

Although they have received very little research attention compared to their verbal counterparts [Schneider, 1981, Gardner and Martinko, 1988b, Bozeman and Kacmar, 1997], nonverbal strategies are a very important part of impression management [Riggio, 1992; Bozeman and Kacmar, 1997; Gardner and Avolio, 1998]. As Schneider [1981: 26] explains: "[l]imiting discussion of self-presentation to verbal utterances does as much violence to the genre as discussing film acting only on terms of the lines spoken by the actor". Research confirms that nonverbal aspects of behaviour do affect judgments that are made about individuals [P DePaulo, 1992; Levine and Feldman, 2002; Rashotte, 2002; Goldberg and Cohen, 2004; Mast and Hall, 2004].

Furthermore, evidence suggests that observers are likely to attribute more weight to nonverbal cues than verbal ones [P DePaulo, 1992; Bozeman and Kacmar, 1997; Goldberg and Cohen, 2004; Grandey et al, 2005]. This can occur because they are highly visible [Chaney and Lyden, 1997] and are often perceived as relatively uncontrolled actions [Grandey et al, 2005], even though they may actually be used purposively and strategically [B DePaulo, 1992; Riggio, 1992; Gardner and Avolio, 1998]. Nonverbal aspects of the performance have the potential to complement or contradict the verbal expression given. If nonverbal cues are inconsistent with the content of the verbal script, it is the latter that may play a stronger role in the impression formation process.

3.3.4 Summary

Impression management, the contemporary label for Goffman's self-presentation behaviour, is a goal-directed activity in which individuals engage to attempt to influence how they are perceived by others. Successful impression management behavior can be rewarded with both tangible and intangible benefits, including enhanced self-esteem, achievement of a desired social identity, and material gains such as increased salary. Impression construction strategies can be broadly categorised as assertive or defensive, with the former referring to behaviour calculated to enhance an already positive image while the latter categorisation describes reactive behaviour aimed at repairing a damaged or threatened image. Further these actions might be verbal or non-verbal and may take

the form of direct self-promotion or they may be indirect involving a party other than the self.

3.4   IMPRESSION MANAGEMENT IN ORGANISATIONS

3.4.1 Moving from the individual to the organisation

Regardless of the specific strategies used, impression management behaviour is underpinned by a theoretical framework that is grounded in concepts of individual social interaction. As such, its transference to an organisational context is not necessarily axiomatic or unproblematic. Nonetheless, and despite its origins in individual behaviour, impression management theory has been applied in organisational settings [Hooghiemstra, 2000]. Much of the interest has been in applying it to individual behaviours within organizational, rather than other social, settings [Duimering and Safayeni, 1998; Mohamed et al, 1999]. However, there has also been a growing interest in what have been termed "organisational impressions" [Winter et al, 2003] with some researchers attempting to apply impression management theory to explain so-called "organisational behaviour" in influencing what might be perceived as the organisation's image [e.g. see Dutton and Dukerich, 1991; Ginzel et al, 1991; Elsbach and Sutton, 1992; Mohamed et al, 1999; Arndt and Bigelow, 2000]. It is with "organisational impressions" and the organisational image that this study is concerned.

Consistent with Dutton and Dukerich [1991], a distinction is made between organisational "image" and "reputation". Image refers to the perceptions that those inside the organisation have about how the organisation is viewed by outsiders while reputation refers to the actual attributes that outsiders associate with the organisation [Dutton and Dukerich, 1991; Marziliano, 1998]. Researchers at the macro-organisational level argue that organisations construct, maintain and promote organisational images in order to influence their externally perceived reputations [e.g. see Duimering and Safayeni, 1998; Marziliano, 1998].

It is here that the arguments become potentially problematic. Impression management is based upon micro-level concepts describing individual behaviour [Mohamed et al,

1999]. As Chriss [1995] notes, Goffman does not provide any guidance on how the micro-processes he describes are linked to larger social structures such as corporations. Extrapolation to a macro-organisational level requires some articulation about, or at the very least some implicit assumptions about, the nature of organisations and/or organisational behaviour. Researchers have followed one of three general approaches: treating the organisation as a purposeful "self" in its own right; using micro-based behaviour as a descriptive metaphor for what is viewed as organisational behaviour; or viewing the organisation as a collective of cooperating individuals. Each is considered briefly in turn.

3.4.1.1 Organisations as purposeful "selfs"

White and Hanson [2002] appear to be the only researchers who have acknowledged potential obstacles when extrapolating Goffman's work from individual to collective settings such as corporations. Their approach was to lift the assumption of "human nature" and treat the corporation as a purposeful "self". Others have simply adopted terms like "corporate actors" [e.g. Allen and Caillouet, 1994] and implicitly assumed that processes of "organisational" behaviour are no different from individual behaviour. However, such approaches effectively reify or anthropomorphise the organisation [Hambrick and Mason, 1984; Walsh and Ungson, 1991; Morgeson and Hofmann, 1999].

Whilst anthropomorphic assumptions may be convenient, they do not accord with reality. Organisations do not have human characteristics or human abilities. They cannot perceive things or process data, they do not remember things, they do not have attitudes [Daft and Weick, 1984; James et al, 1988; Walsh and Ungson, 1991; Davies et al, 2004]. That is not to claim that no organisational phenomena or characteristics actually exist. Some certainly do, and some can only be sensibly conceived of at the macro-organisational level. Examples would include organisational size, function, reputation, market capitalisation and so on. The important distinction here is that organisations do not possess traits or abilities that are the result of individual psychological processes [James et al, 1988].

The characterisation and analysis of an organisation as a reified, purposeful corporate persona can lead to analytical errors. Walsh and Ungson [1991] explain two types of errors that can occur. The first are errors of commission which occur when entities are described as having attributes, for example biological attributes, that they simply do not possess. This can lead to inaccurate understanding of organisational phenomena due to problems associated with construct validity – outcomes are ascribed to processes that actually do not exist. The second type of error is that of omission when only selective traits are attributed to the organisation, potentially omitting important explanatory variables at the macro level. For these reasons, along with the obvious descriptive anomaly, the view of organisations as purposeful "selfs" is rejected.

3.4.1.2 Impression management as a metaphor for organisational processes

One way of avoiding anthropomorphism and its associated problems is to acknowledge that while organisations do not literally possess human characteristics and abilities, they appear to behave in certain ways that are consistent with individual human behaviour [Walsh and Ungson, 1991; Brown, 1997]. That is, researchers employ a personification metaphor in which the company is equated metaphorically with a person in order to aid analysis and understanding [Davies et al, 2004]. As Staw [1991] notes, one view is that micro-level theory can be a useful metaphor for describing what is perceived as behaviour at the macro-organisational level.

Whilst acknowledging that the personification metaphor can, indeed, be a useful device, Hackman [2003] describes it as interpretively dangerous while Davies et al [2004] similarly caution that, if taken too literally, a metaphor can deceive because metaphors are, by definition, not true. As with reification, the personification metaphor is vulnerable to errors of commission and omission. A further risk is that of blurring the levels of analysis. As Klein and Kozlowski [2000] explain, a relation that holds at one level of analysis (e.g. the individual micro level) may not apply at other levels or the nature of the relationship may be different. Given these potential problems, the personification metaphor is also rejected as an appropriate way to view impression management processes within organisations.

3.4.1.3 The organisation as a collective of cooperating individuals

A third approach that may be adopted when studying organisations is to view the organisation as a collective of participating individuals [Brown, 1997]. As such the focus of analysis is on individual behavioral acts [Morgeson and Hofmann, 1999] and what is perceived as organisational behaviour is, in fact, the collective outcome of individual behaviour and interactions within an organisational context [Brown, 1997]. As Schneider [1981: 451] appeals:

> [w]e have been seduced into thinking that organizational structures and processes are the causes of the attributes, experiences, feelings, meanings and behaviors that we observe there. We attributed cause not to the people attracted to, selected by and remaining within organizations but to the signs of their existence in the organization: to structure, process and technology.

> Enough is enough. We are psychologists and behavioral scientists; let us seek explanation in people, not in the results of their behaviour. The people make the place.

This approach has received considerable support. For example, Mowday and Sutton [1993] argue that the organisational context can be viewed as the consequence of individual or group behaviour. Iedema and Wodak [1999] concur, noting that an organisation has no existence that is independent of its members and that the organisation is continually recreated as a result of acts of communication between members. Staw [1991: 801] describes at least part of organisational behaviour as "individual behaviour in disguise". This leads him to suggest that what is perceived as macro behaviour might actually have micro explanations.

The notion of an organisation as a collective of individual actors has logical and descriptive appeal. However, there still remains the question of what is the appropriate level at which the analysis should be conducted. Further, it may be overly simplistic to assume that one level of analysis is sufficient to describe and explain interactive and collective behaviour in organisational settings. If organisational phenomena are viewed at just the macro level, the role of human behaviour and interaction in their creation is overlooked. This is what Morgeson and Hofmann [1999: 255] describe as a "surface level" approach, and because related lower level constructs and processes that influence or contribute to the creation of the phenomena of interest may go unobserved, there is

likely to be a loss of explanatory power. Hackman [2003: 918] agrees, claiming that to skip over levels of analysis "is to replace explanation with speculation".

It can be similarly dangerous to constrain analysis to an examination of micro level process for at least two reasons that were noted above. First, there are some phenomena that are legitimately macro constructs and have no sensible meaning at a micro level. Secondly, relationships observed at the individual level may not be stable across other levels. As Klein and Kozloswki [2000] caution, relationships that are observed to hold at lower levels could be weaker, stronger, or in a different direction at other levels. Such observations have led to calls for mutli-level research [Klein et al, 1999].

House et al [1995: 73] argue that a distinguishing feature of organisational phenomena is that there are linkages between several levels of analysis. Researchers are now being encouraged to link macro and micro concepts to develop more integrated and robust theories of organisations [Fu et al, 2004]. It is also being recognised that researchers cannot simply examine micro and macro processes separately and then attempt to sum them to understand organisational behaviour [House et al, 1995; Klein and Kozlowski, 2000]. Instead, an intervening level of analysis, the meso level, is required. The meso level sits between and intersects the micro and macro levels. Analysis of it focuses on "the processes by which micro and macro variables interact and affect one another" [Morgeson and Hofmann, 1999: 250].

3.4.2 A meso-paradigmatic approach to impression management in organisations

The meso-paradigmatic framework for integrating micro and macro level research in organisational behaviour was developed by House et al [1995]. They provide the following formal definition of the approach:

> meso theory and research concerns the simultaneous study of at least two levels of analysis wherein (a) one or more levels concern individual or group behavioral processes or variables, (b) one or more levels concern organizational processes or variables, and (c) the processes by which the levels of analysis are related are articulated in the form of bridging, or linking, propositions [House et al, 1995: 73].

To apply this approach to efforts to manage the organisational image requires identification of the different levels at which impression management processes are operable in an organisation, the relevant organisational phenomena to which they relate, and specification of a set of bridging assumptions to explain how the levels are related to and affect each other. The macro organisational phenomena or variables of interest are, as noted earlier, the organisational image and the corporate reputation. The task is to show how impression management behaviour in organisations might occur at different levels in an attempt to influence these phenomena. Clearly one level of analysis must be the macro organisational level where organisational phenomena are perceived to emerge or exist.

Following Goffman, and adopting the view of the organisation as a collection of cooperating individuals, two further relevant levels of analysis become apparent. Recall that Goffman identified individual actors as contributing the fundamental units of impression management activity, but that individuals often cooperate to produce team performances motivated by impression management goals. Hence the micro level of analysis is that of the individuals within the organisation and their fundamental motivations to engage in impression management behaviour. Theorising at this level involves specifying the motivations of individuals in their role as organisational members to engage in impression management behaviour that might influence the organisational image. The next level – the meso level in this construction - is the team performance level. The team performance intersects the level of behaviour by individuals and the macro level at which the organisational phenomena of image and reputation emerge. Theorising needs to explain the bridging assumptions that suggest that individuals will come together to stage a team performance for organisational impression management purposes, and to identify who the members of that team are likely to be, and how that performance relates to the organisational image.

3.4.2.1 The macro (organisational) level of analysis

At the macro organisational level the organisation is perceived as an entity in its own right, both by those within it and those who are outsiders. This is not the same thing as

equating the organisation to an anthropomorphic being which can act on its own behalf. Instead it is acknowledging that at one level, those viewing an organisation do not distinguish it from its constituent parts, particularly when attributing certain attributes to it. Exchange partners, for example, typically evaluate the organisation and the attributes that they associate with it holistically when making decisions about transacting with it. This is inevitable because key concepts like organisational reputation and organisational performance only emerge and have meaning at the macro level.

Of key interest here in the context of organisational impression management is the macro concept of organisational image. As noted earlier, organisational image refers to perceptions formed by those inside the organisation as to how the organisation is viewed by those outside it. In other words, it is the insiders' views of the reputation that outsiders ascribe to the company. A good reputation can be viewed as an intangible asset that facilitates transactions between the company and its exchange partners [Vendelø, 1998] by reducing the uncertainty faced by external decision makers [Fombrun and Shanley, 1990; Duimering and Safayeni, 1998; Vendelø, 1998]. This translates into tangible benefits such as the ability to command premium prices for the organisation's goods and services, attracting high quality personnel, obtaining borrowed funds on more favourable terms due to higher credit ratings which reduce borrowing costs, attracting investors more easily, and creating stable and continuous resource flows for the organisation [Fombrun and Shanley, 1990; Brown, 1997; Duimering and Safayeni, 1998; Vendelø, 1998; Hooghiemstra, 2000].

An organisation's reputation, therefore, is a valuable resource and one which needs to be protected and promoted to maintain and enhance its value. One obvious means of doing this is through impression management behaviour because the fundamental objective of impression management is to influence the perceptions of the audience to whom the performance is directed. However, while reputation emerges and is perceived as a macro level organisational phenomenon, it cannot be managed at the macro level because organisations do not possess biological and psychological processes that enable action. These observations lead to the following three propositions:

Proposition 1: Corporate reputation is an organisational phenomenon that emerges at the macro level.

Proposition 2: Corporate reputation is a valuable exchange facilitator for organisations.

Proposition 3: Although organisational reputation emerges at the macro level, impression management behaviour to influence outsiders' calculations of it cannot occur at the macro level because organisations are not anthropomorphic entities.

3.4.2.2 The micro (individual) level of analysis

The focus at the micro level is on individual behaviour and interactions. Impression management behaviour is goal directed. Insiders will only engage in behaviour to attempt to manage outsiders' views of the organisation's reputation to the extent that it is likely to help them achieve personal goals. Thus it is necessary to demonstrate a link between insiders' personal goal achievement and the corporate reputation. Recall that Leary and Kowalski [1990] identified both tangible material rewards and intangible psychological benefits as desired outcomes that could motivate impression management behaviour. It is argued here that organisational reputation can provide intangible benefits for individual organisational members by enhancing their self-esteem and/or social identity. Further, material benefits can accrue to the individual as a result of a positive organisational reputation through increased individual monetary rewards and enhanced career prospects. Some of these benefits result from a direct link between organisational reputation and the individual, while some flow indirectly because of the impact that reputation has on the organisation at the macro level.

In relation to intangible psychological benefits, many researchers have noted a link between individuals' self-esteem and senses of identity and their perceptions of the organisational image [e.g. see Dutton and Dukerich, 1991; Dutton et al, 1994; Marziliano, 1999]. Specifically, organisational members perceive that the organisation's audience judges them, at least in part, by the attributes that are ascribed to the

organisation as whole. If the organisation is judged to be successful, responsible, competent and so on, then members perceive that these attributes are also ascribed to them individually. Conversely, if members feel that the audience views the organisation negatively, the negative attributes impact adversely on individual self-esteem and identity. Further, a poor organisational image can generate specific personal dysfunctional consequences for the individual such as tension and depression [Dutton et al, 1994].

The organisation's reputation can generate material rewards for organisational members through the competitive advantage that results from a good reputation. If this advantage generates superior profits for the organisation, as it should if it can command premium prices, lower borrowing costs and so on, this provides direct monetary gain to those members whose remuneration is linked to the organisation's financial performance. Similarly, members will benefit directly in those organisations which have a policy of providing periodic bonuses based on financial performance. It can also benefit those who are part of employee or executive share ownership or option schemes as superior and stable profits should also be reflected in superior share market returns and enhanced security values. Indirect benefits may accrue if superior organisational performance, facilitated by a good reputation, provides leverage to employee and union groups to lobby for better work-related conditions and rewards for organisational members.

Finally, material benefits can accrue as a result of enhanced career prospects. If a good organisational reputation results in positive attributes being associated with its members, individual members should benefit from a competitive advantage in the job market. Conversely, if an organisation suffers from a loss in reputation, "stigmatisation" of some organisational members may occur if they are blamed for unfavourable outcomes [Sutton and Callahan, 1987]. Individual job losses may follow and, because audiences associate organisational characteristics with the personal attributes of organisational members, it may be difficult for those leaving the organisation to obtain the positions they desire elsewhere. Career prospects can also be harmed through the indirect impact of the loss of the competitive advantage conferred by a good reputation if any

consequential performance downturns result in retrenchment and downsizing, putting individual jobs at risk.

The following propositions, then, emerge from the above discussion:

Proposition 4: Corporate reputation is goal-relevant to individual organisational members because of the tangible and intangible benefits that accrue to individuals as a result of a good corporate reputation. Specifically members can benefit:

> 4a: indirectly through the impact that a good corporate reputation has on organisational performance;

> 4b: directly through tangible benefits that can accrue to individuals through their association with an organisation that has a good reputation; and

> 4c: directly through psychological benefits arising from association with an organisation that has a good reputation.

Proposition 5: Because corporate reputation is goal-relevant to organisational members, individuals in the organisation are motivated to engage in impression management behaviour that they believe will enhance the organisation's reputation.

Although necessary for impression management behaviour to occur, motivation alone will not ensure that it ensues. Not all individuals in an organisation are able to influence outsiders' perceptions of the organisation with the same degree of credibility and therefore potential success. Specifically, organisational audiences look to top level management members to provide explanations and accounts of organisational performance and actions [e.g. see Ford and Baucus, 1987; Ginzel et al, 1991; Aguilera et

al, 2007] and it is these top managers who attract most of the blame for unfavourable outcomes [Sutton and Callahan, 1987]. Outsiders view the organisation as reflective of its top management [Hambrick and Mason, 1984; Sutton and Callahan, 1987]. An individual's desire to create an organisational impression will be more intense when that individual's organisational affiliation is visible [Dutton et al, 1994], as is generally the case with top level managers in an organisation. The CEO, in particular, is often seen symbolically to personify the company, and the image of the CEO and the company have become increasingly intertwined [Sutton and Callahan, 1987; Park and Berger, 2004].

Further, it is the members of top management who are likely to benefit most from management of the organisational image. As was noted earlier, the extent to which individuals will act on their motivations to manage impression depends, in part, upon the value of the desired outcomes that impression management behaviour is likely to achieve. The value of the material and intangible benefits that flow from a good organisational reputation is likely to be much higher for members of top management than for those at lower echelons in the organisation. For example, executive level employees are more likely to have remuneration contracts linked to firm performance and to be involved in share or option based incentive schemes. Some research evidence suggests that there is a significant positive relationship between executive compensation and firm performance, albeit one of a relatively small magnitude [O'Reilly et al, 1988; Main et al, 1995]. In terms of broader job prospects, evidence suggests that board positions are linked to an individual's performance in previous executive positions. For example, Coles et al [1999] find a strong relationship between assessment of CEO performance and the likelihood of obtaining post-retirement board positions. Pettigrew and McNulty [1998] note that most board chairs have a background as successful executive directors.

Propositions 6 to 9 reflect these top management opportunities and incentives:

Proposition 6: Members of top management are more likely to be successful in managing the impressions formed about the organisation than are those at lower levels within the organisation because top management members are perceived as credible and appropriate spokespeople for the organisation by its audience.

Proposition 7: The organisational affiliation of top managers is more readily visible than is the organisational affiliation of other organisational members.

Proposition 8: The results of organisational impression management behaviour are likely to generate more valuable benefits for top management members than for those in the lower levels of the organisation.

Proposition 9: Because of their credibility, the visibility of their organisational affiliation, and because of the potential benefits that accrue to top management members from a good corporate reputation, top management members are more likely to engage in impression management behaviour to attempt to influence perceptions about the organisation's reputation than are other organisational members.

The final factor influencing the extent to which an individual is likely to engage in impression management is the discrepancy between the current and the desired image. In the organisational context, image refers to the perceived organisational image, not the individual's own self-image. Individuals can make their own assessments of the discrepancy between the current and desired organisational image and plan impression management strategies accordingly. However, because the perceived organisational image is an individual subjective evaluation, it is likely that different individuals will derive different assessments of the situation and/or of the necessary impression management performances that are required. If left to act alone, individuals may stage a series of what may be perceived collectively by the audience as a set of uncoordinated and possibly contradictory performances. As a result, the impression management

attempt is liable to fail and even produce counter-productive results. Hence individuals will see the need to coordinate their responses with others similarly motivated, with each response based on a negotiated, collective view of the situation.

The result may be a team performance which, as Goffman identified, is necessary when individual impression management participants require and are dependent on the cooperation of others to maintain the definition of the situation that they wish to convey. Once a team performance is contemplated, analysis must move from the micro level to the meso level. Thus the final micro-level proposition is:

Proposition 10: Top management members will recognise the risk that is associated with individual attempts to manage the organisational image and will seek the cooperation of other similarly motivated members to stage a team performance.

3.4.2.3 The meso (team) level of analysis

If collective impression management behaviour is to occur at the meso level, there needs to be a set of individuals sufficiently motivated to cooperate and act as a performance team. The micro level analysis, above, suggests that this group will be individuals holding top management positions in the organisation. This group has been variously labeled by researchers as the "dominant coalition" [Cyert and March, 1963; Staw, 1991], the "upper echelon" [Hambrick and Mason, 1984] or the TMT (top management team) [Aguilera et al, 2007]. Regardless of the label used, the membership of this group remains ambiguous and needs to be specified in each context in which the group is instrumental.

In the context of performance teams for impression management purposes, Goffman's definition is relevant: the team is not one delineated by formal organisational boundaries, hierarchies or status, nor is it an informal clique. A performance team is united by a need to cooperate in order to maintain a given definition of the situation. Its members are bound together by reciprocal dependence and reciprocal familiarity.

Ginzel et al's [1991: 12] definition is a useful starting point: "top management is defined as the individual or individuals that the organizational audience turns to as the symbolic figureheads and who are expected to provide public accounts". Such individuals are reciprocally dependent because if any one of these figureheads plays a part that is inconsistent with the image promoted by the rest of the team, the value of the performance is compromised. As noted, the CEO is likely to be an important symbolic figurehead, as are other organisational members who have the authority to provide public accounts, including public relations personnel [Ginzel et al, 1991].

In organisations where the CEO is not also the chair of the board of directors, a situation common in the UK and Australia, the chair is also usually expected to share the responsibility of company spokesperson with the CEO [Lorsch and Zelleke, 2005] and hence would also be a member of the performance team. This may initially appear counterintuitive, given that the objective of splitting the role of chair and CEO is to increase board independence from the CEO. However research results suggest that CEOs still dominate board activities and processes even when the chair is separate [Pettigrew and McNulty, 1998]. Westphal [1998] reports that when CEOs face a loss of structural power through a more independent board structure, they engage in interpersonal influence tactics, particularly attempts to ingratiate and persuade. His findings suggest that such behaviour constitutes an effective alternative source of power that mediates the effect of increases in the apparent structural independence of the board. Further, the interests of the chair and the CEO are often intertwined, increasing the likelihood that they will cooperate to promote mutual self-interest. For example, Florou [2005] reports that the board chair is more likely be replaced when the CEO is dismissed, a situation which would see both motivated to cooperate to try to avoid.

Potential team membership extends beyond those who are the mutually dependent spokespeople to include all of those who are "in the know" and therefore bound by mutual familiarity [Goffman, 1959: 72]. These are the individuals, typically executive managers, who together with the CEO and other spokespeople engage in a collective interpretation process and through discourse and negotiation derive a shared

interpretation of the situation that can be used as a reference point for action [Daft and Weick, 1984; Ford and Baucus, 1987; Walsh and Ungson, 1991; Hambrick and Mason, 1994; House et al, 1995]. In the context of organisational impression management this requires negotiation of a shared interpretation of the organisation's current image and an assessment of the divergence between this and the desired image. This assessment, then, helps the team to decide what sort of performance to stage – what elements need to be included in the script, what the appropriate staging elements are and so on.

Collective interpretation of the situation and determination of the performance requirements involve two key processes: inclusion and collective sense-making, both of which were identified by House et al [1995] as examples of generic meso processes. Those entrusted to be involved in the interpretation are likely to have a strong sense of identification with the others so included. The greater is the sense of identification, the greater is the group cohesion, level of cooperation and adherence to group norms [Ashforth and Mael, 1989; Dutton et al 1994; House et al, 1995]. All of these factors increase the likelihood that a team performance will actually be staged [Gardner and Martinko, 1988b]. A further factor to consider is the expected value of the team effort. In addition to the individual micro-level benefits that were identified above, psychological benefits can emerge at the meso level that will reinforce and intensify the motivation to cooperate. For example, factors like the distinctiveness and prestige of the group, along with a sense of similarity and liking among team members, results in a member's social identification with the team also enhancing their individual self-identity and self esteem [Ashforth and Mael, 1989; Main et al, 1995].

The following meso-level propositions emerge from the discussion above:

Proposition 11: Those members of top management and the board who are viewed as symbolic figureheads by the organisational audience are bound together by mutual dependence.

Proposition 12: Those members of the organisation who engage in collective sense-making and who negotiate a shared interpretation of the organisational image for the purpose of organisational impression management are bound by mutual familiarity.

Proposition 13: Mutual dependence and mutual familiarity result in strong group identification among those so related.

Proposition 14: Strong group identification increases an individual's psychological rewards and therefore their desire to remain in the group.

Proposition 15: Strong group identification increases the likelihood of cooperation to produce a team performance.

Proposition 16: Those bound by mutual dependence and mutual familiarity in relation to the interpretation and management of the organisation's image will stage a coordinated team performance with the objective of achieving the desired organisational image.

Proposition 17: A successful team performance will have a positive impact on the external reputation of the organisation.

The propositions developed above and their relationships across the different analytical levels are illustrated in Figure 3.2. Together the seventeen propositions comprise a multi-level theory extending Goffman's individual-level self-presentation framework to the management of an organisation's image by organisational members acting as a cooperative performance team for impression management purposes. In a team performance, the process of impression construction needs to be a negotiated and cooperative one. As with a solo performance, all aspects of scripting and staging need to be carefully coordinated to maximise the likelihood of a successful impression management. However, the organisational impression construction process is

Figure 3.2 The relationship between organisational reputation, individual benefits and impression management behaviour

Macro level (P 2)
Benefits accrue to the organisation due to favourable evaluations of reputation on the part of exchange partners

Meso level (P 16)
A team performance is staged

Macro level (P 1)
Organisational Reputation

P 4a

Micro level (P 4)
Benefits accrue to individuals because of the impact of reputation on organisational performance, e.g. increased performance pay, increased value of employee / executive shareholdings
Benefits accrue to individuals through outsider perceptions of organisational association, e.g. better career prospects
Benefits accrue directly to the individual through enhanced self-esteem and reduction in negative personal outcomes

Meso level (P 11 – P 15)
Mutually bound individuals negotiate a shared view of the organisational image and the impression management responses necessary to manage that image

P 10

Micro level (P 5 – P 9)
These benefits create incentive for members of top level management to engage in impression management behaviour to enhance, maintain or repair the perceived organisational image

P 4b

P 4c

P 14

P 17

68

potentially more complex than the solo performance due to the need for consistency in the message portrayed by various players and the fact that the image of the organisation and its top managers tend to be intertwined.

3.4.3 Organisational impression construction

It was noted above that Leary and Kowalski [1990] identified five factors that influence the way in which individuals managed their impressions – the concept of self, desired and undesired identities, role constraints, the target's values, and current or potential social image. These factors operate in a similar way in the organisational image management process. However, each tends to have a dual nature in this context because an organisation can be viewed both as an entity in its own right, the macro level view, or symbolically through individuals such as the CEO and/or chair who are perceived as reflecting the organisation's image and values.

The concepts of self, identity and image now include both characteristics of the visible members of the performance team and characteristics that are associated with the organisation as a whole. Where they are perceived by the team members as important to the audience's assessment of the organisation, positive aspects of top managers may be emphasised if this is likely to enhance the organisation's image by giving indications of strong leadership, innovative direction and so on. Equally importantly, aspects of the organisational "self" or identity need to be recognised and promoted, possibly in an anthropomorphic way – for example the organisation, as a distinct entity, may be promoted as a caring environmentally friendly one if this is relevant to the impression management goal.

Role constraints now also apply on two levels. Individual members of the performance team must avoid out-of-role behaviour because of the visibility of their association with the organisation and the likelihood that their behaviour can influence the audience's perceptions of the organisation's reputation. Similarly, the organisation as an entity must be seen to be "behaving" within an acceptable range of conduct. For example, if the team is trying to cultivate an organisational reputation that includes connotations of national loyalty and social responsibility, its operations should not be conducted offshore in a third world country taking advantage of cheap child labour and unsafe work practices.

Finally, members of the performance team need to be aware that the norms and values of the target audience relate to both the individual team members and to the organisation as a whole. That is, in trying to conform to the expectations of the organisational audience, team members need to assess what is expected from them as individual representatives of the organisation, to the extent that they judge individual member behaviour to be relevant to audience perceptions about the organisation. They also need to anticipate the standards that the audience expects of the organisation as an entity at the level of perceived macro organisational phenomena, including desirable organisational practices, impacts and outcomes.

Once these dual individual and macro level aspects of the relevant impression construction influences have been negotiated by the impression management team, the actual impression management behaviours that will comprise the performance need to be agreed and enacted. The specific techniques that may be used have been well documented in the literature and the major ones are outlined below. The descriptions draw on Gardner and Martinko [1998a, 1988b], Giacalone [1988], Dutton and Dukerich [1991], Gardner [1992], Ginzel et al [1991], Schlenker and Weigold [1992], Bozeman and Kacmar [1997], Mohamed et al [1999], Arndt and Bigelow [2000], Hooghiemstra [2000], Andrews and Kacmar [2001], Jaja [2003] and Lewis and Neighbors [2005]. The specific examples given are original.

3.4.3.1 Direct assertive impression management techniques

Direct, assertive impression management techniques are those that involve promotion of aspects of an individual or organisation with the objective of enhancing the image of that individual or organisation. The major techniques used are self or organisational promotion, ingratiation, exemplification, intimidation and supplication.

Self or organisational promotion occurs when attention is drawn to the positive accomplishments of an individual or organisation. Two particular techniques are enhancement and entitlement. *Enhancements* are used to state the positive, favourable outcomes that actors wish to highlight about the entity that is the subject of the impression management performance. In the context of this investigation, the subject entity is the organisation and/or its visible representatives. For example, a

company spokesperson might draw attention to the company's record profit in a speech to shareholders at the annual general meeting, or attention might be drawn to a particular achievement of one of the company's leaders, such as nomination for a prestigious business leadership award. *Entitlements* refer to ensuring that the actor's responsibility for the positive outcome is emphasised and maximised. The record profit would be clearly explained as occurring due to deliberate actions taken by those responsible for the running of the company and not, for example, due to a general economic upturn. The specific objective of self or organisational promotion is to engender feelings of superior ability, capability and competence.

Ingratiation is a technique used to enhance an entity's likeability or attractiveness to others. As well as emphasising the entity's attractive properties, specific techniques include flattery, doing favours for others and expressing opinions that conform to those of the target audience. An example would be the way in which Disneyland is promoted as "the happiest place on earth". Another would be an advertising campaign emphasising the importance of personal customer service and the value of customer opinions.

Exemplification relates to emphasising the normative values that the performance team wishes to have seen as being possessed and espoused by an entity. The objective is to create perceptions of integrity and social responsibility, indicating that the entity is worthy of audience support. Examples include making public charitable donations in the name of an organisation and using recycled and recyclable materials for product packaging. At an individual level, a CEO may take on a role as patron for a respected charity or be a spokesperson against undesirable actions such as animal cruelty or environmental degradation.

Intimidation is designed to create an image of power. The objective is to have an entity feared as one that is willing and able to take action against those who would attempt to impede its activities or contradict its spokespeople. Obviously this is a technique that needs to be used with care as such an image may damage rather than enhance a company's reputation. However, in some circumstances a powerful image may be seen as beneficial. For example, the management of a forestry company that is the target of protests by environmental activists may take legal action against those

individuals if it believes that key audience members would perceive the environmental protest action as extreme and unjustified. In other situations, more veiled, indirect threats may be used. Spokespeople for a company which is a major employer in an otherwise depressed rural area might release comments about the possibility of having to relocate unless they are able to negotiate continued exemptions from local council emission regulations.

Supplication is another technique whose use will be restricted to special circumstances. It involves presenting an individual or an entity as being weak or helpless and dependent on the assistance and support of others. As such, it is unlikely to be used generally to enhance an organisation's reputation. However, it may be use to convey a particular image to a very targeted audience. For instance, management might use this appraoch when trying to obtain financial backing from the government or to obtain concessions in labour negotiations.

3.4.3.2 Indirect assertive impression management techniques

Indirect techniques also aim to enhance the organisational image, but do so not by direct reference to attributes of the organisation or its members. Instead, these techniques emphasise relationships with, and attributes of, parties with whom the organisation is associated. The major tools are boasting, blaring, burnishing and blasting. Boasting and blaring focus on highlighting connections with other parties while burnishing and blasting concentrate on emphasising the characteristics of other parties.

Boasting, also referred to as BIRGing (basking in reflected glory), involves emphasising an organisation's positive connection with another party. An example would be prominently exhibiting photographs of an admired sporting team wearing clothing clearly displaying the organisation's logo. The aim is to enhance the organisational image by highlighting the positive relationship with another entity that is well regarded by the organisational audience.

Blaring is used when the audience might perceive that the organisation has a relationship with another that it views as undesirable. In such situations, the aim is to show the difference between the entities – organisational members may acknowledge

a potential relationship but emphasise that the link is a negative one. The aim is to try to show that the organisation or its activities or products have characteristics opposite to that of the undesired party. An example might be a company engaged in producing canned tuna which may be associated undesirably with an industry perceived to be cruel to dolphins. The link with the industry cannot be denied but marketing strategies can highlight that the company is negatively related to the undesirable characteristic by clearly indicating on its product labels that its tuna is "dolphin friendly".

Burnishing is a technique in which the attractive features of a third party with whom the organisation is known to be linked are emphasised. It is "other" rather than self promotion but the objective is that promotion of a favourable other will result in the associated organisation also being favourably evaluated by the audience. For instance, fast-food chain MacDonald's might sponsor advertisements extolling the good work done by the Ronald MacDonald House charities world-wide. Whilst not directly promoting MacDonald's or its links to the charity, its reputation is likely to be enhanced through positive audience association as a result of the promotion.

Blasting involves derogation of an opponent or competitor. By making obvious the unfavourable attributes of a competitor, the objective is that the audience will increase their positive evaluation of the organisation against which that party competes. This is a strategy that needs to be used carefully as open denigration of others is likely to result in a loss of reputation. However, subtle use may be beneficial and this strategy has been used by Pepsi in its advertising campaigns against rival Coca Cola. To illustrate, one advertisement shows a young boy placing a coin in a vending machine and selecting a can of Coca Cola. He repeats this and takes another can of Coca Cola. He then places the two cans on the ground and steps up on them to allow him to reach the higher-positioned Pepsi button. The boy uses a third coin to get his drink of choice and walks off with a can of Pepsi leaving the rival cans behind.

3.4.3.3 Direct defensive impression management techniques

Direct, defensive impression management techniques are those that involve attempts to repair an image that has been damaged or to ward off threats that are anticipated as

potentially damaging to the image. The major tools used are accounts, disclaimers, apologies and self or organisational handicapping.

Accounts are the explanations that organisational spokespeople give in an attempt to reduce the severity of a potentially negative or damaging outcome or event to try to protect or repair the organisation's image. There are three common types of accounts: denials, excuses and justifications. *Denials* are defences of innocence in that the explanation given suggests that either the negative event or outcome did not actually occur, or that the organisation or its members were not involved. For example, some companies trading with Iraq as part of the United Nation's Oil for Food Program which operated between 1996 and 2003 have been accused of making inappropriate payments to benefit the Iraqi government. Spokespeople for a company rumoured to be involved could make a statement denying that such payments occurred or stressing that the organisation was not a party to such payments.

Excuses are used to acknowledge that a negative event involving the organisation did occur. However, any responsibility for the event is denied. Instead, external causes are identified and blamed. For example, in a press release commenting on a significant financial loss, the CEO will attribute the cause of the loss to uncontrollable external factors which the company cannot avoid, such as changes in the government's import policies placing pressure on the organisation's domestic sales, rather than on internal factors such as the marketing strategies of the firm.

Justifications are used when responsibility is accepted for a negative event in which the organisation is involved but the spokespeople wish to deny the severity or the negativity of the event. Similarly, a claim might be made that the action was necessary to achieve a more significant positive end. For example, an explanation from a pharmaceutical company trialing a new cancer drug which resulted in severe debilitating side-effects in a number of trial participants might justify the negative outcome as, although regrettable, necessary in the context of the pursuit of the greater good of searching for a cure for cancer.

Disclaimers are, in effect, excuses offered in advance for possible future outcomes that may have negative repercussions for an organisation. Problems or potential outcomes are explained before they actually occur, thus mitigating the effect of negative outcomes if they do, in fact, eventuate. An example here is the way in which superannuation fund promotional material often includes projections about the wealth that members may expect to accumulate for retirement, along with disclaimers about actual future performance. A prosperous retirement is typically portrayed, one made possible by skilled investment decisions and low fund management fees, but this message is then tempered by disclaimers explaining that the projection is based on assumptions about investment returns and so on and that actual outcomes may be different, and that individuals should obtain professional advice before changing their existing arrangements.

Apologies are admissions of blameworthiness and regret for a negative event and attempts to seek forgiveness from the audience. A spokesperson may have little option other than to offer an apology when an organisation's involvement in and responsibility for an undesirable outcome is undeniable. An apology can also try to convey the impression that the occurrence is atypical and not a fair representation of how the organisation should be viewed in general. A spokesperson might offer an apology when negligent work-place practices occurred which resulted in loss of life. While admitting blame can be damaging, it is undeniable in this case, and failure to apologise is likely to harm the organisation's reputation more than publicly accepting responsibility and expressing remorse.

Self or organisational handicapping is a strategy in which a hurdle is deliberately placed in the path of individual or organisational success to make its achievement look unlikely. The purpose is to create an external cause that may be blamed when subsequent performance is expected to be poor. In a conference call to analysts, for example, company spokespeople may caution that due to expected effects of regulatory changes and increased interest rates, future growth rates may not be as good as those in the past. If growth rates do slow, there is an acknowledged (external) reason as to why this occurred, thus mitigating negative attributions to the actions of those in the organisation. If rates in fact increase, the organisation is

viewed even more positively for having overcome the hurdle and achieved growth despite the obstacles faced.

3.4.3.4 Indirect defensive impression management techniques

Like their assertive counterparts, indirect defensive techniques aim to manage an organisation's image through reference to others rather than focusing on the organisation or its members. Defensive strategies, however are used when the image has been damaged and/or threatened by the association with another party. Burying and blurring focus on potentially damaging connections that an organisation has with another, while boosting and belittling concentrate on the negative characteristics of others with whom the organisation is associated.

Burying involves disclaiming, obscuring or concealing a link that the organisation or its members have with another that is regarded negatively by the audience. For example, the company may be involved in a joint venture with a mining company that has been found negligent in another area of its operations and had to make reparation to a community for damages that unsafe waste disposal practices caused. Whilst the information about the company's ventures may be provided, it would not identify its negatively regarded partners.

Blurring is a technique in which a negative link to something which is favourably evaluated by the audience is minimised. For example, a pharmaceutical company may have previously spoken out against a regulatory policy for drug testing that has come to be valued highly by the community. Any past opposition to the policy is obscured or downplayed.

Boosting is necessary when an entity with which the organisation is linked has features that are viewed unfavourably by the organisational audience and therefore may also reflect badly on the organisation. The strategy is to boost the favourable characteristics of that entity and downplay its negative characteristics. For example, a company may sponsor a soccer team that plays in a league that is sponsored by a tobacco manufacturer. Company spokespeople would focus on promoting the favourable features of the league with which the team is associated in an attempt to

repair any harm done by the potentially negative connotations of the tobacco sponsorship link.

Belittling is a strategy that is used when the organisational audience admires characteristics of another. It is an attempt to have those features devalued. For example, a motor vehicle manufacturer may be compared to a rival whose product has numerous optional extras, not available on its models. A belittling strategy would see organisational spokespeople describe the competition's optional extras as unnecessarily costly, increasing fuel consumption, distracting and so on.

3.4.4 Summary

Although Goffman's impression management framework was founded on principles of individual behaviour, it can be applied to the management of organisational impressions because audience perceptions of organisational reputation are goal relevant for individual organisational members. While the organisation itself is not anthropomorphic and therefore cannot engage in the management of its image, organisational members have incentives to act collectively to negotiate a shared interpretation of the macro-level image and orchestrate a cooperative team impression management performance. This might be aimed at influencing audience impressions of the organisation as a holistic entity or it may be aimed at influencing perceptions about the key, visible organisational representatives that the audience views as personifying the organisation and its values. A range of impression management strategies might be adopted as part of the team performance, depending upon the opportunities and demands facing the organisation and its members.

3.5 IMPRESSION MANAGEMENT AND THE CORPORATE ANNUAL REPORT

3.5.1 The corporate annual report as an impression management tool

It was noted in Chapter Two that, although regulatory requirements specify minimum report requirements and require such content to be audited, much of what is included in the annual report is voluntary in nature. Additional disclosures are made at the discretion of corporate management and are not subject to independent scrutiny. As such the annual report provides an opportunity for management to include strategically selected information with the objective of achieving impression

management goals making it a potentially valuable impression management tool. The narrative discussion included in the reports can set a framework for how the company will be judged [Aerts, 1994] and influence the audience's perceptions of the organisation's reputation [Vendelø, 1998; Hooghiemstra, 2000]. Sittle [2003] notes that the imagery and colour included in annual reports and the particular styles and design layouts adopted can increase the effectiveness of a corporate message compared to that delivered as plain, written statements alone.

Consensus exists in the literature that corporate annual reports are utilised as impression management instruments [e.g. see Salancik and Meindl, 1984; Ginzel et al, 1991; Neu et al, 1998; Mohamed et al, 1999; Arndt and Bigelow, 2000; White and Hanson, 2002; Sittle, 2003]. They are particularly suited to this role because they are viewed by users as documents that are both credible and authoritative, yet they are ones in which editorial control remains with those who prepare them [Neu et al, 1998; White and Hanson, 2002]. Neu et al [1998: 269] suggest that the:

> apparent credibility and dissemination of the annual report to relevant publics provides organizational managers with a unique opportunity to design a particular organizational image for their relevant publics..
> ...
> Using Goffman's (1959) dramaturgy metaphor, narrative disclosures in annual reports allow managers to stage and direct the play they wish their publics to see, to pick the characters, to select the script and to decide which events will be highlighted and which will be omitted.

This statement suggests that, more than being an impression management tool, the annual report constitutes a team performance in its own right. If this is the case, it has important implications for the analysis of annual reports in an impression management context. As was discussed above, the fundamental unit of analysis should be the team performance as a whole, suggesting that the annual report needs to be considered in its entirety and that any analysis that focuses on selected components in isolation from the totality of the performance is potentially incomplete.

3.5.2 The corporate annual report as a team performance

If the annual report can be conceived of as a performance in its own right, it should exhibit characteristics consistent with the eight elements of performance that were considered important by Goffman, and that were presented as a synthesised structure

in Figure 3.1. These were arranged into three categories – the performance pre-conditions, the scripting elements of the performance, and the staging elements.

3.5.2.1 The performance pre-conditions

The first element is the necessary precondition of mystification or the requirement for some asymmetry between the knowledge possessed by the performance team and that available to the audience. This condition is certainly met in the case of annual reporting and, in fact, is often cited as the reason why reporting is necessary. For example, in their review of the corporate disclosure literature, Healy and Palepu [2001] argue that the demand for disclosure and reporting arises from the information asymmetry that exists between managers and those outside the firm and the inherent agency conflict that arises from this.

The next pre-condition is the sufficient condition of motivation to play the role, regardless of the actual level of belief in the part. It was explained above that individual members of top management, the board chairperson and associated public relations personnel have motivation to negotiate and stage team performances with the objective of influencing the external audience's perceptions about the organisation. It was further noted that disclosures like those made in the annual report can be instrumental in influencing how outsiders judge the organisation. Hence, regardless of their actual view of the situation, members of the performance team, bound by reciprocal familiarity and reciprocal dependence, should be motivated by self-interest to produce an annual report that is consistent with the team's impression management goals.

3.5.2.2 The performance scripting elements

The four scripting elements are dramatic realisation, idealisation, misrepresentation, and reality and contrivance. The script is, in effect, the information that is included in the annual report, including the voluntary narratives and associated figures, graphs and tables. Dramatic realisation occurs when actors decide which specific facts are to be emphasised in their performance. Voluntary report disclosures reflect this decision. What is included, as Neu et al [1998] explain, reflects management's mediation of the imperfect relationship between organisational actions and the disclosures that are made about them. The expectation is that firms will emphasise

facts consistent with the promotion of a positive, valued organisational image in their disclosure choices. An example is apparent in the selective use of graphs reported by Beattie and Jones [1999, 2000a,b]. They observe that graphs of key financial variables are significantly more likely to be included in annual reports when they portray a favorable trend. The inclusion of graphs in this case emphasises the positive financial news.

Idealisation relates to selectivity in the norms and values revealed in the performance. Specifically, the performance will emphasise behaviour which exemplifies values that team members believe are held in high regard by the audience. Idealisation is reflected, for example, in disclosure decisions about the corporate social responsibility (CSR) information voluntarily included in annual reports. Research results suggest that increased scrutiny by the audience is associated with increased disclosure [Deegan and Gordon, 1996; Deegan et al, 2002; Campbell, 2004]. Furthermore, negative CSR information tends to be concealed, while the amount of positive CSR information disclosed tends to increase when an organisation's image is potentially under threat [Deegan and Rankin, 1996; Deegan et al, 2000].

Misrepresentation may occur in many forms in annual reports. As Goffman noted, it may be due to innuendo, strategic ambiguity or omission, as well as unintentional miscommunication. Attempts to reduce the clarity of report narratives through the use of textually complex prose may be one example designed to obscure meaning and increase ambiguity [e.g. see Courtis 2004]. Another might be the tendency noted by Aerts [1994] for good news to be discussed in clear straightforward terms while negative news tends to be couched in more technical and less comprehensible accounting terms.

Finally, reality and contrivance are likely to occur in report narratives as company spokespeople embellish explanations in order to create favourable images. A particular case is that of creating "strategic illusions" of managerial control [Salancik and Meindl, 1984]. Drawing on attribution theory, several studies [eg Staw et al, 1983; Bettman and Weitz, 1983; Clapham and Schwenk, 1991; Aerts, 1994] have found that when outcomes are favourable, report narratives are much more likely to

attribute internal actions as the causes of the good outcome. Conversely, when outcomes are poor, external attributions are made regardless of the bearing that the cause actually had on the outcome. While the outcomes did occur, their causes are potentially embellished by contrived causal attributions to maximise the image enhancement of the organisation and its members.

3.5.2.3 The performance staging elements

The two staging elements are front and maintenance of expressive control. Front relates to managing the manner and appearance of those in the performance and ensuring that the effect conveyed in consistent with the requirements of the role. In annual reporting, this involves selecting appropriate people to convey the corporate message. Typically reports commence with a letter from the chairperson and the CEO. Further narrators may be included if the performance requires other parts to be played.

Front also refers to all other aspects such as physical setting, expression used and so on. For example, narratives are often accompanied by carefully selected photographs of the narrators or images relevant to the message being conveyed. Sikes [1986: 32, cited by Lee, 1994: 219] highlights the deliberate nature of these choices in annual reports:

> [t]he reality you see is the reality the firm wants you to see, often by showing rather than by telling. Chief executive officers [CEO] are primped for portraits as lovingly as pet poodles, and oilrigs are lit as theatrically as the set of *Miami Vice* … .

Even seemingly small details can be important elements of front. For instance, Martin [1989] provides an example of the need to enhance a thin, spidery CEO signature in order to convey the desired sense of authority and strength.

Other choices that relate to the selection and management of front include the type and quality of paper to be used, the colours, the amount and types of imagery and so on. For example, a documentary style of photography might be chosen when the message is conveying a sense of honesty and accuracy, whilst an artistic style might be used to evoke an emotional reaction [David, 2001]. Black and white photography may be preferred over colour when attempting to convey a sense of responsible

management in times of poor performance [Preston et al, 1995]. Recycled card covers might be used to enhance a theme of social and environmental responsibility.

Finally, the remaining element of the performance, that of maintaining expressive control, requires all aspects of the script and the front to be coherent and consistent, avoiding any potential misunderstandings or contradictions. Although a multi-modal, multi-authored document, the annual report is well-placed as a performance type in which expressive control can be maximised. This is because it is a static document that can be professionally constructed edited and reworked, before the performance is presented to the target audience. The fact that many of the larger companies use professional designers to produce their annual reports suggests that issues of content choice and expressive control are important.

3.5.3 Constructing the annual report performance

While the CEO and/or the chairperson are likely to be the dramatically dominant performers, the actual content of the annual report will depend upon which team members have directive dominance. This may be the CEO or chair, or it may be public relations or other personnel both within and outside the organisation. For example, in a survey of UK investment trust chairs, Clarke and Murray [2000] found that only fourteen per cent were solely responsible for the authorship of their annual report letter. However, regardless of where the specific directive dominance lies, the performance is likely to utilise many of the impression management strategies that were identified above.

Direct assertive techniques are likely to be used in the report performance when the organisation's spokespeople have positive news to promote about the organisation or its key personnel. Specific examples are provided in Table 3.1. Indirect assertive techniques are appropriate when there is positive information to promote about others with whom the organisation or its members are positively linked. Examples are provided in Table 3.2. Defensive strategies are necessary when the image of the organisation or its visible members or associates is threatened by negative outcomes such as poor performance. Examples of direct defensive techniques are provided in Table 3.3 while indirect defensive strategies are illustrated in Table 3.4.

Table 3.1 Examples of direct assertive impression management strategies that might be used in the corporate annual report

Strategy	Examples
Organisational promotion Enhancement	The chair's letter draws attention to the appointment of the CEO to a prestigious industry task force The CEO's review highlights in text box break-outs strong results in various business segments The qualifications and experience of board members are highlighted in the directors' report
Organisational promotion Entitlement	The chair's letter explains that the record growth rates achieved are due to the strategy initiatives that the executive team has put in place In the operational review, the CEO attributes the decrease in the number of days lost through injury to the management's decision to investment in cutting-edge working practices
Ingratiation	The report includes a copy of the customer service charter in the report The report includes a photograph of the CEO providing front-line service to customers
Exemplification	The report includes a picture of the CEO opening a hospital ward that the company has funded CSR disclosures in the report reflect environmentally responsible values and the report is printed on recycled paper
Intimidation	Not expected to be a common reporting tactic, although an example is intimation of the extent of a region's economic reliance on the company in the CEO's review
Supplication	Not expected to be a common reporting tactic, although the CEO's review might refer to the need to maintain ongoing union cooperation in order to achieve future targets

Table 3.2 Examples of indirect assertive impression management strategies that might be used in the corporate annual report

Strategy	Examples
Boasting	Including a photograph of the chair congratulating the captain of a well-known sporting team that is sponsored by the organisation, with the captain wearing clothing prominently displaying the company's logo Reporting the team's successes and the company's sponsorship of it in the chair's letter
Blaring	When the mining industry has experienced a number of serious industrial accidents, a mining company's chair's statement might explain how the company's particular work practices ensure mine safety for its employees, unlike those of its competitors
Burnishing	The report of a pharmaceutical company includes information commending a team of medical researchers with whom the company is known to be associated for ground-breaking advances that they have achieved through the year
Blasting	Not expected to be a common strategy, although the CEO's review might make reference to poor safety records or other negative characteristics of others in the industry in general terms in order to increase the chances that the company's achievements might be considered in a more positive light

Table 3.3 Examples of direct defensive impression management strategies that might be used in the corporate annual report

Strategy	Examples
Accounts Denials	If a company has been linked in the media to an environmental disaster, the CEO's statement contains a denial that the company was involved in the event, emphasising natural causes and local industry for the occurrence rather than the company's actions
Accounts Excuses	The CEO's review acknowledges a loss of market share for its key product, but explains that the company is not responsible for the loss, blaming changes in excise duties negatively affecting the product's attractiveness
Accounts Justifications	The chair's statement includes an acknowledgement that the company has had to downsize and reduce its workforce but explains that this is necessary to avoid a full shut-down of operations and therefore it is protecting the longer term interests of as many workers as it possibly can
Disclaimers	Not expected to be a common strategy, although in the CEO's review of investment fund performance, the CEO may caution that, although superior returns were generated this year, future returns depend on a range of complex market factors and investors should be cautious about the high level of return being sustained indefinitely into the future
Apologies	Not expected to be a common reporting tactic, although after a particularly bad year when there are no credible external factors to blame, the chair's statement may contain an apology for poor performance and a promise of improvement
Organisational handicapping	Not expected to be a common reporting tactic, although CEOs anticipating poorer performance in the next year might suggest in the review of operations that uncontrollable external forces may be significant hurdles affecting future performance in order to reduce the impact of poor performance if it does eventuate

Table 3.4 Examples of indirect defensive impression management strategies that might be used in the corporate annual report

Strategy	Examples
Burying	One of the company's directors is also the director of a company accused of trading while insolvent. The other directorship held is not mentioned in the director's profile in the annual report
Blurring	Company spokespeople who had in the past spoken against appointing members of minority groups to the board now attempt to obscure this past stance by displaying prominent photographs of female board members in the annual report
Boosting	Not expected to be a common reporting tactic, although an example may be a company that has a joint venture partner that has been linked with environmental degradation at its plant in India where the joint venture operation is also conducted. In the annual report, as part of the company's CSR disclosures, mention is made of the infrastructure developments that the joint venture partner has contributed to the local Indian community which have increased the standard of living for villagers. No mention is made of the degradation.
Belittling	Not expected to be a common reporting tactic, however it might occur in general terms to devalue the aspects of a rival's activities. For example, the chair of a film producing company that cannot afford to use international experts and celebrities to produce movies might highlight this in the annual report letter, and convey the message that use of the more admired international personnel is in fact unnecessary, financially wasteful and disloyal to the local community.

3.6 OVERVIEW

The first two major objectives of this study were to develop an integrated model of Goffman's [1959] conceptualisation of self-presentation behaviour and to construct a multi-level model demonstrating that the concepts underpinning individually-based self-presentation behaviour could be applied to behaviour in organisational contexts. Both of these objectives have been met in this chapter. First Goffman's [1959] dramaturgical analogy describing self-presentation behaviour was overviewed. The eight key elements of that exposition were presented as an integrated conceptual model of impression management performances in Figure 3.1. Next, using a meso-paradigmic approach, a set of propositions was developed to construct a multi-level theory explaining how and why the organisational reputation might be managed by those within the organisation acting collectively to present a team performance targeted at the organisation's external audience. This model was illustrated in Figure 3.2.

A range of impression management strategies that might be part of the team performance to manage the organisational reputation was described. The corporate annual report, specifically, was identified as an important impression management tool in relation to the corporate reputation and one that could be viewed as a team performance in its own right. As such it was argued that analysis of it in an impression management context must be holistic, focusing on all aspects and not on individual components in isolation from other report content and context. Examples of strategies that might be used in the annual report performance were provided in Tables 3.1 to 3.4.

In the next two chapters research relating to the use of narratives and imagery, respectively, in annual reports is examined. Although this research has tended not to adopt the holistic focus that was argued here to be necessary to examine impression management effectively, it is reviewed with the aim of developing a catalogue of the different ways in which impression management may be manifest in annual reports. This will provide the foundation from which a more holistic and integrated multi-modal analysis of report content can commence.

CHAPTER FOUR: A REVIEW OF RESEARCH INTO ANNUAL REPORT NARRATIVES

4.1 INTRODUCTION

In the previous chapter, a model of impression management behaviour in the organisational context was presented. It was argued that key individuals within an organisation have both the incentive and the opportunity to act cooperatively to attempt to influence how the organisation is viewed by those outside it. The corporate annual report was identified as an important impression management tool that could and should be viewed as a holistic team performance staged by insiders to try to influence the impression that its readers form about the organisation. In Chapter Two the contemporary annual report was characterised as a multi-modal document whose content far exceeded that required by regulation. Report preparers are voluntarily choosing to include additional narrative, graphical and pictorial disclosures to accompany the mandated content. Collectively, this content constitutes the team performance.

The focus of this chapter is on one aspect of the performance – the report narratives. The purpose is to review research investigating aspects of narrative content and structure. Specifically, the aim is to develop a catalogue of narrative features that have been observed in voluntary report narratives, identifying the role that each may play from an impression management perspective. In the next section an overview is provided explaining the selection criteria used to determine which particular studies are included in the review presented here and outlining how the research into report narratives will be classified into four categories according to the research focus. The review is then presented in sections 4.3 to 4.6 based on the four categories identified.

4.2 THE STRUCTURE AND FOCUS OF THE REVIEW

4.2.1 Classification of the research into annual report narratives

In a recent overview, Beattie et al [2004] categorised studies analysing the text of report narratives into one of three types: thematic content analysis, readability studies and linguistic analysis. Essentially thematic analysis looks at *what* is written. In

Goffmanian terms, thematic analysis aligns primarily with the verbal "expression given". The themes of a narrative reflect the scripting choices that have been made. They indicate the particular topic choices of the writers and reflect the attitudes and values being communicated. In the context of the performance the narrative themes result from the script-writer's decisions about dramatic realisation, idealisation, misrepresentation, and reality and contrivance.

Readability and linguistic analyses, on the other hand, assess aspects of *how* the narrative is written. Thus readability and linguistic analyses, whilst they might also reflect aspects of scripting choices, are likely to reflect more the non-verbal side of the performance. By assessing not so much *what* is said but *how* it is said, these studies can provide insights into the staging elements of the performance, contributing to the "expression given off". Choices about linguistic style reflect the expressive manner of the communication, and this manner should be consistent with the message being conveyed in order to maintain expressive control throughout the narrative performance.

In addition to the three types of studies that analyse the text of the report narratives, a fourth might be added that relates to narrative structure. Studies in this category might focus on structural decisions within a particular narrative piece such as the ordering of information within the chairperson's statement. They might also adopt a wider view to consider decisions about structure throughout the annual report document. Examples of such decisions would be the number and types of narratives included and their relative positioning in the report.

Collectively these four categories – thematic, readability, linguistic and structural – are sufficient to classify exhaustively the extant research into narrative content choices in annual reports and these are the categories used to structure the review which follows in sections 4.3 to 4.6. However, any one study might fall across more than one category if different research questions are asked. For example, a study addressing reading ease (readability) might also consider the nature of the specific topics discussed (thematic).

4.2.2 The scope of the review

Research into features of annual report narratives has a long history, dating back to at least 1950 with the publication of Pashalian and Crissy's study into the reading ease of the narrative components of corporate annual reports. In 1994, Jones and Shoemaker provided an extensive review of empirical studies into the content and readability of accounting narratives. Their review identified forty-four empirical studies into annual report narratives which they classified as either thematic studies or readability studies. They reported no examples of research into linguistic structure or narrative structure.

Because a comprehensive review of the literature up until the early 1990s has been provided by Jones and Shoemaker, the approach adopted in this chapter is to provide a brief summary of what was reported in that review, where applicable, and to discuss more specifically papers that have emerged since then or that were not included in the original review. Further, only those papers that focus on, or are closely related to, annual report narratives are included here. Jones and Shoemaker considered all accounting narratives, defined broadly to include material such as letters responding to proposed accounting standards and decisions in taxation court cases. Because the focus of the current study is on the role that narrative disclosures might play in impression management in annual reports, the scope of this review of the literature is narrowed accordingly.

Finally, one category of thematic narrative report disclosures identified by Jones and Shoemaker [1994], namely social and environmental disclosure, is specifically excluded from this study. This is primarily a pragmatic decision reflecting the fact that growing interest in social and environmental disclosure in recent times has led to a substantial increase in the amount of research conducted. To include such disclosures in this study would make the project unmanageably large. The area is one which deserves to be, and which has been, studied in its own right, assessing the specific motivations that might underpin the voluntary disclosure choices. That is not to say that such disclosures do not play an impression management role. To the contrary, research results strongly suggest that they do [e.g. see Deegan and Rankin, 1996; Neu et al, 1998; Deegan et al, 2000]. However studies that focus specifically

on narratives addressing social and environmental disclosures are not considered further in this study.

In summary, in the review that follows, research into narrative report disclosures is considered in four categories, namely studies of thematic content, readability, linguistic structure and narrative structure. A particular study is included if the subject matter analysed is related to annual report narratives. It is excluded if it was included in Jones and Shoemaker's [1994] review or if it has as its specific focus social and environmental disclosures.

4.3 STUDIES OF THEMATIC CONTENT

In their review, Jones and Shoemaker [1994] identified eighteen studies that had been conducted into the thematic content of annual report narratives. The majority analysed the attitude of management to such issues as social responsibility and environmental performance or the attributions made for good and poor performance. Other studies investigated the relationship between disclosure content, particularly good versus bad news, and financial performance. Since 1994 research has continued in these areas and has expanded to consider the use of specific impression management strategies in annual reports, the thematic topics discussed, the tones reflected in the discussion, and the latent meaning that might be implicitly communicated below the surface of the literal narrative.

4.3.1 Studies of specific impression management types

Many studies of annual report narratives adopt, either explicitly or implicitly, an impression management perspective. However, surprisingly few have sought to document instances of specific impression management techniques (that is, those illustrated in Tables 3.1 to 3.4 in the previous chapter) being used in annual reports. Arndt and Bigelow [2000] analysed the annual report narratives of fifteen US hospitals that had adopted what they described as radical organisational structure changes that might threaten stakeholders' perceptions of the hospitals' legitimacy. They found that all fifteen hospitals adopted defensive impression management strategies, notably excuses, justifications, disclaimers or burying, and that they used these strategies exclusively when discussing the structural changes. In contrast, they

report that when the discussion focused on presentation of health services and innovative technology, the narratives consistently contained assertive impression management techniques, most commonly enhancements and entitlements. The contrasting use of assertive and defensive strategies led Arndt and Bigelow [2000: 508-509] to conclude that this usage was deliberate and consistent with impression management motives, rather than reflective of a general reporting style.

In the only other similar study located in an extensive search of the literature, Ogden and Clarke [2005] also identified annual reporting strategies consistent with specific impression management behaviour. They analysed the voluntary narrative sections of the annual reports of ten recently privatised UK water authorities over a nine-year period. They argued that privatisation, with its publicly recognised connotations of competitive pressure and improved customer service, created a legitimacy threat for these authorities as they still enjoyed monopoly of supply. Ogden and Clarke report that assertive impression management techniques dominated when the narrative content conveyed messages aimed at gaining or maintaining legitimacy. Self-presentation, including both enhancements and entitlements, were common, as were ingratiation attempts. When dealing with performance shortfalls, the narratives contained defensive techniques potentially aimed at repairing legitimacy. All forms of account were used to attempt to distance the company from the cause of the problems and to make excuses and/or justifications for performance outcomes. In some cases apologies were offered. Again the pattern of these reporting strategies is suggestive of deliberate impression management behaviour.

4.3.2 Studies of positive versus negative disclosures

A number of studies have addressed the question of whether there is neutrality in the disclosure of good versus bad news in voluntary report narratives. Neutrality would suggest that the relative proportion of positive disclosures in the narrative would reflect the underlying degree of positivity or negativity revealed in the financial statements [Abrahamson and Park, 1994; Clatworthy and Jones, 2003]. Conversely the so-called 'Pollyanna hypothesis' [Rutherford, 2005] posits that positive words or phrases are likely to dominate the narrative regardless of actual performance, an outcome that might reflect deliberate impression management behaviour. In their review, Jones and Shoemaker [1994] report three studies which found a correlation

between narrative disclosures and financial performance, suggesting some correspondence between narrative disclosure and underlying performance. However, subsequent studies have suggested that this relationship is asymmetrical or biased [e.g. Clatworthy and Jones, 2003, Rutherford 2005].

In studies focusing on the relative number of words with positive (good news) versus negative (bad news) connotations in voluntary report narratives, evidence suggests that the Pollyanna effect prevails. For example, Clatworthy and Jones [2003] report that although the chairpersons' statements of firms performing well contain significantly more good news words than bad news words, and significantly more good news than do the statements of poorly performing firms, the reverse does not hold for poor performers. They find no difference in the reporting of good versus bad news in the statements of the poor performers, despite the fact that the chairpersons of these firms have relatively more bad news to discuss. Further, consistent with the Pollyanna effect, these firms devote significantly less space to the discussion of bad news than the good performers do to the discussion of good news.

Tauringana and Chong [2004] examined the correlation between the types of news discussed in the chairpersons' statements, the operating and financial reviews and the directors' reports of 179 listed UK companies in 2001. They found that significantly more positive news was discussed in the narrative sections of the annual report than was reflected in the statutory accounts. In addition, there was significantly less bad news included in the narrative discussion than was reflected in the accompanying accounts. Rutherford [2005] reports consistent results in his study of the operating and financial reviews of sixty UK companies in 1998. After examining the frequency of positive and negative word use, he concluded that the Pollyanna effect was apparent and that this effect was stronger in the narratives of those companies that were performing poorly.

Abrahamson and Park [1994] analysed the amount of negative news reported in the presidents' letters of over 1,000 US company annual reports. Although they found that more negative news tended to be reported when performance declines worsened, they also found evidence that negative news was being concealed in some cases. Specifically, concealment was likely to occur in the absence of large institutional

investors and when outside directors were also shareholders. Conversely, non-shareholder outside directors tended to prompt negative disclosures. These findings led Abrahamson and Park to suggest that concealment was both deliberate and tolerated, a situation that is consistent with impression management activities. Impression management strategies such as organisational promotion, exemplification, boasting and blaring call for the selective reporting of positive news, while burying and blurring specifically require the concealment of negative news.

Whilst impression management attempts may be occurring with deliberate bias in the reporting of positive and negative news, evidence is unclear as to whether such attempts are likely to be successful. For example, Smith and Taffler [2000] constructed variables based on the relative use of positive and negative key words in the chairpersons' statements of a sample of thirty-three matched pairs of failed and non-failed UK listed companies between 1978 and 1985. Using discriminant analysis, models based on positive and negative keywords correctly classified all but one of the firms as failed or non-failed. It appears that the biases evident in the reporting of positive over negative news do not result in an inability to distinguish, using narrative cues alone, between firms approaching bankruptcy and those that are healthy.

4.3.3 Studies of thematic topic

A small number of studies have focused on semantic themes rather than individual words when analysing narrative report content. Although not included in Jones and Shoemaker's [1994] review, Kohurt and Segars [1992] presented an analysis of thematic topics in their study of report narratives in a sample of US Fortune 500 firms in 1989. They categorised each statement in the presidents' letters based on its dominant semantic theme and on whether the statement had a past or future orientation. They identified six dominant recurring themes which, in order of most frequent occurrence, were: operating philosophy, product mix, favourable financial references, market growth, environmental factors, and unfavourable financial references. Discussion of past rather than future themes dominated.

Clarke [1997] also analysed the thematic content of chairmen's letters in a sample of annual reports from thirty-two UK investment companies in 1994. Eleven specific

themes emerge from her analysis, broadly covering six wider thematic categories: external environmental factors, internal factors, market factors, shareholders, financial performance, and risk. In addition she included a separate theme for emotive elements and for time orientation. Smith and Taffler [2000] conducted a thematic analysis in addition to their word-based examination outlined above. They classified recurring themes into theme-based variables reflecting aspects of financial performance, future outcomes, innovation, growth/contraction, internal actions, and external factors.

These three studies of annual report letter themes also examined whether there were significant differences in the themes discussed in the narratives of firms that were performing well and those that were performing poorly. Clarke [1997] found that positive performance was associated with a tendency to discuss performance more and to use less emotive elements in that discussion. Further, the company's actions were referred to significantly more often, while fewer references were made to economic and market factors. Kohurt and Segars [1992] found that narratives of firms with high return on equity were more likely to have content focused on past themes and on product mix and to contain favourable financial references. In low return firms there were significantly more unfavourable financial references while future operating philosophy was referred to more. Using a discriminant model based on theme variables reflecting future operating philosophy, financial references and product mix, Kohurt and Segars [1992] were able to classify seventy-eight per cent of the sample firms correctly into the high or low return group. Smith and Taffler [2000] were able to classify ninety-five per cent of their sample successfully as failed or non-failed firms using a discriminant model based on three theme variables, reflecting financial performance, dividend news, and contraction of operations.

Clatworthy and Jones [2006] focused, *inter alia*, on the relationship between financial performance and the tendency to discuss and quantify key financial variables in the chairperson's report letter. They analysed the letters in the reports of fifty highly profitable and fifty highly unprofitable UK companies in 1995-96. Consistent with the earlier studies, they found that the letters of profitable companies referred to key financial variables more often and quantified performance more

frequently than did those of unprofitable companies. The letters of the unprofitable companies also emphasised the future more than did their profitable counterparts.

In their 2001 study, Clatworthy and Jones focussed on the location of themes within the chairpersons' statements of sixty listed UK companies in 1995 and 1996. They identified eleven major themes and found that there were different thematic patterns evident in the statements. The first passage is more likely to contain a discussion of the financial results, a brief overview of the period and an outline of any major events. The middle passage delves more into detailed discussion of operating and financing matters and a more comprehensive discussion of events. The focus of the final section was on future outlook, employees and board changes. When comparing profitable and unprofitable firms, Clatworthy and Jones [2001] noted only one significant difference in the location of themes. The chairpersons' statements of profitable firms were more likely than unprofitable ones to contain a discussion of their results in the first passage

Thomas [1997] conducted a much narrower analysis of thematic structure in her study of the management messages in the annual reports of a declining company over a five year period. She looked at two themes: those containing the use of the personal pronoun "we" and those referring instead to inanimate nominal groups such as "product markets" or "fiscal 1988". She reports a general trend to favour inanimate references more and personal pronouns less as performance declined.

It is apparent from the preceding discussion that there is much variation in the specific theme labels used by different researchers. This most likely reflects the subjective nature of the identification and classification of recurring themes rather than inherent differences in the narrative content in the samples studied. Nonetheless, it makes it difficult to integrate the results of the studies and draw possible inferences about how systematic differences in thematic content might be expected to align with different impression management motivations. Collectively, however, the results do support some logically intuitive suggestions.

For example, authors of statements who wish to adopt a direct assertive impression management strategy, as might be the case when a positive result is to be reported,

are likely to discuss performance more, focussing on past achievements using less emotive language in an attempt at self-promotion. They will discuss their own actions and those attributable to others within the company more, using personal pronouns more often to maximise enhancement and entitlement opportunities. Conversely those forced to report on poor performance are likely to defer discussion of that performance, use more emotive language, and refer to non-human agents more often in order to provide accounts which excuse the performance and distance the company's agents from responsibility for it. Discussion may emphasise future operating philosophy more to portray an image of control, confidence and positive expectations for future outcomes.

4.3.4 Studies of thematic tone

Three studies have used the DICTION text analysis program to evaluate the tone of annual report narratives. DICTION is rhetorical analysis software [Yuthas et al, 2002] which allows the text of a narrative to be objectively scored on five aspects of verbal tone: certainty, optimism, activity, realism and commonality [Sydserff and Weetman, 2002]. The DICTION *User's Manual* [2000: 42–48, *passim*] provides the following descriptions of each tonal aspect:

Certainty: Language indicating resoluteness, inflexibility, and completeness, and a tendency to speak *ex cathedra*

Optimism: Language endorsing some person, group, concept or event highlighting their positive entailments

Activity: Language featuring movement, change, the implementation of ideas and the avoidance of inertia

Realism: Language describing tangible immediate, recognisable matters that affect people's everyday lives

Commonality: Language highlighting agreed-upon values of a group and rejecting idiosyncratic modes of engagement.

The software facilitates calculation of a score for each of the five aspects of tone based on a pre-established dictionary of words that reflect subcategories of each tonal theme. For example, the optimism score is derived from a formula using three positive and three negative subcategory scores. The positive categories are praise, satisfaction and inspiration, while the negative ones are blame, hardship and denial. The satisfaction category, for example, contains words that suggest positive affective states, pleasurable diversions, triumph and nurturance [DICTION *User's Manual*, 2000: 43-44].

Ober et al [1999] were the first to use DICTION in the context of annual report narratives. They focussed only on the certainty score, hypothesising that the public communications of companies with large profit increases and those with large profit decreases would differ in the degree of certainty they reflected. In a very small sample they found no significant difference in the certainty scores associated with the MD&A in the annual reports of six profit-increase firms and six profit-decrease firms selected from the US Fortune 500 firms in 1996. Thus, despite having bad news to report it did not appear that the discussion in the reports of the less profitable firms was intended to be obscure or less clear by using uncertain or ambiguous language.

Yuthas et al [2002] used DICTION in a study assessing the extent to which narrative annual report content reflected Habermas' norms of communicative action, using the tone variables to proxy for the Habermasian principles of comprehensibility, truthfulness, sincerity and legitimacy. They identified firms with significant positive and negative earnings surprises in the first quarter of the year following that being reported on. They argued that these firms had private information about news not yet anticipated by the market that could be communicated in the current report documents. They expected that, consistent with impression management incentives, firms with imminent negative surprises would suppress information about this in the current report, or try to create positive expectations about longer-term future performance, while those with positive earnings surprises were expected to communicate in a manner consistent with Habermas' principles.

Although their sample of seven pair-matched firms was too small to allow statistical analysis, Yuthas et al's [2002] qualitative evaluations of the data suggested that there were no differences in the nature of the communicative actions of firms with either positive and negative earnings surprises, but that, in fact, these firms adhered to the Habermasian principles more so than did firms without earnings surprises. They advanced two interpretations of this result. The first was that those constructing the narratives did behave ethically in their communications, not attempting to conceal poor future outcomes. The second was that, in the face of being potentially penalised for not meeting earnings targets, managers of firms with imminent earnings surprises wanted to create an image of honesty and trustworthiness, and did so by communicating in a manner consistent with Habermas' principles. The latter explanation is consistent with impression management motives.

Sydserff and Weetman [2002] used DICTION TO calculate the five tone scores from the chairpersons' statements and managers' reports in a sample of twenty-six smaller UK investment trust companies. Overall, they found no significant differences between the tone used in the reports of good performers and poor performers. An exception was the commonality score for the managers' reports, with the better performers displaying less commonality when a short term measure of performance was used. Sydserff and Weetman suggested that this may be a deliberate result of managers trying to distinguish their companies from others by avoiding language that suggested commonality.

Sydserff and Weetman [2002] interpreted the general lack of tonal differences between good and poor performers as potentially being indicative of impression management activity. They argued that, particularly for certainty, optimism and activity, narratives of poorer performing firms would attempt to mimic the communicative tone adopted by good performers resulting in no differences in these tonal aspects. They also suggested that poorer performers might be expected to exhibit lower realism scores in their narratives to try to obscure the bad news content. However they found no empirical support for this expectation.

Balata and Breton [2005] assessed the degree of optimism reflected in the presidents' letters in a sample of thirty Canadian firms between 1993 and 1998. They

determined and compared the degree of optimism in the narrative with that reflected by the accompanying accounting data in the annual reports. They did not use DICTION to assess optimism, but constructed their own measure using three dimensions, profitability, growth and management, identifying a unique word list that was associated with each. Each word was denoted as optimistic, pessimistic or neutral and relative counts of these words were used to determine the degree of optimism in the narrative. Financial ratios were used in a similar way to assess the degree of optimism in the accounting data.

Consistent with the studies of good and bad news discussed above, Balata and Breton [2005] found that optimistic terms dominated the narratives, comprising at least seventry-five per cent of the themes they evaluated. Further, their analysis revealed that the degree of optimism reflected in the narrative exceeded that in the underlying accounting data, particularly with profitability related items. This finding is consistent with an assertive impression management strategy where good news is promoted more so than the underlying situation may warrant.

If authors of report narratives are deliberately adopting particular tones as part of an impression management strategy, this could be occurring at two levels. First it might be reflected throughout the entirety of a specific narrative. For example, the chairperson's statement of a poorly performing company might be deliberately crafted to reflect the same level of certainty, optimism and activity as that expected of a company with good news to convey in order to imitate the better performing ones in the hope that readers might judge the two to be similar. Anticipating this, the statement of a company performing well might be constructed to reflect low levels of commonality to distinguish the company and those within it, setting them apart from others that readers might also be assessing.

Secondly, tonal impression management might be occurring at a lower level within the narrative, with specific tones being adopted for specific types of news. As noted above, the narratives of companies with bad news to report are likely, nonetheless, to be biased towards discussion of positive news. Positive news is likely to be conveyed in tones of high certainty, optimism, realism and activity. The negative news may reflect less certainty, activity and realism as an attempt is made to make

that news less clear and to distance those in the company from activity causing it. Commonality might be expected to be higher when bad news is being conveyed and lower when goods news is being discussed. Activity and optimism scores might differ depending upon the time orientation, particularly when reporting on past bad news but trying to convey a sense of confidence in future operations.

4.3.5 Studies of attributional tendencies in report narratives

Attribution theory suggests that individuals tend to explain outcomes by making positive, self-serving attributions when performance is good, but use external attributions when faced with a negative outcome [e.g. see Staw et al, 1993; Bettman and Weitz, 1983]. In other words, individuals explain good performance in terms of the deliberate, controlled actions they have taken, suggesting personal credit is due for the outcome that occurred. If an outcome is negative, however, the tendency is to blame an uncontrollable external cause for the event, suggesting that the individual has not personally contributed to the poor performance.

Jones and Shoemaker's [1994] review included five studies which analysed the nature of causal attributions made in CEO letters in annual reports, and in particular whether attributional tendencies were related to organisational performance. They report that the results have been mixed. However, the results of all studies indicate a general tendency to include in the CEO letter attributional statements consistent with the predictions of attribution theory. In their letters, CEOs tend to credit themselves or their organisations for positive outcomes whilst blaming external environmental forces for negative outcomes. Kendall [1993] adopted a different analytical approach, that of dramatism, but reported results consistent with the attribution studies. In her study, Kendall found two separate rhetorical strategies were used in CEO letters, one for good news and one for bad. The good news strategy centred on the actions and agency of the corporation while the bad news strategy attributed action or blame to outside uncontrollable forces.

The inconsistencies referred to by Jones and Shoemaker [1994] primarily relate to the apparent motivations underpinning the attributional behaviour. Two competing explanations are an information motive (or information explanation) and an impression management motive (or motivational explanation) [Bettman and Weitz,

1983] and it is on this issue that the results are less clear. The information explanation suggests that the attributional bias is not deliberate but occurs due to the available information, expectations about outcomes and unintentional cognitive biases in information processing [Bettman and Weitz, 1983; Tsang, 2002; Aerts, 2005]. The motivational explanation suggests that the bias results from the use of deliberate impression management strategies in the report narratives. For example, the direct acclaiming strategies of self or organisational promotion and exemplification would result in the relatively greater use of positive internal causal attribution statements, while defensive account strategies - denials, excuses and justifications - would necessitate greater use of negative external attributions.

A summary of a further nine empirical studies addressing aspects of casual attribution patterns in report narratives is presented in Table 4.1. As well as confirming the general tendency for narrative report content to be biased toward internal attributions for positive news and external attributions for negative news, a number of these studies have attempted to clarify the issue of whether the explanation is one related to information or motivation. In general, the results suggest a deliberate motivation strategy. Tsang's [2002] findings are an exception. He found that the proportion of internal to external attributions differed across good and bad years, consistent with an information explanation. He suggested that this may be due to cultural differences resulting in a tendency for Asian managers to make more objective decisions than their Western counterparts.

Aerts [2005] provides the most direct attempt to clarify the reasons for attributional biases in the Western context. He argued that managers of listed companies would have greater incentive to engage in impression management behaviour and found that these companies did make more attributional statements in their report narratives than did unlisted companies. He also found that the listed companies used proportionally more defensive attributions than did unlisted ones and that they were more likely to use acclaiming attributional statements when performance was declining. Individually and collectively these results support a motivational rather than an information explanation.

Table 4.1 Summary of research addressing attributional patterns in annual report narratives

Authors and Year	Corpus and sample	Major research questions in relation to causal attributions	Key findings
Aerts 2005	Narrative component in the annual reports of 97 unlisted and 98 listed Belgian companies in 1997	Do listed companies include more: • attributional statements and more explanations per outcomes • external attributions for negative accounting outcomes in their report narratives than unlisted companies?	Listed companies do make more attributional statements than unlisted companies but unlisted companies offer, on average, more explanations per effect No significant differences were found in the rate of use of negative external attributions across the two groups
		When performance declines, do listed companies use more: • attributional excuses, denials and justifications • attributional entitlements and enhancements with respect to accounting outcomes than when performance improves?	Listed companies use proportionally more defensive attributions than do unlisted companies but a performance decline does not significantly influence this tendency The use of acclaiming attributional statements by listed companies is more likely when performance declines than when performance improves
Barton and Mercer 2005	Experimental study with 124 experienced financial analysts	Does the plausibility of management's attributions influence analysts' judgements about: • future firm performance? • management reputation? • estimates of the cost of capital?	Plausible attributions are more likely to result in analysts' judgements that performance declines are temporary and result in higher earnings forecasts for those firms Implausible attributions are more likely to result in poorer assessments of performance and future earnings, to damage management's reputation and lead to higher estimates of the cost of capital

Table 4.1 continued

Clapham et al 2005	Shareholders letters in the annual reports of 43 public US companies that successfully turned performance around and 43 who entered bankruptcy	Do firms that have successfully turned around their financial performance differ from those entering bankruptcy in terms of the attributions given for positive and negative outcomes?	CEOs who failed at turnaround and who were replaced made more internal-positive and external-negative and fewer internal-negative attributions than did CEOs who were not replaced
Lee et al 2004	Letters to shareholders in 14 listed US companies annual reports over the 21 year period from 1975 to 1995	Can internal attributions predict future share prices?	There was a positive association between future share price and self-"disserving" (negative, internal) attributions but no association between positive attributions and future share price
Clatworthy and Jones 2003	Chairman's statement of the 50 top and 50 bottom UK companies on the FAME database in June 1997	Are there significant differences in attribution reporting patterns between companies with improving performance and those with declining performance?	Both groups use attributions asymmetrically favouring internal attributions for good news and external attributions for bad news, with attribution tendencies being suggestive of impression management behaviour by both groups
Tsang 2002	Letters to shareholders in 147 Singapore company annual reports in 1985 and 1994	Are attributional patterns biased and does the extent of bias vary in good and bad years? Are more attributions made when performance deviates from expectations?	Companies do attribute positive effects more to internal sources, and negative ones to external causes but the proportion of internal to external attributions made differs between good and bad years More attribution statements are made when performance is worse than expectations
Aerts 2001	Narrative component in 8 successive annual reports of 22 Belgian industrial and commercial companies between 1983 and 1990	Is a company's pattern of attributional statements at a point in time related to the tendencies displayed one year prior?	Positive attributions were significantly correlated across time, but the pattern with negative attributions is inconsistent Assertive and defensive attributions have at best a weak correlation in their patterns across time. The number of positive attributions tends not to be influenced by performance outcomes

Table 4.1 continued

Fiol 1995	Letters to shareholders and internal planning documents from 10 US forest products companies from 1979 to 1988	Are there differences in attributional patterns made in public versus private corporate documents?	Found no significant correlation in the positive and negative attributions made in the public and private documents Correlation between non-evaluative internal/external control attributions was significant across the two sets of documents
Aerts 1994	Narrative parts of the directors' reports in the annual reports of 50 Belgian companies in 1983	Are reasoning patterns in corporate narratives biased? Are explanations of accounting outcomes biased?	Companies do attribute positive effects more to internal sources Positive accounting effects tend to be explained in explicit, non-accounting terms while negative accounting outcomes tend to be explained in technical accounting terms, particularly in stable companies
Clapham and Schwenk 1991	Letters to shareholders in the annual reports of 20 US utility companies, 1978 - 1982	Do attributional patterns differ between utilities with stable versus unstable performance?	Internal attributions significantly more likely to be given for positive outcomes and external attributions significantly more likely to be made for negative performance Utilities making more biased attributions tended to have poorer financial performance in the future No significant differences in attributional patterns between stable and unstable utilities

In a longitudinal study, Aerts [2001] considered whether, rather than a deliberate strategy, attributional patterns might reflect inertia, with report authors adopting the same approach in the CEO letter that was used in the previous year. After analysing attributional patterns over time, he found that negative attribution patterns were not consistent over time, nor was the use of assertive and defensive attributions, suggesting that usage patterns result not from temporal inertia but from some more deliberate intention. Lee et al [2004] also reported no significant correlation between attribution types over time in a 21 year study, leading them to suggest that firms did not follow consistent attribution patterns over time. Fiol's [1995] comparison of attributional patterns in public versus private corporate documents similarly supports the notion of deliberate strategy in public corporate communication. She reports no significant correlations in the way in which positive and negative attributions were framed in internal versus external documents.

Three studies considered whether self-serving attributions produced positive outcomes for the individuals making them or for their firms. Clapham et al [2005] focused on CEOs who had failed to turn their firms around from performance declines that ultimately resulted in bankruptcy. They found that those CEOs who were replaced made more internal-positive and external-negative and fewer internal-negative attributions than did CEOs who were not replaced. In a similar vein at the organisational level, Lee et al [2004] found that although there was no correlation between positive attributions and future share price, there was a significant correlation between the future share price and internal, controllable attributions for negative events, suggesting that apparently self-"disserving" attributions may be beneficial to the organisation.

In an experimental study, Barton and Mercer [2005] provided experienced financial analysts with the MD&A of a fictitious company. One third received an MD&A that contained a plausible external attribution explaining poor performance, one third received an implausible external attribution while the control group did not receive any attributions for performance. The analysts receiving the plausible attributions rated the performance decline as short-term and assessed future earnings at a higher level than did the control group or the group exposed to the implausible explanations. Those receiving the implausible explanation produced more pessimistic judgments

about future earnings, rated management reputation less highly, and estimated a higher cost of capital for the firm. Thus, for sophisticated users at least, it appears that attributional explanations need to be plausible if they are to achieve impression management goals.

Overall, research into causal attribution patterns does indicate a tendency for public corporate narratives to contain attributions for negative events that relate to external uncontrollable forces while attributing positive outcomes to the actions of those within the organisation. Further, the research indicates that, at least in some cases, this bias results from deliberate motivations to make what are expected to be self-serving statements rather than from unintentional information processing biases. Whether, in fact, the statements are self-serving is less clear. The results discussed above suggest that implausible attributions are likely to be unsuccessful and result in damage to individuals and their organisations and that, in some cases, apparently self-disserving attributions might achieve better results.

Considered in the context of impression management motives, the results of the research into causal reasoning in report narratives have several implications, all of which suggest that the use of particular attribution statements should not be evaluated too simplistically. The use of internal attributions for positive events is consistent with assertive impression management strategies, and the use of external attributions for negative events would be expected in defensive strategies. However, if impression management objectives are to be achieved, an attributional strategy should not be used naively. For example, implausible attributions may prove to be counter-productive with sophisticated report users, although they may evoke different responses from unsophisticated ones.

Further, the use of seemingly self-disserving attributions is not necessarily inconsistent with impression management motives. It may be the case that the impression being cultivated is one of transparency, honesty and trust in which case an internal attribution for a negative event may be more effective than an external one. Alternatively, it may be the case that there is no plausible external attribution in a situation in which some sort of attributional explanation is required. In some cases, attributions might not be made at all and this could be entirely consistent with an

impression management strategy when plausible self-serving explanations do not exist.

Finally, although the extant research has not addressed these points specifically, the failure to provide attributional patterns in a manner consistent with attribution theory does not necessarily imply that a narrator is not employing impression management techniques. First there are many impression management tools that might be used. A narrative that seems to lack the expected attributional patterns may make greater use of other techniques if the author considers them likely to be more effective. This may particularly be the case when the plausibility of the explanations that can be offered is in doubt. Also, although inconsistent with attribution theory, providing external attributions for positive events can be consistent with specific impression management strategies. Recall the indirect assertive strategies of boasting and burnishing that were described in Chapter Three. These require a positive link to be drawn to favourable third parties and one way to do this is through the use of external attributions for positive events.

4.3.6 Studies of latent meaning

A small number of studies have provided what they describe as "close readings" of CEO letters, one of the objectives of which was to uncover latent or symbolic meaning. These studies are qualitative and use interpretative judgment to identify meaning that is below the surface of the written word. This meaning is created by use of metaphor or the careful juxtaposition of terms to suggest a meaning to the reader that is not apparent from a literal reading of the text.

Prasad and Mir [2002] conducted a close reading of the CEO letters in the annual reports of six US oil companies from 1975 to 1986. During this period, the US economy faced a number of oil shortages and rising petrol prices, resulting in oil companies being criticised for inefficiencies and profiteering [Prasad and Mir, 2002: 100]. Prasad and Mir noted that the CEO letters over this period tried to portray OPEC (the Organization of Petrol Exporting Companies) as a threat to US national interests and as the party responsible for creating an oil crisis. At the same time, the oil companies were presented as having interests synonymous with those of the nation, and different from those of OPEC. This was done not by literally labeling

OPEC as the threat, nor by explicitly using terms like "crisis". Instead these meanings were below the surface of the text, created by judicious juxtaposition of terms, suggesting to the reader a sense of crisis, one caused by OPEC and one which made US companies helpless victims of an external malevolent power.

By creating the latent meanings in the ways reported by Prasad and Mir [2002], the authors of the oil company CEO letters have first created and then exploited the opportunity to employ the indirect impression management techniques of blaring and blasting. The opportunity is created by setting up OPEC as the "negative other", the "undesirable" third party with whom the company is unavoidably linked. Having created this image, the text of the letters is then crafted so as to highlight implicitly the negative characteristics of OPEC (blasting) while implying distinct contrasts between its values and interests and those of the oil companies and the nation (blaring).

Amernic and Craig [2004a] looked at the rhetorical use of metaphor in Southwest Airlines' (SWA) CEO letter in its 2001 annual report following the terrorist attacks of September 11 in New York. SWA is an American domestic airline. The 2001 letter contained many references to the heroic actions of Todd Beamer, a passenger on the hijacked aircraft which crashed before completing its terrorist mission, as well as allusions to other heroic characters from literature and politics [Amernic and Craig, 2004a: 331]. Amernic and Craig argued that purpose was to liken implicitly the management and employees of SWA to heroic figures, particularly the heroes of the September 11 tragedy, through the rhetorical metaphoric theme: "Southwest Airlines (like Todd Beamer) is a hero" [Amernic and Craig, 2004a: 331]. In this case the impression management strategy being used is that of boasting. It is an example of "basking in the reflected glory" of the heroes that the reader, through the narrative of the letter, now associates with the company.

Amernic and Craig [2004b] also noted rhetorical use of metaphor in their close reading of the CEO letter in the last annual report released by Enron before its well-publicised collapse in 2001. They identify a sporting metaphor that is used to implicitly suggest that Enron is a "winner" and a military metaphor used to evoke feelings of power and invincibility, characteristics that the reader is subconsciously

encouraged to attribute to the company as a result of the metaphoric rhetoric in the letter's text. Again, these are examples of indirect impression management techniques being attempts to enhance the corporate image through indirect association with concepts viewed as desirable.

4.4   STUDIES OF READABILITY

Readability studies represent the most prolific type of research into the text of annual report narratives. Since Pashalian and Crissy's [1950] study into the reading ease of annual report text, some thirty-five studies have been conducted assessing various issues related to the readability of narratives in annual reports. This research indicates that report narratives have typically low reading ease levels [e.g. see Jones and Shoemaker 1994; Beattie et al, 2004]. The Flesch Reading Ease Index is the most commonly used formula in report readability research. It is used to calculate a readability score based on the number of words in each sentence and the number of syllables in each word of a narrative. The score obtained is compared to a predetermined standard to classify the narrative in terms of reading ease across five levels ranging from very easy to very difficult. Some studies have also used the Flesch-Kincaid Grade Level, the Fog Index and the Lix Test which, although differing in their specific calculation algorithms, all utilise word complexity and sentence length to evaluate reading ease.

It is possible that narratives may in fact be deliberately obfuscated to achieve impression management objectives [Courtis, 2002; 2004]. Courtis [2004: 291] defines obfuscation as "a type of writing that obscures the intended message". He argues that obfuscation can be used for impression management or perception engineering purposes. Supporters of the obfuscation argument expect that authors will obfuscate by making their texts more difficult to read when the company is performing badly but will make them easier to read when the company is performing well. Obfuscation has been measured in one of three ways. It has been assessed in terms of the relative readability score associated with a narrative, by the variability of reading ease within a narrative, or with a measure that combines the two. The combined measure was developed by Courtis [2004]. For a narrative to be considered to be obfuscated it needed to exhibit both low reading ease (based on

Flesch reading ease scores) and high variability of reading ease (measured by the coefficient of variation).

Jones and Shoemaker's [1994] review included twenty-six studies addressing annual report readability and/or obfuscation. They identified five basic questions that had been addressed in these studies: whether the reports were difficult to read, whether some parts of the report were easier to read than others, whether reading ease varied between types of annual reports, whether reports were becoming more difficult to read, and whether readability levels were correlated with other variables. Ten studies have been identified that have been conducted since Jones and Shoemaker's review and their key features are summarised in Table 4.2.

Four of the five questions identified in the earlier review remain relevant to the later studies. None of the studies addressed the issue of whether some parts of the report were easier to read than others. Also, although reading ease levels are reported by many of the studies, rather than being the focal question it is generally taken as given that report readability rates as difficult or very difficult, at least as indicated by readability scores. Courtis [1995] is the only study since 1994 to address whether readability levels are changing and his results indicate no significant improvement or decline.

Three studies assessed the relative readability of different report types. Clarke et al [2008] compared the readability of report letters in Australian company versus local government reports, finding that the mayoral letters in the government reports tended to be easier to read and were less likely to be obfuscated than their corporate counterparts. However, Kinnersley and Fleischman [2001] found that, based on readability scores, the transmittal letters in US local government reports were significantly more difficult to read than the MD&A sections of a comparative sample of corporate annual reports. Hrasky and Smith [2005] compared the chairpersons' statements included in full versus summary annual reports and found no difference in the textual complexity of the letters in each report type

Several studies have considered variables that might influence report readability and/or the likelihood that a report will contain obfuscated narrative disclosures. The

Table 4.2 Summary of research addressing aspects of readability and annual report narratives

Authors and Year	Corpus and sample	Readability measures used	Major research questions about readability	Key findings
Clarke et al 2008	Chairperson's and mayoral letters in annual reports 50 ASX Top 100 companies and 50 local governments in 2003	Flesch Reading Ease Index Obfuscation measured as per Courtis [2004, below]	Compared to companies, are local government report letters: • easier to read and • less likely to be obfuscated?	Based on the readability scores, mayoral letters were significantly easier to read than the chairpersons' letters Significantly fewer of the mayoral letters were classified as obfuscated relative to the chairpersons' letters
Li 2006	Text in 10- K filings 55,719 firm years from 1994 to 2004	Reading ease measured by the Fog Index and the Flesch-Kincaid Index	Is readability related to: • current performance? • earnings persistence? • stock market return?	Reading ease negatively related to current performance, and result persists after controlling for size, growth, industry and year effects, a low R^2 suggests little economic significance Reading ease was negatively related to the persistence of profits but no relation found in regard to persistence of losses No relation between readability and market return
Hrasky and Smith 2005	Chairpersons' letter in full and summary annual reports (SAR) 68 SARs and 100 full reports from the ASX 500 in 2001	Obfuscation measured as per Courtis [2004, below]	Is there a difference in the proportion of obfuscated letters in full versus summary reports?	There was no difference in the proportion of obfuscators in the summary and the full reporting groups This result held after controlling for size, complexity, and industry membership
Courtis 2004	Prospectus, chairman's statement in the annual report, and the chairman's address in the interim report - 60 companies listed on the Hong Kong Stock Exchange in 1997	Obfuscation measured as the simultaneous presence of low reading ease (based on Flesch Reading Ease scores) and high variability of reading ease (measured by the coefficient of variation)	Relative to non-obfuscators do obfuscators: • report more bad news? • differ in age? • differ in complexity? • differ in where the hardest to read passage is located in the narrative?	Reports a weak association between obfuscation and reporting bad news (p = 0.091) in a reduced sample of eleven obfuscating and eight non-obfuscating companies • No difference in age detected • No difference in complexity detected • No pattern found in location in prospectus or annual report. In interim reports the hardest passage of obfuscators was more likely to be located at the end of the narrative

Table 4.2 continued

Rutherford 2003	Operating and financial review in the annual report 654 companies from the Times UK 1000 in 1998	Syntactical complexity measured by the Flesch Reading Ease Index Prolixity (length) measured as number of words	Are syntactical complexity and prolixity related to firm performance?	No significant relationship was found between performance and complexity or prolixity after controlling for size and complexity. A correlation between prolixity and size was noted
Sydserff and Weetman 2002	Chairperson's statement and manager's report in the annual report of 26 UK listed investment trusts in 1999/2000	Flesch Reading Ease Index	Is there a difference between the reading ease scores of the chairmen's statements and manager's reports of good and poor performers?	No significant differences detected
Kinnersley and Fleischman 2001	Letters of transmittal in state and local government (SLG) annual reports and the MD&A in company annual reports 40 Fortune 500 comp-anies in 1986 and 34 American city annual reports	Number of syllables per word and number of words per sentence The Flesch Reading Ease Index The Flesch-Kincaid Index Grade Level	Do SLG letters of transmittal differ from company MD&As in terms of the: • Word and sentence length • Flesch Reading Ease Index • Flesch-Kincaid Index Grade Level?	The SLG letters used words with significantly more syllables than did the company MD&As but there was no significant difference in the number of words per sentence in each narrative type The SLG letters were significantly more difficult to read than were the MD&As The SLG letters need significantly higher grade levels than do the MD&As
Clatworthy and Jones 2001	Chairperson's statement in the annual report The 30 best and 30 worst performing companies in the UK's FAME data base in (1995 and 1996 year ends)	Reading ease measured by the Flesch Reading Ease Index Variability of reading ease measured by the coefficient of variation	Is there a difference in the readability of different passages in the chairperson's statement? Does the thematic structure determine readability? Do the statements of profitable and unprofitable companies have different thematic structures?	Only the first passage shows a systematic difference in readability. It is easier to read than the middle and final passages. The first passage in the statements of profitable companies is significantly easier to read than that of unprofitable ones. Different sections of the chairpersons' statements did convey different information themes suggesting that differences in the subject matter affect syntactic complexity Found no difference in the thematic structure of the statements of profitable and unprofitable companies

Table 4.2 continued

Courtis 1998	Chairperson's address in the annual report Sub-samples drawn from a group of 120 companies listed on the Hong Kong Stock Exchange in 1994/95	Reading ease measured by the Flesch Reading Ease Index Variability of reading ease measured by the coefficient of variation	Is there variability in the readability of different passages in the chairperson's address? Is there a relationship between readability and variability and: • the type of news (good/bad) discussed? • the level of financial press exposure received by a company?	Found variability of reading ease to be pervasive and that systematic patterns exist in terms of the reading difficulty of passages with the first part of the address being the easiest to read There was no significant difference in readability or variability and the type of news being disclosed Reported that firms with greater press exposure had addresses that were more variable and harder to read but the relationship must be considered weak (p = 0.10)
Courtis 1995	Chairperson's address and footnotes in the annual report 32 Hong Kong companies, 16 randomly selected from each of the two main industry classifications	Reading ease measured by the Flesch Reading Ease Index Fog Index Lix Test	Did report readability improve over the five year period studied? Is readability similar for the two industry groupings? Is there a relationship between company size and profitability and readability?	No significant improvement was apparent There was no significant difference in report readability between the industrial and property/construction groups studied Readability was not significantly related to size or profitability

results have been mixed. Both Li [2006] and Courtis [2004] report weak relationships between current firm performance and readability levels or the propensity to obfuscate. However, Rutherford [2003] and Courtis [1995] failed to detect significant relationships between readability scores and performance. Courtis [2004] and Rutherford [2003] considered the relationship between readability levels and company size and complexity but failed to find significant associations, although Rutherford reports a weak association between the degree of industry regulation and textual complexity.

Clatworthy and Jones [2001] and Courtis [1998] extended the questions addressed in readability research by also considering the variability of readability encountered in report narratives. Courtis [1998] reported that reading ease variability was pervasive in his comparison of the readability of the initial, middle and final passages of chairpersons' statements, noting that the first part of the address was easiest to read. He raised the possibility that firms might try to "bury" bad news in the middle parts of their addresses but found no significant relationship between variability and the type of news being disclosed. In an attempt to clarify these findings Clatworthy and Jones [2001] also considered the thematic structure of chairpersons' statements. They found that different sections of these statements were used to convey different information themes and that this could account for the readability variability within them.

In their 1994 review, Jones and Shoemaker commented on the inconsistencies in the results across many of the readability studies that they considered, particularly in regard to variables correlating with readability. They called for further research to clarify the issues. However the situation remains confused and potentially contradictory, despite the replications and extensions that have been undertaken in the more recent studies. As noted, one factor common to all studies is their reliance in some way on readability formulae to measure aspects of readability. As well as providing a readability score or difficulty level, the formulae also provide the basic inputs used to determine readability variability and whether or not a firm would be classified as an obfuscator. It may be the case that readability scores are unable to capture reliably pertinent aspects of obfuscation, and that it is the measurement instrument used that is, in part, contributing to the mixed results.

Readability formulae have been criticised from a number of perspectives which have been well documented in the literature. Broadly the concerns cluster into three areas [Hrasky and Smith, 2005]. The first relates to the current and contextual relevance of the formulae. For example, the Flesch index was developed in the 1940s as a means of assessing the readability of high school texts for American children. It has not been recalibrated since. The second and related set of concerns highlight that the formulae do not consider why readers are drawn to different types of material and, therefore, whether the audiences for particular types of narrative, such as annual report narratives, might have certain motivations, backgrounds and expertise that influence how easy they find those narratives to read. Finally, because of their exclusive focus on word and sentence structure, important aspects such as the organisation of the subject matter, reinforcement of ideas, the use of supporting imagery and the user-friendliness of fonts and page layouts are ignored.

Courtis [2004] justifies the use of Flesch scores because they are not being used as predictive comprehension measures but as raw inputs to a more complex measure of obfuscation. Rutherford [2003] claims that while assessment of readability may be problematic, the formulae can be interpreted as measures of textual complexity. On balance, it is argued here that any measures of readability or obfuscation that use scores obtained from the readability formulae must be considered partial and incomplete measures of reading ease, and unlikely to be reflective of understandability. That is not to say that such measures capture nothing of relevance. They do capture relative differences in textual complexity where textual complexity is defined in terms of the syllabic structure of the words used and the length of the sentences that make up narrative.

Both sentence and word length were identified as problematic aspects by the US Securities and Exchange Commission (SEC) in its *Plain English Handbook* which was issued in 1998 following the SEC's ruling that disclosure documents must be written in plain English. The issue of long sentences was the first item on a list of common problems identified in the Handbook and specific advice given is to use short sentences and to choose simpler, shorter synonyms where possible. Readability formulae are clearly able to measure relative differences in these two aspects

combined, but it must be recognised that this is only one aspect that potentially influences the readability and, perhaps, the understandability of a text.

Obfuscation might result, as the SEC's guidelines suggest, from unnecessarily complex text. Thus using deliberately complex text may be a potential impression management tool. Further, it is potentially a rather subtle tool in that its effect results not from choices about *what* is said but from decisions about *how* the message is expressed. That is, any manipulation affects not the subject matter *per se* but the specific words chosen and the sentence construction techniques used to convey the intended message. As such the result is a potentially powerful impression management approach. The more subtle the technique, the more effective it may be as its presence is less obvious and its detection more difficult.

If authors of corporate narratives are deliberately using textual complexity as an impression management tool, it would be expected that this is a technique that would be used selectively throughout a document, rather than being systematically applied to a document in its entirety. From the discussion above, it is clear that report narratives convey both good news and bad news. There is no incentive to obfuscate good news. To the contrary, the incentive is to make it as clear as possible. The incentive to obfuscate only pertains to those parts of the narrative that convey news inconsistent with the impression being constructed, for example an unavoidable internal attribution for a negative outcome. If impression management is occurring it is likely that it will not, therefore, be consistently detected in analyses that focus on the whole of document level as the research to date has tended to do.

4.5 STUDIES OF LINGUISTIC ELEMENTS AND DEVICES

Studies investigating choices of particular linguistic elements or devices in report narratives have been less common than those evaluating aspects of thematic content or readability. Those that have been conducted have examined specific verb choices, the use of metadiscourse, and a small range of other rhetorical devices. Each of these is explained and discussed in turn below.

4.5.1 Choice of verb types and forms

Verb choices and sentence structure can influence the degree of action that is conveyed in a sentence and the directness of the apparent link between an agent and an action. One way that this can be done is through the choice of active or passive verb forms. The difference is illustrated by the two sentences below:

(1)   The company lost market share

(2)   Market share was lost by the company.

The first sentence is constructed in the active form: subject (the company) / verb (lost) / object (market share). In this form, the subject, the company is interpreted as the agent that is carrying out some action (the losing of the market share). The link between the agent and the outcome is direct. The second sentence is in the passive form. In this form, the subject is a more passive receiver of an action or outcome, and appears to be less instrumental in what is occurring. Sentence three, below, illustrates an agentless passive:

(3)   Market share was lost.

In this sentence the agent is omitted entirely, making the party responsible for the action ambiguous.

The passive form tends to depersonalise the sentence, distancing the writer from the activity, and also suggests a more objective or factual state of affairs [Thomas, 1997; Sydserff and Weetman, 2002; Clatworthy and Jones, 2006]. The passive form is also more indirect and wordier, potentially making it less easy to comprehend. From an impression management perspective, authors wishing to distance themselves or the organisations they represent from the subject matter might be expected to choose passive forms, particularly agentless passives, over their active counterparts. This is likely to occur when bad news is being reported because passive forms can distance the writer and the organisation from the poor outcome and/or make discussion of it ambiguous and less clear. Agentless passives might be chosen when there is bad news to report and no plausible external attribution can be made. In contrast, when good news is to be reported, use of the active form is more likely to ensure that the news is clear and that the company's actors receive full acknowledgement for the positive outcome.

Thomas [1997] compared the use of passive constructions in the letter to shareholders in the annual report of a declining company over five years. She noted that the use of passives doubled over the period of decline. Sydserff and Weetman [2002] compared the use of passive constructions in the chairmen's statements and manager's reports of UK investment trusts that were performing well with those performing poorly. They report significantly higher use of passive constructions in the narratives of the poorer performers and argued that this was suggestive of deliberate exploitation of the passive form for impression management purposes. However, Clatworthy and Jones [2006] found no significant difference in the use of passives in their comparison of profitable and unprofitable companies. Hrasky and Smith [2005] compared use of passives in chairperson's statements in full annual reports and those in summary annual reports in a sample of listed Australian companies. They argued that passive forms would be used less frequently in the summary reports, reflecting attempts to improve the clarity of the text, but their results indicated no significant differences in usage rates across the two report types.

Clarke et al [2008] investigated differences in the use of passive constructions in the annual report letters of local government authorities and listed companies in Australia. They hypothesised that, given the broader and potentially less motivated and less sophisticated audience for local government reports, the mayoral letters would reflect a clearer writing style through the use of more active phrasing. To the contrary, they found that the mayoral letters contained significantly more passive constructions than did their corporate counterparts. This is consistent with the findings of Kinnersley and Fleischman's [2001] US study which evaluated the use of passives in the letters of transmittal in the annual reports of a sample of state and local government agencies relative to their use in private sector MD&As, finding the rate of use to be significantly higher in the government transmittal letters.

Thomas [1997] also looked at the particular verb types used, focusing particularly on material process verbs and relational process verbs. Material process verbs are "verbs of doing or verbs of happening" [Thomas, 1997: 53] which convey a sense of action, movement or purposive occurrence. Relational process verbs are verbs of "being, identifying, [or] attributing" [Thomas, 1997: 53]. In her five year analysis of a company in decline, she noted that the use of the more active material process

verbs decreased while the use of the verbs of being became more prevalent. The increased use of relational process verbs also coincided with more frequent references to non-human agents, a situation which she suggested reflected a desire on the part of the writers to shift emphasis away from themselves and to generate an impression of objectivity. Again, these actions are consistent with impression management.

Like aspects of readability and attribution, if deliberate verb choices, particularly between active and passive forms, are being made to serve impression management purposes, this might be reflected at the whole of document level or it might be reflected differentially throughout a document depending upon the specific news being discussed. If the aim is to create a clear impression of dynamic action, as might be the case when good news is being reported, the active form would be preferred. The choice for bad news might be less obvious. In some cases, agentless passives might serve impression management objectives when there is no plausible outside party to whom the unfavourable outcome can be attributed. When the bad news is already well publicised and a plausible external agent can be blamed, the active form might be used, while the passive might be preferred when the intention is to report the bad news in a more obscure way.

4.5.2 Metadiscourse use

Hyland [1998] introduced the concept of metadiscourse into research into accounting narratives. Metadiscourse refers to the use of particular features, words or phrases in the narrative whose primary role is not to construct the meaning conveyed by the text but rather to influence how readers navigate the narrative and the impressions they derive from it. These features are referred to as metadiscourse tokens or resources and they can be classified into two broad categories [Hyland and Tse, 2004]. The first category contains the interactive resources which have the role of organising the narrative and function to help guide the reader through the text. The second category contains the interactional metadiscourse resources. These function to signify the presence of the writer and the writer's attitude to the subject matter, as well as to build a relationship between the reader and the writer.

There are five types of interactive resources and the following descriptions draw on the definitions and examples provided by Hyland [1998] and Hyland and Tse [2004].

1. *Transitions* are usually conjunctions and they play the role of expressing a semantic link between clauses. They may highlight an additive link through the use of such terms as *"in addition"*, *"and"*, *"also"*, *"additionally"* or *"furthermore"*. The link might be a contrastive one, signalled by the use of such words as *"but", "yet", "contrary to"* or *"whereas"*. Finally the relation might be one of consequence marked by resources such as *"therefore", because", "thus"* or *"as a result"*.

2. *Frame markers* serve a number purposes, all related to identifying goals, purposes or stages of the narrative. For example, some frame markers label topics to show their role in the narrative or to indicate topic shifts. These include phrases such as *"my purpose is to", "to conclude"* or *"to summarise"* to indicate purpose, and *"next", "now"* or *"moving on to"* to signal shifts. Sequencing can be emphasised by terms such as *"first", "next"* or *"finally"*, or indicated through the use of numbers or letters to create ordered lists.

3. *Endophoric markers* are used to refer to information that is located elsewhere in the narrative. Examples include *"see above", "as shown in Table Two", "in Section 4"* and so on that are used to highlight the relevance or salience of other material in the narrative to the current stage of the discussion.

4. *Evidentials* refer to the source of other information that is referred to or introduced into the narrative from outside the text. They include references to an author or source: *"Courtis [2004]"*, or statements such as *"According to the Prime Minister", "X asserts that", "in the directors' report"* or *"As shown in the balance sheet"*.

5. *Code glosses* are devices that expand on or reinforce the meaning of aspects of the content of the narrative. They might take the form of an expansion of a concept, an illustration of it, or an additional explanation or definition. They might be identified by such phrases as *"to illustrate", "for instance", "an*

example is", "in other words" and so on. In fact the italicised examples in this section are all instances of code glosses as they provide examples to illustrate the metadiscourse resources being introduced and described.

There are also five types of interactional metadiscourse tokens, the following descriptions of which also draw on the definitions and examples provided by Hyland [1998] and Hyland and Tse [2004].

1. *Hedges* are terms used to indicate a degree of tentativeness about the subject matter discussed, thereby indicated unwillingness on the part of the writer to express the point categorically. Particular tokens include *"perhaps", "possibly", "approximately"* and *"might"*.

2. *Boosters* play a role converse to hedges in that they indicate or emphasise the writer's assurance or certainty about what is being expressed. Boosters include phrases such as *"I am certain that", "it is clear that"* and terms such as *"definitely"* and *"obviously"*.

3. *Attitude markers* are used to indicate how the writer feels about the information being presented. They may reflect views on importance (e.g. *"vitally", "it is paramount", "crucially"*), or extent of agreement (e.g. *"I agree", "we concur"*), or their attitude to the content (e.g. *"sadly", disappointingly" unexpectedly", "pleasingly"*).

4. *Engagement markers* work to engage the reader as a participant in the discourse. This might be done by explicit reference to the reader through the use of the second person pronoun, imperative statements or questions to the reader. Examples include phrases such as "*you can see that", "don't you agree that", "consider the case of"* and so on. Engagement might also be achieved by the use of "aside" comments that are implicitly directed to the reader

5. *Self-mentions* are explicit references to the writer through the use of first person pronouns such as *"I", "we", "our",* and *"my".* The more self-mentions that are made, the more the writer's presence in the text is signalled.

Collectively, the five types of interactive metadiscourse tokens influence the level of explicit organisation within the text and its likely clarity for readers. Transitions and endophoric markers make relationships within clauses and throughout the text more explicit and should assist a reader in following and better understanding the links between ideas and information. Frame markers add sequential structure to the discussion and signal the purpose of various parts of it which, again, should make it easier for the reader to follow the various stages of the discourse. Finally, code glosses reinforce the meaning of what is discussed, while evidentials make the clear link to other sources that support points being made. A narrative that makes relatively more use of these metadiscourse resources is likely to be easier to read because of the structure they add and the signposting they provide.

In addition, if the narrative contains more transitions, and more endophoric and frame markers, the links between different clauses and different parts of the narrative are made more explicit. Hence understandability should be enhanced as well. The use of code glosses and evidentials should also contribute to increased understandability because code glosses provide additional explanations and examples of the subject matter while evidentials provide links to external evidential sources. Again, increased use of these resources should make the text easier for the reader to comprehend.

Collectively the five interactional metadiscourse resources affect the closeness of the reader-writer relationship, and the degree of confidence, involvement or identification that the author has with the text. Engagement markers primarily influence the reader-writer relationship. The more these are used, the stronger the reader involvement is likely to be. Self-mentions and attitude markers emphasise the presence of the author. The greater is the use of these resources, the more likely it is that readers will link the author personally with the text. The less is their use, the more likely it is that the author will be viewed as an impersonal, disinterested narrator. Hedges and boosters affect the degree of confidence or certainty that the author is signalling about the text. The more hedges are used, the greater is the uncertainly being conveyed about the subject matter and the more likely it is that the reader will treat it somewhat equivocally. The more that boosters are used, the less

likely it is that text will be interpreted as being questionable and the more likely it is to be taken as factual or definite.

In his 1998 study, Hyland compared the use of both interactive and interactional metadiscourse resources in CEO letters with their use in the directors' reports of 137 companies between 1992 and 1994. He found that the use of metadiscourse resources was around two and half times higher in the CEO letters than in the directors' reports. He also reported that resource use in the directors' reports tended to be formulaic with the ten most frequent items accounting for over eighty per cent of the instances of use. In contrast specific resource use in the CEO letters was more variable with the ten most frequently used items accounting for only fifty-one per cent of the total metadiscourse.

Hyland [1998: 232] argued that metadiscourse was being used to serve rhetorical purposes, that it was "essentially persuasive, seeking to gain the reader's acceptance for the particular definition of reality preferred by the writer". In other words, and although not the term used by Hyland, metadiscourse was being used to pursue impression management goals. Hrasky et al [2006] extended this line of inquiry, comparing the relative use of interactive metadiscourse in the chairperson's statements of forty high and low-performing listed Australian companies in 2003-04. Contrary to expectations, they found no difference in the relative use of interactive resources in the chairpersons' statements of the two groups.

Drawing on literature from applied linguistics, Sydserff and Weetman [1999] developed a series of six "indexicals" each of which captured different characteristics of a text. The higher the score on an indexical, the more textured the narrative is considered to be, and the greater the texture, the more meaningful is that text for the reader [Sydserff and Weetman, 1999: 463] Although not referring specifically to metadiscourse, two of the indexicals reflect two of the metadiscourse tokens. The first is "intertextuality" and the second is "conjunctions".

Intertextuality measures the extent to which references are made to other parts of the document in which the text was located [Sydserff and Weetman, 1999: 467]. In their illustration intertextuality measured instances in the operating and financial review

where reference was made, explicitly or through repetition, to information contained in other parts of the annual report. The more explicit were the references, and the more of them that were made, the greater was the score on this indexical and the more highly textured is the narrative. Hyland and Tse's [2004] metadiscourse category of evidentials similarly measures references to information sourced outside the text.

The conjunction indexical measures the degree to which a range of conjunctive markers, including casual, adversarial and additive conjunctions, are used to bind and link the narrative [Sydserff and Weetman, 1999: 468]. The more conjunctions that are used, the more highly textured and meaningful the narrative is considered to be. Narratives that are more highly textured are likely to be easier to follow and understand. Thus when the content of the narrative is positive it might be more highly textured than that of a narrative reporting negative news if impression management is occurring.

Clatworthy and Jones [2006] compared the use of personal pronouns in the chairperson's statements of profitable and unprofitable companies. Personal pronoun use is analogous to Hyland's [1998] self-mention category of interactional metadiscourse resources. They found that the statements of the profitable companies contained significantly more personal pronouns, or self-mentions, than did the statements of the unprofitable companies.

Overall, considered from an impression management perspective, metadiscourse use might reflect deliberate decisions on the part of writers wanting to influence how easy it is for the reader to distil clear meaning from the text and/or the relationship that is developed with the reader. Writers with good news to convey may make more use of the interactive resources while those wishing to obfuscate their news may utilise relatively fewer of these resources. Self-mentions, positive attitude markers and engagement markers might be used more frequently when authors are trying to create an impression of being involved in the news being discussed, and want to be personally recognised and credited by the reader. This is most likely to be used as a strategy when good news is being conveyed.

Conversely, when bad news is being reported, strategies may be used to distance the author from involvement and this might be achieved by less use of self-mentions, attitude makers and engagement markers. Good news or dialogue trying to convey optimism might be discussed in clearer and more certain terms, reflected by the greater use of boosters, while bad news or dialogue signalling caution might be characterised by the greater use of hedges. Hence studies of metadiscourse use from an impression management perspective may need to focus more specifically on sections within the document, analysing each news type separately, rather than on overall use at the whole-of-document level.

4.5.3 Other rhetorical devices

A small number of studies, notably Sydserff and Weetman [1999] and those providing more qualitative close readings of annual report narratives [e.g. Thomas, 1998; Amernic and Craig, 2000, 2004a,b] have identified other features of narratives that might influence the texture and/or rhetorical strength of a narrative and that therefore might be used deliberately in impression management strategies. Each is briefly discussed below.

4.5.3.1 Connectivity

Connectivity was another of the indexicals developed by Sydserff and Weetman [1999: 469]. Connectivity relates to the strength of the links between successive parts of the text. Strong explicit links which repeat words from the previous phrase to provide clear connections score the highest but weaker implicit links, perhaps using synonyms to create a cohesive chain, also add to connectivity. The greater the connectivity, the more highly textured is the narrative and the clearer it should be for the reader.

Amernic and Craig [2000: 62] identified two specific techniques that would add to connectivity in their analysis of Walt Disney's first letter to shareholders. These were *diallage* and *anaphora*. *Diallage* refers to laying out several arguments and using them successively to culminate in a single or conclusive point. This was done in the Disney letter, for example, by setting out a series of specific actions taken by Disney and the outcomes of these, culminating in the single conclusive point of an expectation of future profits [Amernic and Craig, 2000: 62]. *Anaphora* is the

technique of starting successive phrases with the same word or words to emphasise the points being made or the linking connection between them. In the case of the Disney letter, an example given is the starting of several sentences within a *diallage* of points with "As a result of" to emphasise the connection between the points and the consequential nature of the actions taken [Amernic and Craig, 2000: 62].

Thomas [1997: 58-61] considered what she called "context and cohesion", concepts very similar to connectivity, in her analysis of five letters to shareholders. She noted that in what was a good year for the company, links between successive parts of the discussion were more cohesive as a result of explicit links. This was achieved primarily through the repetition of the pronoun "we" at the start of each statement, building to a consistent conclusion focusing on outcomes as a result of actions taken by those in the company. Conversely, in a bad year she found very few cohesive ties in the letters, with relationships between phrases only able to be inferred by the reader and no overall cohesive theme leading to a conclusion.

4.5.3.2 Specificity

Specificity was another of Sydserff and Weetman's [1999] indexicals. It measures the extent to which the text contains specific, quantified, factual or detailed information as opposed to generalities or a mix of specific and general discussion. The greater is the specificity, the higher is the texture of the narrative. Lebar [1982] also investigated specificity in her study comparing the management analysis section of the Form 10-K that US companies are required to lodge with the SEC, the president's letter in the annual report, and earnings press releases issued by 10 companies in 1978. She measured the extent to which "extensional" and "intensional" language was used in each, explaining that extensional language "tends towards full description, qualification, specificity and objectivity ... [while] language that tends toward being unqualified, generalized and evaluative ... is intensional" [Lebar, 1982: 177]. She found that the language in annual reports was the least extensional and the most intensional of the three document types studied.

4.5.3.3 Condensation

Thomas [1997: 61] provides Lemke's [1983] definition of degree of condensation as the "number of unexpressed thematic items and relations that are needed to make

sense of those that are expressed". The greater the degree of condensation, the more ambiguous is the discussion because the reader needs to speculate and supply the items that remain unexpressed. This might occur because an element is simply not identified at all. Thomas [1997: 63] gives the example of the use of phrases such as "other factors" as ones in which the reader needs to supply possible meanings with none recoverable from the phrase used. In other cases, the phrase might be a condensation of events that the reader needs to attempt to expand to obtain the full story. She provides this example from her analysis of a particular company's report letter: *cost controls and improved operating margins* for which she identifies the underlying reality to be that "the company stopped making some products, laid off workers, and closed plants" [Thomas, 1997: 62].

Thomas [1997] noted that, as well as creating ambiguity, condensations such as the one quoted above can be use to mask the negativity of a statement and to eliminate human actors or victims, thereby allowing those within the company to abdicate responsibility for what has occurred. As such, from an impression management perspective, it might be expected that the use of condensations would increase when an author is presenting bad news in order to mask its clarity, to euphemise the real effects of actions and/or to distance company actors from involvement in, or responsibility for, negative outcomes.

4.5.3.4 Homoioteleuton

Homoioteleuton is the use of repetition in the endings of words in a text [Amernic and Craig, 2000: 62]. It is a rhetorical device used to cause the similarly ending words to be associated together in the reader's mind thereby strengthening their impact in the discourse. Amernic and Craig [2000: 62] identified the repeated use of the ending "*-ing*" to end words in Walt Disney's 1940 letter to shareholders as a form of homoioteleuton that was being used to emphasise and strengthen the effect of cumulative actions that Disney had taken.

To achieve impression management objectives homoioteleuton, and in fact repetition of text in any form, is likely to be associated with assertive impression management strategies such as self-promotion, ingratiation, exemplification, boasting and burnishing, all of which involve the emphasis of desirable characteristics. In

Goffmanian terms, this reflects choices about dramatic realisation; that is, selection of what particular factors are to be emphasised in order to project the desired image. Repetition is one way in which the required emphasis can be achieved.

4.5.3.5 Hyperbole

Hyperbole is another way in which emphasis can be achieved in a narrative, but more than simple repetition, hyperbole involves overstating or exaggerating the point being made. Its use was identified by Amernic and Craig [2004b] in Enron's final annual report letter to shareholders. Specifically they documented the use of self-aggrandising terms and adjectives to create a suggestion of invincibility [p. 821, 822-824] and the use of self-referential superlatives to suggest that Enron could not fail to continue to build on its successes [p. 824]. As noted in the previous chapter, an impression management performance is likely to involve some degree of misrepresentation and contrivance to create the desired appearance of reality, regardless of whether its appearance accords with the facts. Hyperbole is one tool available to authors to introduce subtle misrepresentation and contrivances into their narratives.

4.5.3.6 Apomnemonysis

Apomnemonysis refers to making appeals to authority to strengthen the credibility of the argument. Amernic and Craig [2000: 65] noted examples of its use in Walt Disney's 1940 and 1941 letter to shareholders. One example is in what they argued was Disney's strategic use of accounting. Disney refers to the need to employ conservative accounting methods and then implies that this is the somewhat artificial cause of reported losses. He then refers to the authority of the prospectus issued in the previous year to suggest that the company's prospects are indeed ones of profitability [Amernic and Craig, 2000: 66]. In the 1941 letter, the authoritative appeal to accounting is more direct with the letter to shareholders containing summary yet quite detailed financial statements, with figures not rounded, perhaps to add to the perception of unquestionable accuracy [Amernic and Craig, 2000: 67].

4.6   STUDIES OF NARRATIVE STRUCTURE

The narrative structure of annual reports, and of sections within them, has received relatively little attention from researchers. The small number of studies that have considered this aspect, either as their main focus or as part of a broader analysis, have considered how direct a narrative is in expressing its main points, how many different narrators and narrative sub-genres are used, and the ordering of information within a specific genre.

4.6.1 Directness

Jameson [2000] examined directness of narratives in the reports of 200 listed US mutual funds, half of which had performed well and half of which had achieved relatively low returns. A direct narrative is one in which the main point is discussed toward the beginning of the narrative, while an indirect narrative presents smaller details first and reveals the main point towards the end of the narrative [Jameson, 2000: 17]. The distance between key elements, or kernels, of the story being revealed also affects directness in that the greater is the span of words between the story kernels, the less direct is the narrative.

Jameson [2000] found that in the poorer performing funds the discussion of returns, the main issue to be discussed, commenced further into the report narrative. This finding is consistent with that of Clatworthy and Jones [2001], noted above, that the chairpersons of less profitable firms were less likely than profitable ones to discuss performance in the first passage of their letters. Jameson [2000] also found that the two main kernels of the discussion, absolute and relative return performance, were separated by a greater span of words in the reports of the poorer performers than was the case in the top performing funds. She also noted that some of the poor performers in her sample omitted the second story kernel, dealing with poor relative return, altogether. She concluded that the poorer performers produced less direct narratives than did the top performers and suggested that one effect of an indirect narrative was that it made the discussion more difficult for the reader to understand because the connections between matters discussed were not as clear.

Two of the indexicals proposed by Sydserff and Weetman [1999], topicality and shift in information category, also relate to the directness of a narrative. Topicality reflects the "degree to which the narrative adheres to the main topic(s) and the overall topic framework" [Sydserff and Weetman, 1999: 465]. The more that a statement relates to a main topic, the more highly is it scored and the more textured, and therefore clearer and more meaningful, is the narrative. If a narrative is less direct because a number of smaller details are placed before the main topic, this would be reflected by a lower topicality score.

Shift in information category relates to coherence, reflecting both the number of coherent information categories in the narrative and how often the category changes [Sydserff and Weetman, 1999: 470-471]. The fewer are the number of shifts, the more textured is the narrative. Sydserff and Weetman [1999:740] acknowledge that information shifts are necessary from time to time to develop ideas and to maintain interest, but argue that they may also cause a loss of coherence. This would be particularly likely where a narrative is indirect because the main story kernels have been separated by non-kernel discussion. Such a structure necessarily involves more information shifts, providing a less clear explanation than is the case when the story kernels are presented together.

If authors have impression management motives to make their discussion less clear, as might be the case when discussing poor performance or other negative news for which the company cannot provide a plausible external causal explanation, the directness of the narrative might be deliberately manipulated. By delaying discussion of the main points by preceding them with less relevant smaller details and by separating the story kernels that relate to the main points, or by omitting some entirely, the narrative can be made more difficult for the reader to understand, thus potentially achieving obfuscation objectives.

4.6.2 Number of narrators and sub-genres used

As well as focusing on characteristics evident within particular report narratives, Jameson [2000] also considered the broader discourse choices made in annual report construction. Specifically she looked at how different narrators were used to create the accounts and explanations conveyed in the report and the different sub-genres

that were used to present them. With respect to narrators, Jameson [2000: 23] explains that choices are made about how many different narrators will be used, for example, the chairperson, the CEO, and various operational managers, and the extent to which each narrator is dramatised. Narrators may remain anonymous, that is they are undramatised, or they may be fully dramatised by including their name, a photograph and biographical details [Jameson 2000: 23].

In her study of the narrative choices made by top performing investment funds and those performing less well, Jameson [2000] found that the reports from those with relatively poor performance contained accounts from a significantly greater number of named and dramatised narrators than did the reports of the top performing funds. She explained this by arguing that the use of multiple dramatised narrators had the effect of moderating the bad news contained in the reports [Jameson, 2000: 25]. By having dramatised narrators, a relationship was built between them and the reader, encouraging an evaluation that was emotive and not just intellectual. For example, if the narrator is perceived to be honest, credible and likeable, the reader's response to their account is likely to be more sympathetic. Further, different narrators can reveal different aspects of the overall account being given and emphasise different issues, providing many perspectives from which the reader must choose. This can dilute the news reported and create ambiguity about the situation being discussed collectively.

Jameson [2000: 31] also identified various narrative forms, or sub-genres, that might be adopted by report narrators, including letters, biographies, question and answer dialogues, mission statements, histories and opinion pieces. She reports no significant difference in the number of different sub-genres used between the better and worse performing funds that she examined but does note a qualitative difference. Specifically, the annual reports of the poorer performing funds were almost twice as likely to use the question-answer sub-genre. She argued that this was a strategic choice designed to reduce the distance between the narrator and the reader which should, in turn, increase the reader's empathy with the narrator and the greater is the empathy, the more likely it is that the poor performance will be discounted.

It appears, then, that choices about the number of narrators used and the types of sub-genres selected by those narrators can be deliberate ones designed to further

impression management objectives. For example, where the objective is to create a feeling of empathy for the point of view or the account being presented, a fully dramatised narrator is likely to be used and that narrator is likely to chose a sub-genre that is conducive to building a relationship with the reader, such as a question-answer dialogue or an inclusive letter to shareholders. Where the aim is to be somewhat equivocal, presenting the reader with various versions of an account from which the reader must choose their preferred interpretation, multiple narrators might be used to present different aspects of the story or different rationalisations for events discussed.

4.6.3 Order of information

In their close reading of Walt Disney's first letter to shareholders, Amernic and Craig [2000] identified strategic ordering of information as a technique that had been successfully used by Disney to reduce the impact of bad news that needed to be reported. In the Disney example, the third section of the letter to shareholders contained negative news about the serious impact of the Second World War on the company and the uncertainty surrounding this impact. This is followed by information about the production of the feature film *Pinocchio*, which had an "almost catastrophic" financial effect for Walt Disney Productions [Amernic and Craig 2000: 63]. Amernic and Craig [2000: 64] describe the positioning of this news after the discussion of the wider negative impact and threat of the war as "a skilful use of 'order' as a rhetorical device".

Baird and Zelin [2000] conducted an experimental study with 92 MBA students in the United States to examine the impact of the narrative report information on readers' decisions. Specifically they assessed whether the ordering of positive and negative information in the president's letter affected subjects' evaluations of the past and future performance of a hypothetical company. They found that those who received letters with all of the positive information positioned first followed by all of the negative information evaluated both past performance and expected future of the company significantly more highly than did those who received the negative information first followed by the positive. Thus, despite the fact all subjects received, in aggregate, identical information with regard to total content, differences in the way in which that information was ordered produced systematically different

decision outcomes. Although the evidence is scant, it is supportive of the notion that strategic rhetorical ordering of information can be successful in influencing the impressions formed by the readers of that information, making ordering a potentially useful impression management tool.

4.7   OVERVIEW

A review of research into characteristics of annual report narratives was presented in this chapter. Four categories of studies were identified, namely those considering thematic content, readability, linguistic devices and narrative structure. Although not all studies adopted an explicit impression management perspective, the implications of their results were considered from such a perspective in order to provide a comprehensive overview of specific impression management techniques that might be used in report narratives. The review identified many ways in which strategic choices about the inclusion and construction of narratives within annual reports might serve and reinforce impression management objectives.

Narratives are, however, only one means through which these objectives can be pursued in annual reports. As noted in Chapter Two, annual reports are increasingly making use of imagery, the strategic use of which might serve as visual rhetoric reinforcing impression management attempts in the narrative. In the next chapter, research into the use of imagery in annual reports is reviewed, also adopting an impression management perspective. As in this chapter, and consistent with the multi-modal view adopted in this investigation, the aim is to catalogue various ways in which visual effects might be used to reinforce impression management strategies.

CHAPTER FIVE: VISUAL COMMUNICATION IN ANNUAL REPORTS

5.1 INTRODUCTION

A review of research into characteristics of annual report narratives was presented in the previous chapter. Regardless of the particular aspect studied, the results emanating from much of this research suggest that report preparers tend to behave in manners consistent with impression management motivations. As noted, however, narratives are only one means through which impression management objectives can be pursued in annual reports. The strategic use of imagery and visual effects provides an opportunity for preparers to exploit aspects of visual rhetoric to reinforce the impression management message. In Goffmanian terms, the use of visual effects in annual reports relates primarily to the expression "given off", contributing to the staging elements of front and expressive control. The use of apposite visual cues can help to present a coherent and appropriate setting, and it is this aspect of the performance that is the focus of this chapter. As in the previous chapter, the aim is to catalogue various ways in which visual effects might be used to reinforce impression management strategies.

Traditional annual reports are, by their very nature, documents that must be engaged with visually by the reader. This involves a range of tasks, including reading, viewing photographs, interpreting graphs, scanning tables and so on. For every visual aspect of a report, there exists a range of potential rhetorical effects that can be employed by report preparers. As Kostelnick [1988: 46] explains, "in the making of business documents, writing and designing, reading and seeing, are interdependent, complementing and impinging on each other to satisfy the goals of the communication". Nonetheless, relative to research into report narratives, the use of imagery and visual effects in annual reports has received much less attention. Because of this, in the review that follows, research into visual aspects of annual reports is supplemented where necessary with work from broader communication fields to illustrate the potential roles that aspects of visual rhetoric might play when attempting to create deliberate impressions through strategic annual report construction.

The visual rhetoric of annual reports is influenced by all aspects of visual design choices, from seemingly basic decisions about typography, page layout, colour and contrast, through to the use of graphs and photography to reinforce the desired message or image [Kostelnick, 1988; Jameson, 2000]. In the next section, various typographical design and presentation choices are overviewed. Section Three contains a review of research into graph use in annual reports. The likely impact of photographs on report readers is discussed in Section Four, along with a review of research into their use in annual reports.

5.2 TYPOGRAPHY AND PRESENTATION

5.2.1 Typographical choices

Perhaps the most fundamental design choice underpinning written documents is that of the typeface to be used. This involves a range of what Kostelnick [1988] calls micro text choices, including decisions about font type, size, thickness and posture. Henderson et al [2004] describe typeface as the most pervasive design element in marketing documents and in a survey of professional graphic designers they identified twenty-four unique characteristics that differentiated typeface design. Examples include whether the font is ornate or plain, symmetrical or asymmetrical, serif or sans serif, curved or angular and so on. Typeface choice is important because it can influence the reading ease of the text [Somerick, 2000; Gump, 2001; Henderson et al, 2004]. In fact Kramer and Bernhardt [1996: 49] consider typeface to be "the single most important feature affecting the readability and design of a text".

Specifically serif-type fonts, such as the Roman font used here, are ones that readers are generally more familiar with and ones which can reduce eye fatigue. This potentially enhances readability while sans serif fonts tend to produce monotonal shapes that may make reading more difficult [Somerick, 2000]. Serifs guide eye movement and make letters easier to differentiate than do sans serif fonts [Yoshida, 2000; Bix 2002]. Ten, eleven and twelve point font sizes are the most readable [Somerick, 2000]. Condensed font types are likely to reduce readability as might mono-spaced fonts which can be perceived as plain and rigid [Gump, 2001]. Too

much variation in font type can create a chaotic effect than can reduce the emphasis of the message being conveyed [Somerick, 2000; Yoshida, 2000].

As well as influencing readability, typeface design choices can contribute to the creation of strategic impressions that the designer intends to impart to the reader [Bix, 2002; Henderson et al, 2004]. Gump [2001] argues that while written words convey meaning that develop a feeling about a message when consciously read by the reader, the typeface in which the message is delivered also imparts an impression at the subconscious level. However, as Henderson et al [2004] note, whilst researchers concur that typeface design does affect the reader's response, the nature of the effect is not well known or understood. Thus while designers may take deliberate decisions about typeface design to try to enhance or reduce the readability of written text, choices made to promote particular strategic or rhetorical outcomes may be more problematic, both to implement and to detect.

5.2.2 Spacing and page layout

Written documents inherently reflect a range of decisions that have been taken about what Kostelnick [1988] terms inter-textual structure. Inter-textual structure refers to effects such as the vertical and horizontal spacing between text elements, the use of headings, and the inclusion of graphic cues such as the use of bullets and arrows. Inter-textual structure has:

> rhetorical consequences, surfacing certain aspects of the message while embedding others. Opening up a text with spatial and graphic coding is the equivalent to persuading visually, impelling readers to value selected pieces of information and acquiesce to logical and hierarchical connections that make them cohere visually [Kostelnick, 1988: 42].

Text is easier to read if it is organised into discrete visual units. This is known as "chunking" [Kumpf, 2000] and it occurs at the most basic level by using spaces to separate words. It also encompasses features such as organising text into paragraphs and indenting paragraphs to distinguish clearly one from another. Chunking can enhance readability by making text appear less dense. Text which is too dense might be avoided by the reader because it may be perceived as difficult to read [Kumpf, 2000]. Somerick [2000] suggests that paragraphs be kept short, recommending an average of one to two sentences per paragraph. She also recommends enhancing visual appeal by using bold type to start each new paragraph.

The use of white space can also break text down into inviting and meaningful units. White space has the potential to influence the readability of a document and the reader's progression through it [Kramer and Bernhardt, 1996]. In her study of annual reports, Jameson [2000] considered those using white space to frame the text to be easier to read than reports which did not leave as much white space. Allowing extra spacing between headings and between lines also makes a text more inviting [Kramer and Bernhardt, 1996]. However, the use of too much white space can be detrimental, creating what Yoshida [2000: 2] calls "text islands" that appear to be unrelated to one another.

Choices about the type of margin used can also affect readability. A flush left margin facilitates reading because it provides a uniform starting point for each line of text [Somerick, 2000]. A ragged right margin tends to also improve readability unless text is in narrow columns [Kramer and Bernhardt, 1996; Yoshida, 2000]. When text is centred, the reader's rhythm is broken each time a new line is started, making the text harder to read [Sevilla, 2002].

Headings can be used to influence reading paths and to draw the reader to particular parts of the text. Headings attract attention and emphasise key points [Martin, 1989; Lemke, 1998; Jameson, 2000; Somerick, 2000]. They can summarise the message [Somerick, 2000] and serve to break the text up into visually coherent components that alert readers to the content and allow them to find information quickly [Kramer and Bernhardt, 1996]. Call-out boxes and headlines can be used in a similar way to stress key points [Jameson, 2000]. Where headings are used, they should be in a font size greater than twelve point and be in a bold typeface [Somerick, 2000]. As a general rule, to maximise their effect, headings should be at least two points larger than the type used in the subordinate text [Kramer and Bernhardt, 1996; Yoshida, 2000].

Providing visual cues about the structure of the document, its "external skeleton" [Kumpf, 2000], can help the reader to navigate through it. This can be done by providing page numbers and a table of contents, using easily distinguishable sections to handle different matters within the document, and so on. This presents the organisation of the document in a reader-friendly way, guiding busy readers through

it and allowing them to locate items of interest quickly [Kostelnick, 1988, Kumpf, 2000]. Within parts of the document, sub-heading structures and bulleted or numbered lists can be used to show hierarchical relationships between parts of the text to make these relationships easier for the reader to discern [Kostelnick, 1988; Jameson, 2000].

5.2.3 Colour and contrast

The decision about whether to use colour over the cheaper black and white alternative in written documents is another fundamental decision and one which also may have rhetorical effect. Courtis [2004] and So and Smith [2002] outline a number of reasons why colour might be added to a document. These include: making the document more appealing thus potentially motivating readers to peruse it; to highlight certain parts of the information to direct the attention of the reader; to aid the reader's comprehension, recall and retention of information; or to divert attention away from negative news. Flatley [1996] reports that when used effectively, colour does improve both the clarity and appeal of the underlying message, and the addition of colour can increase the reader's attention span by more than eighty percent [Kress and van Leeuwen, 2002: 349].

One way in which colour can be used is to separate the various sections of a document, to differentiate blocks of text within a particular section or to suggest relationships [Jameson, 2000; Courtis, 2004]. Contrasting colours imply differentiation, whilst presenting some items selectively in colour creates emphasis and draws attention. Conversely, through the use of consistent colour or the coordination of factors such as brightness and saturation, information items can be presented to the reader as implicitly related to one another [Kress and van Leeuwen, 2002; Courtis, 2004]. Gradation of shading can suggest a hierarchical or sequential relationship between items of information [Courtis 2004].

As well as creating emphasis and contrast, colour choices can affect readability. To enhance readability the background colour of a page should contrast with the text colour [Flatley, 1996] but it should not be a reverse type of contrast where the text is lighter than the background [Somerick, 2000]. Reverse contrast is difficult to read unless the amount of text is very short. Bix [2000] reports the results of an

experiment which suggests that colour contrast can have a greater impact on the legibility of text than the size of the text. Dark text on a light background proved to be the easiest to read, with black text on a white or yellow background being the most legible combinations.

Colour choices can also influence a reader's emotional response [Flatley, 1996; Smith and So, 2002; Courtis, 2004]. However, there is no clear or consistent mapping between colour choice and emotional response [Kress and van Leeuwen, 2002] because the responses evoked are not stable from person to person or over time [Courtis, 2004] and the response varies with the context and the reader's background [Flatley, 1996]. For example, Flatley notes that the colour blue tends to create an impression of reliability among finance managers, death amongst healthcare workers, and coldness amongst engineers.

Courtis [2004: 272] argued that presenting accounting information in annual reports on different coloured paper was a "simplistic but pervasive version of visual rhetoric" with colour being used to try to impart a particular impression about the financial health of an organisation and its future prospects. He conducted an experiment to determine whether judgments about amounts invested in a particular company were influenced by the background colour of the paper on which information was provided. He found that colour could influence the financial evaluations made. Specifically, the group receiving the information on a green background made the highest investment allocations and these allocations were significantly higher than those made by groups receiving a pink, white, grey or purple background [Courtis 2004: 277]. The point is not so much, as Courtis [2004:277] explains, that one colour is superior but that colour is able to invoke a differential response and therefore has power as a tool of visual rhetoric. The difficulty, as noted above, is in determining which particular colour will best convey the desired impression to the target audience.

5.2.4 Impression management with typographical and presentation choices

As part of an impression management strategy, preparers of annual reports may wish to attract readers to particular parts of the text while deflecting their attention from others. The discussion above suggests that readers will be attracted to call-out boxes,

headlines and headings, and judicious use of background colour. These devices might be used, for example, to ensure that readers are attracted to the parts of the report narratives that contain positive news that has been specifically included to attempt to impart the desired impression to the reader.

Once attracted, the readability of the text can be enhanced by using a proportionally-spaced serif type font of between ten and twelve point. Headings should be in a slightly larger font. Content should be organised into relatively short left-justified paragraphs which commence with indented or bolded text and are surrounded by sufficient white space to break the text up without isolating it from related parts. Overall, the report will be easier to navigate if it contains page numbers and a table of contents from which the reader can navigate to separate, distinct sections within it. Related items within sections can be signaled by the use of colour coordination, lists and sub-heading structures.

Conversely a reader will be less likely to examine text that is, for example, in small font, presented as dense continuous prose on a poorly contrasting background, with no headings or call out boxes to attract attention. Therefore report content that does not specifically support the impression management performance, as might be the case with mandated, audited material such as the notes to the financial accounts, might be deliberately presented in a relatively unattractive way to try to divert reader attention to the main part of the impression management performance. Similarly, material that must be included but which contradicts the goal of the performance is likely to be presented in the least appealing way. For example, a firm that is obliged to report a breach of an environmental regulation is unlikely to make this disclosure in large colourful text in a call-out box beside the chairperson's address. Instead it is likely to be towards the back of the report, buried within other statutory disclosures made in small font, and not signaled by a heading or an entry in the table of contents.

5.3 THE USE OF GRAPHS IN ANNUAL REPORTS

Graphs are a particular form of visual communication that might be used to support impression management goals, and graph use is pervasive in annual reports. For example, Beattie and Jones [1992, 1997, 2000b] indicate that around eighty per cent

of large UK companies include graphs in their annual reports while in the US documented usage rates vary between seventy-nine and ninety-two per cent [Steinbart, 1989; Beattie and Jones, 1997, 2000b]. Graph use by Australian companies also tends to be high with Beattie and Jones [2000b] reporting a usage rate of ninety-two per cent, the highest in their comparative study of six countries, and Beattie and Jones [1999] and Godfrey et al [2003] document rates of eighty-nine and eighty-one per cent respectively.

Appropriate use of graphs can provide communicative benefits. They attract and direct the reader's attention and can reveal and clarify trends that might not be apparent from scanning numerical data [Cleveland and McGill, 1984; Steinbart, 1989; Hill and Milner, 2003]. Furthermore, graphed patterns are likely to have more impact and be remembered more easily than tabulated or descriptive data [Beattie and Jones, 1992, 1997; Courtis, 1997; Hill and Milner, 2003].

However, graphs are also a potentially powerful impression management tool [Beattie and Jones, 1997, 1999; Hill and Milner, 2003]. As Beattie and Jones [1997, 1999] note, graph use in annual reports is voluntary and graphs are unaudited, creating an enhanced opportunity for preparers to use them to pursue impression management goals by manipulating or distorting the signals that they are communicating. Furthermore, users are likely to perceive these signals as accurate representations because graphs are constructed from seemingly factual data [Hill and Milner, 2003: 136]. Beattie and Jones [1992, 1997, 1999] describe three ways in which graphs may be manipulated to serve impression management purposes: through selectivity in graph use, measurement distortion, and presentation distortion. Each of these is discussed in turn below.

5.3.1 Selectivity in graph use

Beattie and Jones [1992, 1997] describe three types of selectivity that can occur with graph use in annual reports. The first relates to the decision about whether to use graphs at all. The second concerns what to graph while the third deals with the time period covered by a graph. If selectivity is occurring to serve impression management purposes it would be expected that graphs will only be used when they support the impression management performance, and this will generally be when

consistent positive performance trends can be portrayed. Thus graphs would tend to be used more when positive trends could be shown, and only those variables displaying positive trends would be graphed. The time period covered by a graph would be one over which a consistent trend could be displayed. For example if sales had increased over the last four years after dropping from a consistent high previously, only the trend for the four-year increase would be displayed. The effect of this is illustrated in Figure 5.1 below where the truncated series (Part b) suggests a more positive situation than that portrayed when a longer period is graphed (Part a)

Research results suggest that graph selectivity does occur. In what Beattie and Jones [2000] identify as the first academic study of graph use in annual reports, Steinbart [1989] found in a study of 319 Fortune 500 companies that graph use was significantly more likely when income was increasing. He reports that seventy-four per cent of companies used graphs when income increased compared to only fifty-three per cent presenting graphs when income declined. Subsequent research across a range of international settings has consistently replicated this result [Beattie and Jones, 1992, 1997, 2000a,b]. Further, evidence from these studies also suggests that graphing of a specific variable is contingent upon the performance of that variable.

The issue of selectivity in the time period graphed appears to have been addressed only by Beattie and Jones [1997] in their study of graph use in the US and the UK. They report that five years is the most common time period graphed, with around seventy per cent of graphs charting this period. Further investigation of those graphs with a shorter time series indicated that nearly thirty per cent of cases represented a situation where a continuous positive trend was depicted in the graph, a situation that would not have occurred had the longer and more typical five year period been used. This led Beattie and Jones [1997: 51] to suggest that "in an important minority of cases, the length of the time series selected is associated with trend performance".

Studies of graph use by Australian companies suggest that selectivity is apparent. Beattie and Jones [1999] examined graph use by eighty-nine of the top 100 ASX listed companies and report a significant relationship between the inclusion of graphs in the annual report and profit performance. In their six country comparison, Beattie and Jones [2002b] report that Australia, along with the US, provided the greatest

evidence of performance-related selectivity. Godfrey et al [2003], in an examination of graph use by sixty-three Australian companies which had changed their CEO, find strong evidence of favourable selective graph use following a CEO change. However, in a study of graph use by Australian companies, Mather et al [2000] found no significant relationship between graph selectivity and firm performance.

Figure 5.1 Selectivity in time period graphed

Part a: Full period graphed

Sales
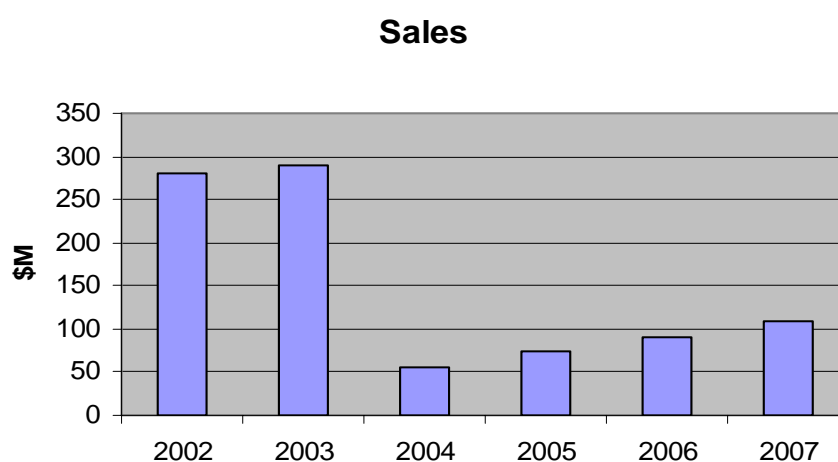
Part b: Truncated time series

Sales
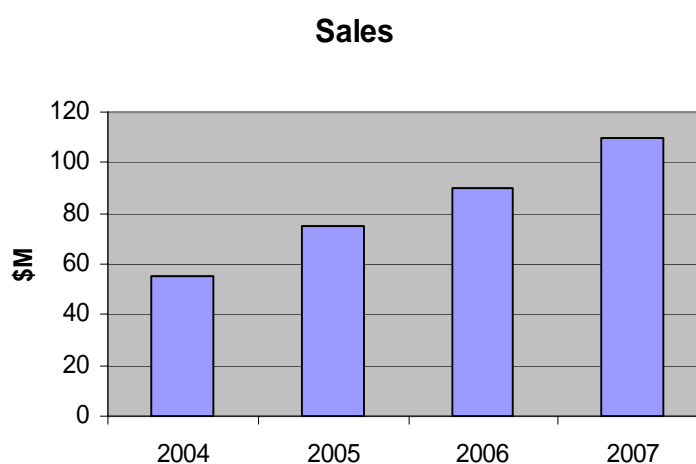
In both the 1999 and 2000b studies, Beattie and Jones report that selectivity is more strongly related to five-year performance trends suggesting that longer term

performance might be the more critical driver of any impression management attempts. In Mather et al's [2000] study, the performance measure used was a single period, one-year change in performance. Their failure to consider the impact of longer term performance trends might, therefore, explain their seemingly inconsistent results with regards to graph selectivity and performance in the Australian context.

5.3.2 Measurement distortion in graph construction

As well as selective use of graphs, annual reports might contain graphs that exhibit measurement distortion. Graphical guidelines suggest that the magnitude of change depicted in the graph should match that which is present in the underlying data [Steinbart, 1989; Beattie and Jones, 1992, 1997, 1999, 2000b; Frownfelter-Lohrke and Fulkerson, 2001; Hill and Milner, 2003]. When this is not the case, a graph is considered to exhibit measurement distortion, the extent of which is typically measured using the Graph Distortion Index (GDI) [Steinbart, 1989; Courtis 1997; Beattie and Jones 1999; Frownfelter-Lohrke and Fulkerson, 2001] The GDI is calculated as follows:

$$GDI = 100 * [(a/b) - 1]$$

Where: a is the percentage change depicted in the graph, measured as:

$$\frac{\textit{(height of last column – height of first column)}}{\textit{(height of first column)}}$$

and b is the percentage change in the data.

An undistorted graph would have a GDI of zero because the term *[(a/b) – 1]* would equal zero as the percentage change in the graph (*a*) would be equal to the percentage change in the data (*b*). If the GDI is positive, the change shown on the graph is greater than that in the data so the trend is exaggerated. Conversely, a negative GDI indicates that a trend has been smoothed.

From an impression management perspective, where a preparer is attempting to emphasise positive performance, graphs showing favourable trends are likely to be exaggerated to make the situation appear even more positive that it is. However, a

negative trend, if shown at all, is more likely to be dampened to deemphasise its negativity. Exaggeration or overstatement of a trend can be achieved by use of a non-zero origin, and/or using a broken vertical scale or a non-arithmetic scale [Steinbart, 1989; Beattie and Jones, 1992, 1997; Hill and Milner, 2003]. Figure 5.2 provides an illustration of the effect of favourable measurement distortion. A

Figure 5.2 Favourable measurement distortion with a positive trend

Part a: Undistorted graph
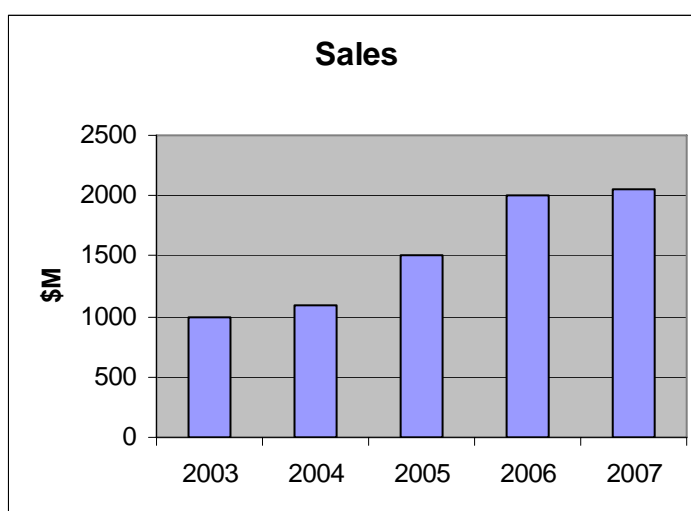
Part b: Graph with positive measurement distortion
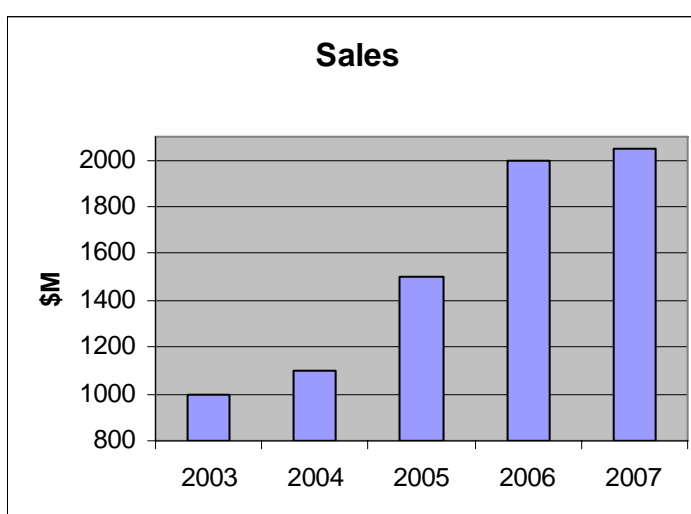
properly constructed graph with no measurement distortion is depicted in Part a. Part b contains positive distortion that has been achieved by using a non-zero origin, the effect of which is to overstate the apparent trend in the data.

A trend can be dampened or understated by using a non-proportional scale, where equal intervals do not equate to equal numerical amounts [Steinbart, 1989]. This latter effect is illustrated in Figure 5.3. Part a shows a declining sales trend with no distortion. Part b purports to show the same data but the graph has been improperly drawn with the proportionate change in the height of the columns being less than the corresponding change in the data. The desired impression is supported by the removal of values from the vertical axis and the absence of gridlines.

Research results indicate that measurement distortion is present in some annual report graphs and that the direction of distortion when it is present tends to be consistent with impression management motivations. For example, Steinbart [1989] found that 120 annual reports from his sample of 319 companies contained graphs with measurement distortion exceeding ten per cent, with the average distortion being just over eleven per cent. He examined those graphs displaying larger distortions more closely and found that fourteen annual reports in his sample contained graphs with a GDI of one hundred per cent or more. Of these, thirteen reports contained graphs that were distorted so as to exaggerate a favourable trend, a situation consistent with impression management behaviour.

Of the subsequent studies conducted which assessed graph distortion in annual reports, Beattie and Jones, [1992, 1997, 1999], Mather et al [1996], Courtis [1997] and Frownfelter-Lohrke and Fulkerson [2001] all report findings of significant distortion, the extent of which is documented in Table 5.1. In the majority of cases, distortion was favourable and exaggerated a positive trend [Beattie and Jones, 1992, 1997, 1999; Mather et al, 1996]. The most common cause of the distortion was that of improper scaling [Beattie and Jones, 1992, 1997; Courtis, 1997], resulting in a situation where "the graphic distance portrayed simply was not proportionate to the underlying data" [Beattie and Jones, 1997: 53]. Distortion resulting from the use of non-zero base lines and a broken vertical axis was also observed [Beattie and Jones, 1992, 1999; Frownfelter-Lohrke and Fulkerson, 2001].

Figure 5.3 Favourable measurement distortion with a negative trend

Part a: Undistorted graph
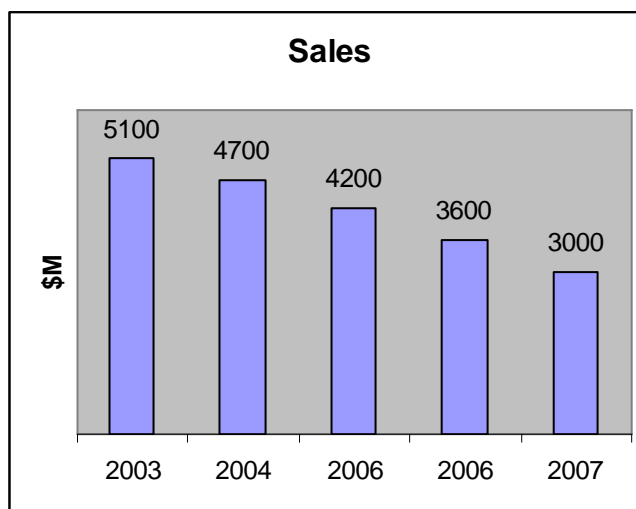
Part b: Graph with negative measurement distortion
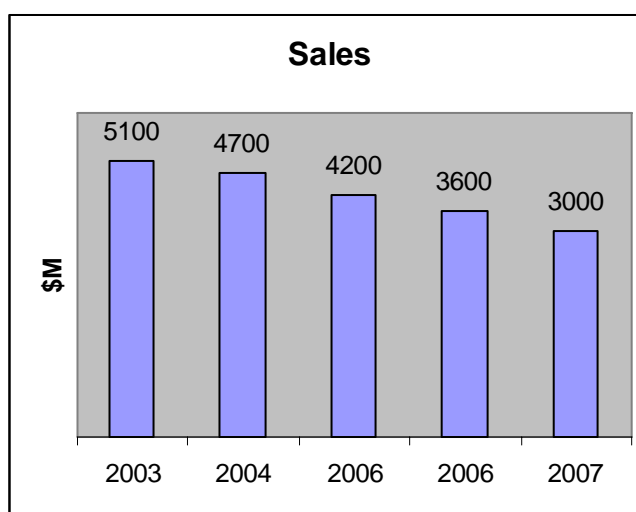
In their international comparative study which included Australia, Beattie and Jones [2000b] report only limited evidence of measurement distortion but suggest that small sample sizes may have contributed to the lack of significant results. Godfrey et al [2003] failed to find significant measurement distortion in the annual report graphs of Australian companies which had changed their CEO. Nonetheless, as noted above, Mather at al [1996] and Beattie and Jones [1999] provide evidence that

measurement distortion is apparent in some Australian annual reports and its nature is suggestive of impression management.

Table 5.1 Research findings on the extent of graph distortion in annual reports

Study	Sample	Key findings in regard to graph distortion
Beattie and Jones 1992	240 UK companies in 1989	30% of graphs had an absolute GDI of more than 5%
Mather et al 1996	Top 150 ASX listed companies in 1992	30% of graphs had an absolute GDI of more than 5%
Courtis 1997	691 Hong Kong companies in 1992/3 and 1993/4	52% of graphs had an absolute GDI of more than 5%
Beattie and Jones 1997	85 US companies and 91 UK companies in 1990-1	24% of reports from each country had graphs with an absolute GDI of more than 5%
Beattie and Jones 1997	89 ASX100 companies in 1997	32% of graphs had an absolute GDI of more than 5%
Frownfelter-Lohrke and Fulkerson 2001	37 US and 37 non-US companies	Average GDI for US graphs was 81%, average GDI for non-US graphs was 173%

5.3.3 Presentation distortion or enhancement of graph design

Impression management motivations might also result in presentation distortion of annual report graphs. Presentation distortion occurs when graphs violate commonly accepted principles of good graphical presentation [Beattie and Jones, 1997]. Normative graphic design principles have been well documented [e.g. see Jarvenpaa and Dickson, 1988; Hill and Milner, 2003] and Table 5.2 contains a list of the key principles, along with an example of the impressions that violations might create. Examples of studies in which the specific violations have identified are also provided.

Figures 5.4 and 5.5 provide some illustrations. Figure 5.4 shows the effect of extending the vertical axis to dampen an unfavourable trend. In Part a the vertical axis is properly drawn extending only to the highest data point while in Part b it

Table 5.2 Research findings on presentation distortion in annual report graphs

Graphical principle	Example and effect of violation	Research identifying a violation
Choose an appropriate graph type	Line graphs being used instead of column graphs to plot time series data, the effect of which is to suggest temporal causality when it does not exist	Beattie and Jones, 1997, 1999
Do not extend the vertical axis beyond the required range of values	Extending the scale beyond the value of the highest data point reduces the apparent magnitude of the trend and can therefore understate the extent of a declining trend	Steinbart, 1989
Avoid ambiguous design features such as three-dimensional charts, stacked graphs or pictorial graphics	Three dimensional graphs can create optical illusions and make reading of data points ambiguous. They can also be constructed so as to emphasise the top face even if this is not the face most accurately reflecting the data point.	Beattie and Jones, 1997, 1999 Courtis, 1997
Provide gridlines	When gridlines are absent, reading off data values is more difficult. When they are absent on graphs which contain measurement distortion, the distortion is harder to detect.	Courtis, 1997 Beattie and Jones, 1999
Provide chart titles, axis labels, scales and data values	When titles, labels and data values are absent, graph interpretation is ambiguous. When a scale is missing on a distorted graph, particularly one with no gridlines, relative change cannot effectively be assessed.	Beattie and Jones, 1997, 1999, Courtis, 1997
Avoid the use of shading or visual effects to accentuate a particular aspect of the graph	Using a darker colour on a particular column draws attention to it and away from others. Gradually strengthening the colour of the specifiers from left to right emphasises an upward trend. Using specifiers that are beveled to slope to the right or placing an upward arrow on or near the top of a specifier draws the eye upwards and emphasises the apparent trend.	Beattie and Jones, 1997, 1999
Provide time series data running from left (more distant) to right (less distant)	Reversing the time series requires a counter-intuitive interpretation of the graphed data and can mislead the reader into assuming the trend is the opposite of what it actually is.	Courtis, 1997 Beattie and Jones, 1999
Avoid obtrusive backgrounds	Obtrusive backgrounds such as bright colours or patterns and distracting images, deflect attention from the graphed trend. Parts of the background can be used to obscure specific aspects of a graph.	Beattie and Jones, 1999
Plot all values in series and do not obscure negative values	Negative values in a data series are not graphed, or they are obscured by starting the vertical axis at a negative value, or they are distorted by different scaling above and below the baseline, to reduce the impact of negative results in a graphed series.	Courtis, 1997
Use the optimal slope parameter (angle of the trend line implicit in a graph) of 45°	Higher slope parameters can make an upward trend appear steeper while lower slope parameters can appear to depress the apparent trend line	Beattie and Jones, 2002a

extends far beyond it. The effect is to dampen the apparent downward trend in the data series graphed. In Figure 5.5, inappropriate visual effects have been used to draw attention to the final specifier, the largest in the series. The gradual increase in intensity of shading also accentuates the upward trend as does the inclusion of extra-graphic arrows. The arrow on the top of the final specifier also makes the actual value of the data represented in the final specifier ambiguous.

Figure 5.4 Presentation distortion by extending the vertical axis

Part a: Undistorted graph
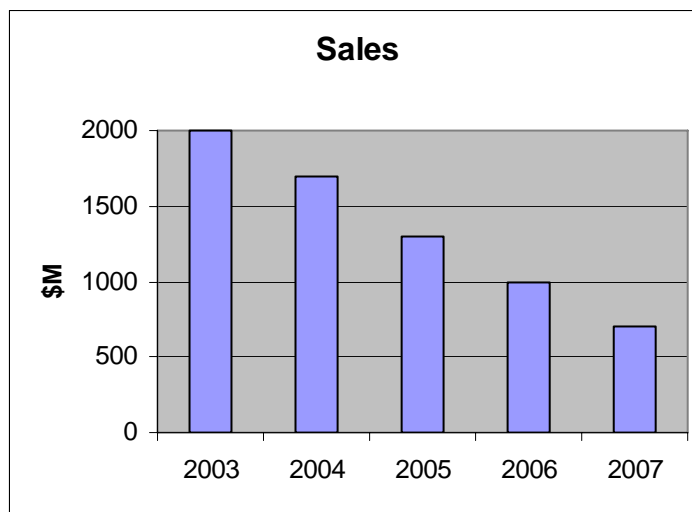
Part b: Graph with extended vertical axis
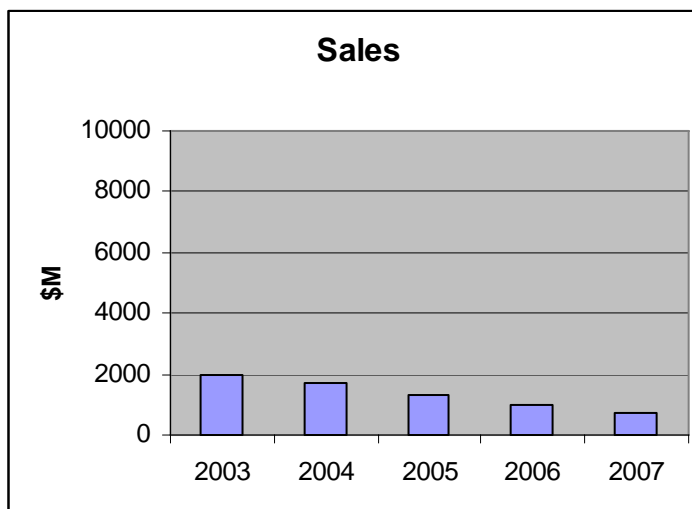
Figure 5.5 Presentation distortion using graded shading and placement of an arrow
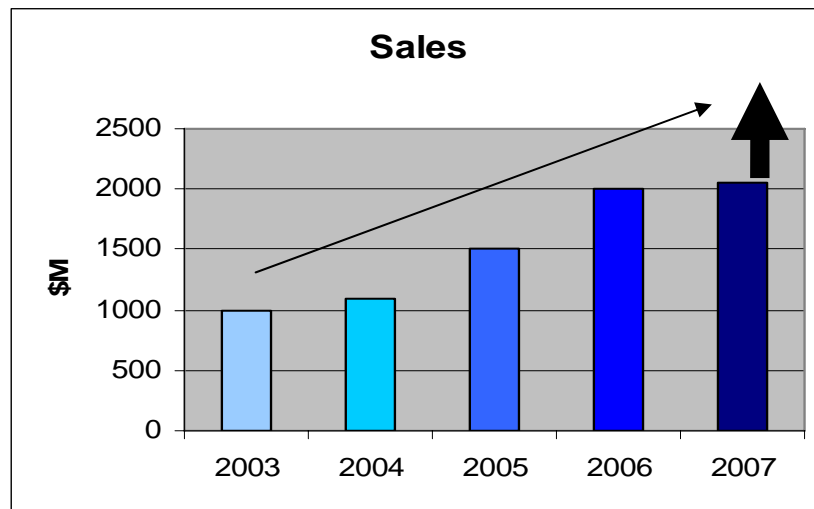
Research results indicate that when presentational distortion occurs it tends to be of a nature supportive of impression management intentions. For example, Beattie and Jones [1997, 1999] and Courtis [1997] report that enhancement tends to be used to emphasise upward trends, typically achieved through the use of sloped specifiers, accentuated colour and/or graded shading and other effects that emphasise the top of the specifier to draw the eye upwards. Beattie and Jones [1999] provide examples of background images taller than the graphed data, again the effect of which is to encourage the eye upwards. They also note that imagery has been used apparently strategically to obscure parts of a graph, giving an example of how a decline in graphed earnings per share is obscured by "background" image effects.

Beattie and Jones [1997, 1999] and Courtis [1997] all provide evidence that confusing three-dimensional effects are used and that gridlines and scales are sometimes omitted. Selective labeling has been detected [Beattie and Jones, 1999] as have instances of reversed time series [Courtis, 1997; Frownfelter-Lohrke and Fulkerson, 2001] and situations in which negative values have been omitted or obscured [Courtis, 1997]. In addition, many design principles are sometimes violated on the one graph, further adding to the ambiguity of the graphed information [Courtis, 1997; Beattie and Jones, 1999]. Beattie and Jones [2002a] report that companies with below average performance also tend to have lower slope parameters, the effect of which is to deemphasise the trend. However, their 1999 study did not produce evidence that slope parameters were being used to manipulate

graphical presentations and their 2002a results did not suggest that higher slope parameters were being used to emphasise positive trends.

5.3.4 Impression management with graphs in annual reports

The discussion above suggests many ways in which graphs might be used in annual reports to serve impression management goals. First, a graph is more likely to be included when it portrays a trend that is consistent with the impression management objective. Typically this will be to show trends of positive performance, and the time period graphed might be selected such that only a continuous upward trend is shown. Once included, the trend in the graph can be emphasised by using non-arithmetic scaling, a non-zero axis, a broken axis or a large slope parameter. Omission of gridlines and values for the vertical axis can make this distortion more difficult to detect and lead the reader to make biased judgments.

Presentation enhancement might accompany a distorted graph to reinforce the enhanced trend shown. Progressive shading of the specifiers, the use of background effects and slanting the tops of the specifiers upwards to the right can all help to achieve the desired effect. Selective labeling of the more positive data points can further highlight the most positive aspects of the graph while strategic placement of background imagery can obscure parts of the graph that are not as positive.

If, for some reason, the report preparers feel compelled to include a graph showing a negative trend, for example to conform with established industry reporting norms, the trend can be deemphasised by using non-proportional scaling. The vertical axis might be extended well beyond the highest data point to flatten the apparent trend line and/or a low slope parameter may be used. Any negative values can be omitted or obscured, and ambiguous design effects such as three dimensional graphics can make interpretation of the data portrayed ambiguous. Gridlines and scale values could be omitted to reinforce the ambiguity. The time series might even be presented in reverse order.

Tractinsky and Meyer [1999] provide experimental evidence that suggests that impression management motivations do influence graphical presentation choices. When subjects were faced with a scenario of producing graphs designed to impress

others rather than to assist their own decision making, graphs constructed in two-and-a-half dimensions were significantly favoured over the two dimensional alternative used to facilitate their own decision making. Further, when the content to be presented was negative, those with the task of impressing exhibited a stronger preference for three dimensional graphs. When given the specific task to impress the CEO about divisional performance, the use of bar graphs, which had been selected seventy-two per cent of the time when the goal was to aid the CEO in decision making, dropped to forty-four per cent. Line graphs were favoured when performance was positive and three dimensional charts and pie graphs were favoured when performance was poor. In addition, many respondents chose to report the data in percentage terms to avoid showing the negative values that were evident in the raw data.

Experimental research that has focused on annual report graphs indicates that impression management strategies may well succeed. Beattie and Jones [2002b] exposed subjects to pairs of graphs, one which was distorted and one which was not. They found that distortion levels of five per cent did not affect subjects' judgments about the trends shown in the paired graphs, but that measurement distortion of twenty per cent or more did produce biased judgments about the apparent trend lines. Beattie and Jones' [2002a] experimental study focused on the effect of departing from the optimal slope parameter of forty-five degrees. The results indicated that judgment accuracy is maximised when the optimal slope parameter of forty-five degrees is used and that subjects' perceptions about relative financial performance are influenced by the slope parameter.

Arunachalam et al [2002] conducted a series of laboratory experiments to investigate the effect of a range of graph distortion types on user perceptions. Consistent with Beattie and Jones [2002b] they found that graph distortion did produce biased judgments when graphs of a low growth rate company were distorted. However, they were unable to replicate the result when a medium growth rate was used. Arunachalam et al [2002] also looked at the effect of graphing two variables of different magnitude on the same graph, the effect of which is to deemphasise the variable of smaller magnitude. They found that masking the smaller series in this

way did affect subjects' judgments about it but, again, only in the case of the low growth rate company.

In their final two manipulations, Arunachalam et al [2002] tested the effect of using a reversed time series and of suppression of negative values. In both cases judgments were adversely affected. Significantly more subjects chose to invest erroneously in a poorer performing company when its time series data were reversed than did when the series was shown in the conventional order. Similarly subjects made erroneous investment decisions when presented with graphs in which negative data had been suppressed. These results appear robust in that they were not sensitive to the magnitude of the growth rates being graphed.

5.4   THE USE OF PHOTOGRAPHS

Like graphs, photographic images are also a potentially powerful impression management tool because of their ability to attract the attention of the reader. Zillman et al [2001] and Knobloch et al [2003] report research by Garcia and Stark [1991] that suggests that readers enter a page by first looking at the larger photographs on it, and then scan the remaining images before considering the text. The larger is the image, the greater is a reader's attraction to it [Zillman et al, 2001]. Wanta [1988] suggests two reasons for this: a large photograph breaks up a monotonous page increasing reader appeal, and a large image takes up a large area of the page forcing a reader to pay attention to it.   However, the impression management potential of photographic images extends beyond that of mere attention direction because imagery can influence readers' inclinations to study associated text and their subsequent comprehension and recall of it. Further, aspects of how an image is constructed can influence the meaning that viewers might extract from it.

5.4.1 The effect of photographs on reading, perception and recall

Research results suggest that text accompanied by a photograph is more likely to be read by those viewing it [Wolf and Grotta, 1985; Zillman et al, 2001; Knobloch et al, 2003]. Furthermore, this research also indicates that recall is enhanced when visual imagery is used. This phenomenon of better recall when imagery is present is known as the picture-superiority effect [David, 1998; Zillman et al, 1999] and it occurs

because images are dominant in perceptual processes [Zillman et al, 1999]. However, the extent of the enhancement of recall is contingent on the nature of the imagery.

Redundancy, or visual-verbal overlap, is an important factor influencing the impact of imagery on subsequent recall of information [David, 1998; Zillman et al, 1999]. Redundancy refers to the strength of the semantic relationship between the text and the picture [David, 1998: 186]. The more concrete is the image and the more directly relevant it is to the text that it accompanies, the greater is the redundancy. The greater is the redundancy, the more effective is the impact on recall [Zillman et al, 1999]. Imagery that is merely decorative is unlikely to reinforce the text [David, 1998] while extra-focal imagery, that is imagery not relevant to the text, can be counterproductive to promoting recall by drawing attention to itself and away from the message in the text [Zillman et al, 1999].

The imagery accompanying text can also influence the viewer's perception of that text. The apparent salience of an item can be affected by the size of a photograph that accompanies it. The larger is the image, the greater is the perceived salience of the item it accompanies and the more likely it is that a viewer will judge the item to be more important than it actually is [Wanta, 1988]. Zillman et al's [1999] experimental research also suggests that perceptions are strongly influenced by the nature of the image shown. Their results indicate that where balanced text is accompanied by one-sided photographs, readers' perceptions are biased by the impression suggested by the accompanying photographs.

Imagery and text can also combine to leave a perception that differs from that actually presented in the text. This occurs because so-called text-image admixtures merge over time in the mind of the viewer to form one combined image that is subsequently recalled, but this fused image can be subtly different from that represented in the original text-picture combination [Zillman et al 1999]. To illustrate, Zillman et al [1999] cite an example from Pezdek [1977] of text which stated "The bird was perched atop a tree" accompanied by a photograph of an eagle on a tree. Research subjects subsequently indicated that they believed the original sentence was "An eagle was perched upon a tree".

If imagery is included in annual reports to serve impression management motivations, the discussion above suggests some specific strategies. For example, large photographs could be used to attract reader attention to those parts of the report that reinforce the desired impression management messages. Information that does not support it, for example statutorily required accounting information, can be made less attractive by not having it accompanied by photography. Concrete images with a high degree of visual-verbal overlap can increase the likelihood that the reader will recall particular parts of the report. Therefore, relevant and redundant imagery should be used to reinforce text that carries the impression management message, and a biased image can consolidate the desired impression even further.

5.4.2 Metafunctional elements and construed meaning

As well as images influencing attraction, comprehension and recall through their interaction with accompanying text, aspects of image composition alone can influence the impression imparted to the viewer. A composition may be a single image, a composite of images or a mixture of text and imagery. Kress and van Leeuwen [1996] developed a framework for analysing compositions, focusing on aspects that influence the meaning imparted by the composition. The foundation of Kress and van Leeuwen's framework is the articulation of three metafunctions: the representational (or ideational), the interpersonal and the compositional (or textual), which work together simultaneously to create meaning [Goodwin, 1999; Harrison, 2003; Slade, 2003].

The representational metafunction relates to what is actually depicted in an image, that is, the people and objects that are shown. In Harrison's [2003: 50] terms, this metafunction answers the question "What is the picture about?". There are two representational dimensions, either narrative or conceptual [Kress and van Leeuwen, 1996; Bell and Milic, 2002; Harrison, 2003]. Narrative images suggest actions or reactions, created by the way in which represented participants are portrayed. For example, actions involve participants doing something to or for other participants, while reactional narrative is created by eye lines between participants in the image [Kress and van Leeuwen, 1996]. A conceptual image has no direct or implied relation between the participants. Instead the represented participants collectively

represent a concept which conveys symbolic meaning or requires conceptual analysis on the part of the viewer [Harrison, 2003: 51, Slade, 2003].

The interpersonal metafunction relates to how the image engages the viewer, the components of which are the image act, social distance, involvement, and power [Kress and van Leeuwen, 1996]. The image act refers to the eye-line between the represented participant and the viewer [Harrison, 2003] and it can create either a demand or an offer. An image creates a demand when the represented participant is looking directly at the viewer, effectively requiring the engagement of the viewer because of the connection made by the eye-line [Kress and van Leeuwen, 1996; Bell and Milic, 2002; Harrison, 2003]. Conversely, an offer is made when the represented participant is looking away from the viewer, either at something outside the picture or at something within it. The viewer then sees the participant more as an object and is an onlooker rather than an engaged participant [Kress and van Leeuwen, 1996; Bell and Milic, 2002; Harrison, 2003].

Social distance refers to the closeness of the represented participant to the viewer [Harrison, 2003]. Kress and van Leeuwen [1996: 130-131] distinguish six categories of distance:

- intimate distance, showing face or head
- close personal distance, showing head and shoulders only
- far personal distance, showing participant from the waist up
- close social distance, showing the whole figure
- far social distance, showing the whole figure with background
- public distance, showing torsos of at least four people.

The closer is the distance the more intimate is the relationship between the represented participant and the viewer [Harrison, 2003].

Involvement concerns the horizontal angle from which a photograph is taken. Kress and van Leeuwen [1996: 140-142] explain that, whilst there are degrees of horizontal angle, the two main distinctions are whether the point of view of the photograph is frontal or oblique. A frontal plane suggests that the photographer is positioned in

front of the subject being photographed, whereas an oblique angle suggests that the picture has been taken from the side. A frontal angle suggests involvement whilst an oblique angle creates a sense of detachment [Kress and van Leeuwen, 1996; Bell and Milic, 2002; Harrison, 2003].

The final component of the interpersonal metafunction is power and this is related to the vertical angle between the represented participant and the viewer [Kress and van Leeuwen, 1996: 140-142]. A high vertical angle, created when the camera is positioned above the subject, suggests that the viewer has more power than the represented participant. A low angle where the viewer is looking up at the represented participant shifts the power to the participant whereas the power relationship is one of equality when the eye-line is horizontal.

The third metafunction is the compositional metafunction which concerns the manner in which the representational and interpersonal metafunctions relate to each other to form a "meaningful whole" [Kress and van Leeuwen, 1996: 181]. It has three components: information value, salience and framing. The position of elements within a composition influences their information value. According to Kress and van Leeuwen, in Western cultures elements that are centred have the greatest information value, while elements positioned to the left represent familiar or given information that demands the least viewer attention. Elements that are set to the right represent new or less familiar information that requires more reader attention than does information set to the left. There is also a vertical plane that affects information value, with elements placed towards the bottom being more real or factual than those set towards the top which are considered to be more emotive or to represent an ideal [Kress and van Leeuwen, 1996; Bell and Milic, 2002; Harrison, 2003].

The greater is the salience of an element, the more dominant is that element and the more likely it is to catch the eye of the reader [Kress and van Leeuwen, 1996: 181]. Salience can be influenced by placement, size, focus and contrast [Kress and van Leeuwen, 1996; Bell and Milic, 2002; Harrison, 2003]. An element that is in the foreground of a composition is more salient than one in the background, and larger images have greater salience than smaller ones. Sharpening the focus of an element and increasing its tonal or colour contrast both serve to increase its salience.

The final aspect of the compositional meta-function, framing, relates to the connection between elements in the composition. Elements can be framed or unframed and framing can be achieved by the use of line borders, colour or vectors that occur within an image such as a window or a doorway [Kress and van Leeuwen, 1996; Harrison, 2003]. When an element is framed it is viewed as a separate unit of information and the stronger is the framing, the greater is the sense of separation from other elements in the composition [Kress and van Leeuwen, 1996: 214]. Conversely the absence of framing suggests that items within the composition have a connectedness or a group identity.

Kress and van Leeuwen's [1996] framework has been used to analyse corporate brochures and advertising material [e.g. see Goodwin, 1999; Bell and Milic, 2002; Slade, 2003]. However, it has not been applied systematically to annual report content although Watts [2004] does utilise one page of an annual report to demonstrate some of Kress and van Leeuwen's principles. Nonetheless, the composition choices that Kress and van Leeuwen present have the potential to be exploited to achieve impression management goals in annual reports.

For example, consider the case of a CEO who is discussing positive news in the letter to shareholders and wants to draw a reader's attention to it and to their role in achieving the positive outcome. The CEO letter is likely to be accompanied by a reactional narrative image with the CEO shown at intimate or close social distance, looking directly at the reader to demand their engagement. A low vertical angle might be used to emphasise the power of the CEO. The photograph might be centred to emphasise its importance or placed to the right to suggest that the reader needs to pay relatively more attention to it. Its salience will be increased by using a large image with strong colour or tonal contrast. It will not be framed, suggesting that the CEO and the news imparted are connected.

In contrast, where a bad news message needs to be conveyed and the CEO wishes to be seen as distanced from it, any accompanying photograph is likely to be less salient, possibly placed to the left, and showing social rather than personal distance. The gaze will not be directly at the viewer and an oblique angle used to deemphasise involvement and engagement. The shot may be from above to suggest that the CEO

is relatively powerless and it might be framed to separate it from the accompanying text.

5.4.3 The use of photographs in annual reports

Compared to narratives and graph use, research into the use of photography and composition in annual reports has been less extensive and less systematic. Motivated by the absence of research, Preston et al [1996] provided a critical interpretation of the symbolic or metaphorical meaning suggested by selected US annual report images from the 1980s and 1990s. They specifically argued that photography was present in annual reports to serve impression management purposes, with image selection being biased to convey certain aspects of corporate identity and performance whilst concealing others. They further noted that the use of abstract images to convey symbolic meaning leads to imagery having a role in creating meaning rather than neutrally reflecting it.

In her study of the annual reports of two large US companies, David [2001] forms a similar conclusion, asserting that imagery is used deliberately to reinforce what she terms "cultural myths". She argues that imagery is being used to convey "partial truths" in which some aspects of business are foregrounded while others are ignored. She cites as an example a photograph of a large, well-lit shopping mall taken at night which she describes as serene and uncongested. She argues that this reinforces the familiar cultural myth of shopping malls bringing "beauty and luxury" to a neighbourhood whilst at the same time denying issues related to urban sprawl [David, 2001: 209]. Such idealised scenes nonetheless are viewed as truthful representations because of the way in which documentary-style photography tends to be accepted as faithfully depicting reality despite the fact that it can be deliberately staged with the express purpose of invoking a particular reaction or emotion [David, 2001: 209].

In another study of imagery in US annual reports, Graves et al [1996] also conclude that imagery plays a rhetorical rather than a purely aesthetic role. They assert that visual rhetoric is essential in annual reports because of a "television epistemology" that pervades US society. Because television dominates society so much, there is an expectation that all communication must be "glamorous" and "entertaining" to be

perceived as valid [Graves et al, 1996: 59]. Therefore, visual design features are an essential part of the rhetoric contained in annual reports. For example, they argue that even the inclusion of photographs of the board of directors is a rhetorical strategy calculated to persuade the reader about the credibility of the report. Guthey and Jackson [2005] reiterate this point, acknowledging that visible presence is a traditionally accepted prerequisite for authenticity arguing that CEO portraits are a means of providing a visible presence for the organisation.

McKinstry [1996] conducted a longitudinal study of visual design features in the annual reports of Burton Group, a large UK company, from 1930 to 1994. He notes that photographs were not used until 1979 but that during the 1980s, consistent with impression management motivations "[e]very conceivable design device [had] been used by the company and its design contractors to portray it and its top management in the best possible light, and to influence the perceptions of the City and the individual investor" [McKinstry, 1996: 107].

McKinstry provides examples of differential use of design features in times of high versus poor profitability, noting that lavish photography and high quality glossy coloured paper was used when performance was strong, whilst shorter, plainer reports using off-white recycled paper were produced when profits dropped. For example in 1986, a very profitable year and one in which management was seeking approval from shareholders for new profit-based remuneration arrangements at the annual general meeting, fifty-six per cent of the annual report was made up of photographs. In comparison, in 1991 after a large drop in profit, photographs accounted for only fifteen per cent of the annual report.

Four studies have focused specifically on systematic measurement of photograph content in annual reports and these have all been in the context of gender issues. Tinker and Neimark [1987] analysed the annual reports of General Motors over a sixty year period and found that masculine images clearly dominated annual report photography. Anderson and Imperia [1992] found that photographs of women in the annual reports of 25 US airline companies over a six year period conveyed stereotypical "feminine" connotations with, for example, women being more likely to be depicted as less serious and smiling with the head tilted more so than men, and

less likely to be shown in a work role. In their study of 20 Dutch annual reports, Benschop and Meihuizen [2002] report results consistent with the two earlier studies. In the only study adopting a specific image management orientation, Bernardi et al [2002] found that annual reports were more likely to contain photographs of the board of directors when the company had strong female representation on the board. They interpreted this result as reflecting an impression management strategy with the photographs being used to signal socially responsible values.

5.5 OVERVIEW

A review of research into imagery and visual effects and their potential as impression management tools was presented in this chapter. Choices relating to imagery and visual design are pervasive in documents like annual reports and offer opportunities at various levels within the document for preparers to make choices that serve rhetorical purposes. Where information is included in the annual report with the objective of influencing the impressions formed by the reader, report preparers can increase the likelihood of the material actually being read by making typographical and presentation choices that enhance the reader-friendliness of the text. Conversely attention can be potentially diverted away from information inconsistent with the impression management performance by making it less visually appealing to the reader.

Graphs are a particular visual communication device that can be used to attract and focus the reader's attention and their use in annual reports is common. Research suggests that selectively and distortion is apparent with annual report graphs in a manner consistent with impression management motivations. Photographs are another powerful tool for the visual rhetor which can be used to attract reader attention and to influence the likelihood that accompanying text will be read and recalled. They can be carefully selected so as to influence readers' perceptions about the importance or salience of an item and to bias their interpretation of accompanying text. Strategic choices about whether to use photographs, the subject matter pictured, and the way in which an image has been constructed can all, therefore, be used to enhance the effectiveness of the impression management performance.

Thus, like the narrative choices discussed in the previous chapter, there are also many ways in which visual effects can be used in annual reports to influence the impressions formed by the users of those reports. The particular choices made will reflect the nature of the impression management strategy being employed and a number of options were identified in Chapter Three. In the next chapter, the various choices that might be made with respect to the construction of narratives and accompanying imagery in annual reports are mapped to the particular impression management techniques that are expected to be more commonly found in annual reports. The aim is to provide an integrated framework of strategies and techniques from which exploratory research questions can be drawn.

CHAPTER SIX: A SYNTHESIS OF THE LITERATURE AND DEVELOPMENT OF EXPLORATORY RESEARCH QUESTIONS

6.1 INTRODUCTION

In Chapter Three the first two major objectives of this study, modelling Goffmanian self-presentation behaviour and extending its applicability to multi-level organisational settings, were achieved. In that chapter it was noted that, amongst other things, any impression management performance involves a number of coordinated dramaturgical elements. In the context of annual reporting, it is the combination of narrative and visual content that represents the dramaturgical scripting and staging elements that comprise the impression management performance. The third major objective is to develop a comprehensive framework of the impression management techniques that might be used in impression management performances in corporate annual reports, identifying how and where they might be manifest in those reports.

In Chapters Four and Five a review of the literature addressing the use of narratives and the use of imagery in annual reports was presented. The discussion was framed in terms of how aspects of narrative and imagery could be used purposefully to support impression management objectives. The ways in which both narrative and visual rhetoric could be strategically exploited to reinforce a desired impression management message were identified. To meet the third major objective of this study, an integrated framework of those mutually supportive rhetorical elements is developed in this chapter. For an impression management performance to be effective it is necessary, as noted in Chapter Three, to present a coherent front and to maintain expressive control. Thus principles of cohesion and consistency should underpin the combination of narrative and visual rhetorical strategies used within annual reports. These principles guide the development of the framework presented in this chapter.

The chapter is structured as follows. In the next section, narrative and visual strategies that are consistent with assertive impression management strategies are

identified. Those that are supportive of a defensive impression management strategy are presented in Section 6.3. The combinations of mutually consistent strategic choices and the particular levels within the annual report at which various impression management techniques might be manifest are outlined in Section 6.4. In Section 6.5, three exploratory research questions are formulated to guide an exploratory analysis of whether the narrative and visual strategies observed in contemporary annual reports are consistent with impression management motivations. That analysis is presented in Chapter Eight.

6.2 STRATEGIES SUPPORTING ASSERTIVE IMPRESSION MANAGEMENT

6.2.1 Direct assertive approaches

In Table 3.1 in Chapter Three, organisational promotion through enhancement and entitlement, along with ingratiation and exemplification, were identified as the direct assertive impression management strategies most likely to be employed in annual reports. These involve making disclosures in the annual report which, respectively: emphasise positive outcomes and the role of those within the organisation in achieving these; highlight attributes that make the organisation appealing to others; and promote values that are regarded positively by the organisation's audience.

Because these disclosures are positive ones which directly support the impression management performance, report preparers have incentive to craft the narrative such that it communicates the positive news effectively to the report reader. This can be facilitated by producing a narrative that is confident, direct and unambiguous, with clear recognition of the company's active involvement in or association with the news reported, written in language that is easy for the reader to understand. Drawing on the literature reviewed in Chapter Four, narrative strategies that might be used to maximise the effectiveness of the communication are identified in Panel A of Table 6.1.

Visual rhetoric can also be used to reinforce the positive impression management message. Typographical choices could be made that enhance reader-friendliness, and presentation effects used to attract and direct attention. Similarly, strategic use

Table 6.1 Narrative and visual techniques that support assertive impression management

Panel A: Strategic use of narrative					Panel B: Strategic use of imagery		
Thematic choices	*Thematic tone*	*Reading ease*	*Linguistic choices*	*Structural choices*	*Typographical and presentation choices*	*Use of graphs*	*Use of photographs*
Include more positive news statements *(Enhancement)* Emphasise performance and dividend news when performance was good *(Enhancement)* Make frequent financial and quantitative references when performance is good *(Enhancement)* Make positive statements about future operating philosophy and outcomes when performance has been poor *(Enhancement)* Make favourable internal attributions *(Entitlement)* Emphasise the attractive features of the organisation *(Ingratiation)* State strong ethical values and examples of socially and environmentally responsible behaviour *(Exemplification)* Include image-enhancing metaphorical themes	Use a tone high in: • certainty • optimism • activity and • realism but lower in commonality	Reduce textual complexity by using: • shorter words and • shorter sentences	Greater use of: • active voice • material process verbs • personal pronouns • interactive metadiscourse tokens • interactional metadiscourse tokens except for hedges • connective devices such as repetition, diallage and anaphora • techniques to add emphasis such as homoioteleuton and hyperbole • apomnemonysis Less use of: • condensations • hedges	Increase the directness of the narrative Have fewer topic shifts Place the positive news at the start of the narrative	Choose a serif-type font of 10-12 point Leave adequate white space around good news Use headings, headlines and call-out boxes to draw attention to good news Use colour to attract attention to the sections where good news is presented Use dark text on a light background Organise good news items into relatively short paragraphs which commence with indented and/or bolded text	Include graphs of financial variables that show a positive trend Truncate the data series graphed to show only that period over which a positive trend is apparent Present graphs with positive measurement distortion and remove grid lines and scales to make this more difficult to detect Use design effects such as beveling the top of the specifiers, contrasting tone and placement of arrows to emphasise trends and draw the eye upwards	Use a large photograph to attract reader to where good news is reported Have a high degree of visual-verbal overlap Use concrete rather than abstract images Use larger photographs of positive images to increase their apparent salience Show chairperson in a demand image looking at the reader with a low vertical angle and at close distance Picture the chairperson on the same page as the chairperson's letter without framing Include pictures of the board

of photography can attract attention and aid in the retention and recall of the message. Where the content is appropriate, graphs might be used to display the message with greater impact in a more readily understandable way. Drawing on the literature reviewed in Chapter Five, ways in which visual rhetoric can enhance the effectiveness of the communication and reinforce direct, assertive impression management strategies are presented in Panel B of Table 6.1.

6.2.2 Indirect assertive approaches

In Table 3.2 in Chapter Three, three strategies were identified as being the most likely to be used in indirect assertive impression management. These were boasting, blaring and burnishing, all of which involve links with a third party in the impression management performance. Boasting involves making clear the positive link that the organisation has with a third party that is highly regarded by the audience. Conversely blaring is emphasising differences between organisational attributes and values and those of a third party that is negatively regarded by the audience. Burnishing is the playing up of the positive features of a third party with which the organisation is known to be associated.

In each case, just as when the organisation is employing direct assertive strategies in the annual report, there is an incentive to communicate in a way that enhances the likelihood that the positive associations and differences being highlighted are read, understood and retained by the report audience. Thus, while the script differs from that of a direct impression management performance in that it refers to indirect links rather than direct achievements and values, the essential aspects of the expressive staging element remain the same. Thus the strategies identified in Panels A and B of Table 6.1 apply equally to indirect assertive impression management performances.

6.3 STRATEGIES SUPPORTING DEFENSIVE IMPRESSION MANAGEMENT

6.3.1 Direct defensive approaches

In Table 3.3 of Chapter Three accounts, including denials, excuses and justifications, were identified as the most common form of defensive impression management strategies expected to be utilised in annual reports. Defensive strategies are necessary when something negative has occurred that has the potential to tarnish the

organisational image. They are used to try to repair the image or minimise any damage done to it. However, the nature of the situation is such that negative news is involved. Denials claim that the negative event did not in fact occur or that the organisation was not involved in it. Excuses acknowledge the negative event but deny responsibility for it, blaming instead an uncontrollable external factor or party. Justifications acknowledge the negative event and responsibility for it but try to create the impression that it was necessary in order to achieve some other more significant positive outcome valued by the audience.

Of course one response to a negative event is to ignore it by not discussing it in the annual report. However, the review of the literature on report narratives presented in Chapter Four indicates that negative news is discussed in voluntary annual report narratives, albeit with less frequency than good news. This suggests that that there are some circumstances in which members of the annual report performance team believe that it is more damaging to the organisational image to ignore bad news than it is to provide some account of it in the annual report. This is likely to be the case when that negative news is already known to the report audience and the audience looks to the annual report with an expectation that some account of it be given. This would be the case with poor financial performance because this is reported in the mandatory sections of the annual report and it may also be the case with other negative events, such as industrial accidents or environmental issues that have received press coverage during the period.

When bad news is to be addressed, of the three types of accounts available, excuses are potentially the most effective in minimising harm if a plausible excuse is available. When an uncontrollable external party can be credibly blamed for a negative incident, the organisation and its members are effectively exonerated from wrongdoing and may even garner some degree of sympathy from the audience. In this case, those giving the excuse have an incentive to try to ensure that it is clearly understood by the audience. Where a plausible excuse is made in an annual report narrative, therefore, it is likely to be expressed using the same degree of textual clarity that would be expected of a positive assertive impression management message.

Specifically, reading ease levels of plausible external attribution statements about negative outcomes or events may be similar to those that convey positive news, as might the use of the interactive metadiscourse markers that promote textual clarity. However, use of other strategies that are used to communicate positive news are not expected to be associated with the external attributional excuses. There is little incentive, for example, to emphasise bad news by including graphs or photographs that reflect it, nor is there incentive to draw reader attention to it through call-out boxes, headlines and so on.

In other cases where a credible external excuse is not available or where a denial or justification is the chosen form of account, there is less incentive to communicate clearly. The less clear is the narrative, the more ambiguous its message, the less it is emphasised and the more distant is the organisation and its members from the negative news, the easier it may be to reduce subsequent damage to the organisational reputation. Drawing on the discussion in Chapter Four, narrative strategies that might be used when presenting defensive accounts, except for those involving credible external attributions, are identified in Panel A of Table 6.2. Those related to the visual strategies identified in Chapter Five are presented in Panel B.

6.3.1 Indirect defensive approaches

In Table 3.3 in Chapter Three, burying and blurring were identified as the two indirect defensive impression management strategies most likely to be used in the corporate annual report. Burying occurs when a link that the organisation or its members have with another that is regarded negatively by the audience is disclaimed, obscured or concealed. Blurring involves minimising a negative link to something which is favourably evaluated by the audience. Regardless of whether a link is disclaimed, obscured or blurred, because of its potential to have a negative impact, it is likely that the strategy would be not to draw specific attention to it. Hence, the techniques outlined in Table 6.2 would also apply to indirect defensive impression management attempts within the annual report.

Table 6.2 Narrative and visual techniques that support defensive impression management[2]

Panel A: Strategic use of narrative					Panel B: Strategic use of imagery		
Thematic choices	*Thematic tone*	*Reading ease*	*Linguistic choices*	*Structural choices*	*Typographical and presentation choices*	*Use of graphs*	*Use of photographs*
Denying a negative outcome or event occurred *(Denial)* Denying that the organisation was involved in an acknowledged negative outcome or event occurred *(Denial)* Justifying a negative outcome in terms of a larger, positive ultimate consequence *(Justification)* Explaining that the severity of a negative event is less than that perceived by the audience *(Justification)* Statement of a negative outcome with no causal attribution *(used when no plausible external excuse is available)* Internal, unavoidable causal attribution *(used when no plausible external excuse is available)*	Use a tone low in: • certainty • optimism • activity and • realism but higher in commonality	Increase textual complexity by using: • longer words and • longer sentences	Greater use of: • passive voice • verbs of being • non-human actors • condensations • hedges • emotive language Less use of: • personal pronouns • interactive metadiscourse tokens • interactional metadiscourse tokens except for hedges • connective devices such as repetition, diallage and anaphora	Reduce the directness of the narrative Have more topic shifts Place the negative news towards the end of the narrative Use a greater number of narrators Identify narrators by name Use a question-answer format	Choose a condensed sans serif-type font of less than 10 point Reduce the white space around bad news Avoid headings, headlines and call-out boxes Use lighter text on a darker background Present bad news in longer paragraphs with ragged margins	Do not graph financial variables with a negative trend Omit negative values from the graph If a negative trend is graphed present the graph with negative measurement distortion and remove grid lines and scales to make this more difficult to detect Obscure particularly negative parts of the graph with superfluous imagery Use three dimensional designs to create ambiguity Place distracting imagery in the background of the graph	Avoid placing photographs near bad news If used, select photographs with low visual-verbal overlap Use black and white rather than colour photography Use abstract rather than concrete images Show chairperson in an offer image looking away from the reader, with a high vertical angle and at a social distance Frame the chairperson's photograph to disassociate it from the text Provide photographs of the narrators used in the report

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[2] Excluding plausible defensive external attributions

6.4   MUTUALLY CONSISTENT STRATEGIC CHOICES

6.4.1 Portfolios of possibilities

Tables 6.1 and 6.2 collectively set out the "portfolios of possibilities" of mutually supportive rhetorical strategies from which the team member with directive dominance can choose when staging an impression management performance. Specifically Table 6.1 presents a portfolio of mutually supportive strategies that can be employed when there is a direct, positive message to communicate while Table 6.2 presents the portfolio of mutually supportive strategies appropriate for a defensive message, other than a credible external attribution, to communicate in the impression management performance. Combining strategies from within Table 6.1 or Table 6.2, but not across both, for a particular aspect of the performance is likely to result in the presentation of a consistent and coherent front during that element of performance and aid in the maintenance of expressive control throughout it. Thus, both the scripting elements and the staging elements of the performance are likely to be effective, a situation that was identified in Chapter Three as being conducive to a successful impression management performance.

The suggestion is not that all of the elements in Table 6.1 should be simultaneously present in the positive, assertive aspects of an annual report impression management performance, nor that they would all be observed in any staged performance. Similarly the contention is not that all of the elements contained in Table 6.2 should or would be simultaneously present in defensive aspects of the annual report impression management performance. That is, Tables 6.1 and 6.2 are intended to be neither prescriptive nor descriptive. Instead, the tables catalogue a range of mutually consistent performance strategies and therefore facilitate identification of which techniques might be sensibly combined, and those which should not appear together, if a consistent and cohesive performance is to result.

Furthermore, the main emphasis of the annual report performance would typically be on the positive aspects that have been scripted, and choices made about their presentation will constrain the choices available when accounts of negative outcomes must also be included. For example, it is not expected that within one chairperson's statement the font size, colour and contrast would suddenly change once the content

turns to bad news, nor would justified margins be replaced with ragged ones, and so on. Instead, a skilled rhetor will use more subtle variations in syntactic, linguistic and structural characteristics to alter the way in which negative news is conveyed to the reader.

6.4.2 Levels at which strategic choices are manifest

Although the possibilities outlined in each of Tables 6.1 and 6.2 represent mutually coherent and consistent strategies that might be used respectively in assertive and defensive impression management performances, they may vary in terms of the particular level within an annual report performance at which they are manifest. Some strategies reflect decisions taken about the structure and content of the report as a whole. Examples include the number of narrators to be used, the number of photographs to include and so on. The nature of these types of decisions is best ascertained by examining the annual report in its entirety and this is referred to in this study as the *whole-of-report* level.

Some strategies however, are more likely to reflect decisions taken when constructing a particular narrative or a particular image within the report document. For example, decisions about thematic emphasis are likely to be made at the level of each individual narrative, such as the chairperson's statement or the CEO's review of operations. Some strategies related to imagery such as the nature and extent of presentation enhancement to be used in a graph or the social distance from which a photograph is taken, relate to and vary with each individual image being used. In this study, these are referred to as the *whole-of-narrative* and the *whole-of-image* levels respectively.

Some narrative strategies may be manifest and vary not at the whole-of-narrative level, but at some differentiable level within a particular narrative. For example, choices about specific linguistic forms or tones might depend upon the type of news being discussed. The review of the literature presented in Chapter Four provides a basis for suggesting that good news may be communicated in a manner different from that adopted for bad news. As such, some narrative strategies are more meaningfully assessed at the level of the particular type of news being discussed rather than at the level of the narrative in its entirety. This level is referred to here as

the *sub-narrative leve*l. The manifest levels for the five aspects of narrative strategy that make up Panel A of Tables 6.1 and 6.2 are shown in Table 6.3.

Table 6.3 Levels within the annual report at which the various types of narrative strategies may be manifest

	Levels at which strategic choices are manifest		
	Whole-of-report	Whole-of-narrative	Sub-narrative
Thematic topic	✖	✔	✖
Thematic tone	✖	✖	✔
Readability	✖	✖	✔
Linguistic choices	✖	✖	✔
Structural choices	✔	✔	✖

Since some of the annual report content is constrained or heavily influenced by mandatory requirements, strategic thematic topic choices which reflect impression management motivations relate most pertinently to the whole-of-narrative level. Specifically, strategic scripting choices would be implemented in voluntary narratives such as the chairperson's statement. If impression management is occurring, the inclusion of particular topics or types of news, and the relative extent to which each dominates the content of a voluntary report narrative, is the result of deliberate, strategic scripting choices made by those with directive dominance over the production of the report.

If variation in thematic tone is used to serve impression management goals, differences should be reflected in choices made at a sub-narrative level because it would be expected that a different tone would be adopted for communicating positive versus negative news. Specifically it was suggested in Chapter Four that good news would be communicated with greater certainty, optimism, activity and realism but with less commonality than bad news. Similarly choices made about reading ease and the use of specific linguistic devices are also manifest at the sub-narrative level because, again, the strategies adopted to convey good news are expected to differ from those utilised for bad news. Prior research, however, has

focused on the whole-of-narrative level when assessing the use of these narrative characteristics, a focus which, it is argued here, is likely to overlook subtle changes in impression management strategies as the nature of the news changes.

Structural choices can relate to both the whole-of-report and whole-of-narrative levels, depending upon the particular structural strategy involved. For example, a decision about the number of separate narratives and distinct narrators that are to be used in the annual report performance is taken at the whole-of-report level. However, choices about directness, topic shifts and the location of specific news types within a narrative are manifest at the whole-of-narrative level.

Typographical and presentation choices operate on the whole-of-report and whole-of-narrative levels. At whole-of-report level, decisions are made about the mix of font types and sizes used in the various sections of the report and how colour is used throughout it. At the whole-of-narrative-level, specific typographical choices are made as are decisions about the use of white space, margins, justification and so on. Strategies are also implemented to highlight some parts of the narrative and deemphasise others with, for example, the use of headlines and call-out boxes for selected content.

Decisions about graphs and photographs are also made on a number of levels to support the impression management performance. At the whole-of-report level, similar to the decision about the number of narrators to be used in the performance, a strategy is required as to the frequency with which imagery will be used through the report, what size images will be used and the particular parts of the report where they will be located. With graphs and photographs, further choices need to be made about construction or composition at the individual image level, what they will depict, as well as their size and their positioning. For example, when the decision has been made to use a graph to support the performance, further decisions are required about its type, whether it will contain measurement distortion, and what sort of presentation effects will be used to attract or distract attention to or from a specific part of the graph or to increase its clarity or ambiguity. Similarly, with photographs, particularly ones involving human subjects such as photographs of directors, appropriate

decisions are needed about aspects such as framing and horizontal and vertical angle to ensure that the impression management message is reinforced.

In Table 6.4 the specific strategies that might be manifest at the whole-of-report level are mapped from Tables 6.1 and 6.2, showing the particular techniques that might be utilised when the report conveys, in general, positive news (hereafter "good news report") and those that might be exploited when reporting in the context of negative outcomes (hereafter "bad news report"). Similarly, Tables 6.5 and 6.6 map the strategies at the whole-of-narrative and whole-of-image level, respectively, for narratives and imagery included in good news and in bad news reports. Finally, in Table 6.7, techniques pertinent to the sub-narrative level are presented, identifying those that might be associated with the parts of the narrative in which good news is conveyed and those that might be utilised in the parts of the narrative where bad news is presented.

Table 6.4 Strategies that might be manifest at the whole-of-report level

	Reporting context	
	Good news report	Bad news report
Use of narrators	Use fewer narrators	Use a greater number of narrators
		Name the narrators used
		Provide photographs of the narrators
Choice of sub-genres		Use a question-answer format
Use of colour	Use more colour through the reports	Use less colour through the reports
Use of graphs	Include more graphs of financial variables	
Use of photographs	Include more photographs Use larger sized photographs	
		Relatively greater use of black and white photography
Imagery		Choose more abstract images

Table 6.5 Strategies that might be manifest at the whole-of-narrative level

	Reporting context	
	Narratives in a good news report	Narratives in a bad news report
Thematic content choices for narratives	Greater emphasis on performance	
	Greater emphasis on the past	Greater emphasis on the future
	More discussion of dividends	
	More financial and quantitative references	
		More emotive language
	Relatively more internal, positive attributions	Relatively more external negative attributions
	Relatively more instances of assertive impression management statements	Relatively more instances of defensive impression management statements
Emphasis	Increase repetition	Less repetition
	Use diallage and anaphora	
	Use homoioteleuton, hyperbole and apomnemonysis	
Structural choices in narratives	Narrative is more direct	Narrative is less direct
		Narrative contains more topic shifts
	Results are discussed earlier in the narrative	
Typography and presentation		Use a font size smaller than that used in the good news report
	Have more white space surrounding the text of the narrative	
	Use relatively more headlines, headings and/or callout boxes	
	Use darker text on a lighter background	Use lighter text on a darker background
	Use justified margins	Use ragged margins

Table 6.6 Strategies that might be manifest at the whole-of-image level

	Reporting context	
	Images in a good news report	Images in bad news report
Use of graphs	Measurement distortion to accentuate positive trends in the graphed data	Measurement distortion to reduce the apparent negativity of graphed data
	Presentation enhancement to emphasise positive trends and/or positive aspects of the graph	Presentation enhancement to obscure negative aspects of graphs and/or to increase ambiguity
Use of photographs	Greater visual-verbal overlap with accompanying text	
	Show chairperson in a demand image looking at the viewer	Show chairperson in an offer image looking away from the viewer
	Photograph the chairperson from a low vertical angle	Photograph the chairperson from a high vertical angle
	Photograph the chairperson from a close distance	Photograph the chairperson from a social distance
	Do not frame the chairperson's photograph	Frame the chairperson's photograph

6.5   DEVELOPMENT OF THE RESEARCH QUESTIONS

From the review of the literature undertaken and presented in Chapters Four and Five, it is apparent that the prior research into impression management strategies involving narrative and imagery in annual reports has largely tended to restrict its focus to one particular technique in isolation of others that might be used to reinforce it, or even to replace it. Attention has not been paid to the particular strategies that are favoured at the different levels of the annual report performance and how these are used to support impression management objectives. The question of whether mutually supportive narrative and visual strategies are adopted within and across levels has been largely ignored. In other words, the "portfolios of possibilities" identified in this chapter have not been studied holistically or systematically in the extant research. Any understanding, then, of impression management activity in

annual reports is partial at best, but it may be the case that behaviour has been misunderstood or misinterpreted.

Table 6.7 Strategies that might be manifest at the sub-narrative level

	Reporting context	
	Good news passages	Bad news passages
Thematic tone	Use a tone high in certainty, optimism, activity and realism	Use a tone low in certainty, optimism, activity and realism
	Use a tone low in commonality	Use a tone high in commonality
Reading ease / textual complexity	Use shorter sentences and words	Use longer sentences and words
	Use more interactive metadiscourse	Use less interactive metadiscourse
Verb choices	Use active voice	Use passive voice
	Use material process verbs (verbs of doing or happening)	Use relational process verbs (verbs of being)
Signaling actors and agents	Use more interactional metadiscourse, except hedges	Use less interactional metadiscourse, except hedges
	Use first person pronouns more	Identify non-human actors and agents
Specificity	Use fewer hedges	Use more hedges
	Make more specific, detailed, factual and quantitative references	Use condensations
Presentation	Use shorter paragraphs	Use relatively longer paragraphs

Misunderstanding or misinterpretation can occur for two reasons. First, because of the failure to recognise that there is a portfolio of possible techniques from which those directing impression management performances can choose, a failure to observe an expected strategy being used in isolation in a given analysis of annual report content does not necessarily mean that an impression management performance is not being staged. It may simply reflect a strategic decision to favour

a different technique in that particular performance to reinforce the impression management message. For example, increased interactive metadiscourse use may be chosen to enhance the clarity with which positive news is reported, rather than a strategy of increasing readability by using simpler words or shorter sentences.

The second issue arises from the possibility that observed behaviour is interpreted as indicative of impression management behaviour when in fact it is not part of a consistent overall performance. If the strategies that seem to underpin the narrative and visual content of the annual report are not mutually consistent and supportive, then the strategies most likely do not reflect a coherent staged impression management performance but more likely, perhaps, reflect the decisions taken by individual contributors to the report who are not motivated by a shared impression management goal. For example, if narrative strategies that are expected in a defensive, impression management performance are intertwined with visual strategies expected in a direct assertive performance, this is an inconsistency that would suggest that the annual report is not the product of an impression management performance. However, if research focuses on only one aspect or only one level within the report, such inconsistencies are never uncovered.

These problems identified in the extant research into impression management performances in annual reports give rise to the following three general research questions:

RQ1: Of the range of narrative and visual techniques identified in the portfolio of impression management possibilities, which ones can be observed in contemporary annual reports?

RQ2: Is each of the techniques observed in a particular annual report being used in a manner consistent with rhetorical impression management motivations?

RQ3: Are mutually supporting and reinforcing rhetorical effects used consistently within and across the various levels at which impression management strategies may be manifest in the annual report, suggesting that a coordinated impression management performance is being staged in that particular report?

The first research question focuses on identifying the variety of narrative and visual strategies that are utilised in annual reports and can be explored by undertaking a close reading and detailed analysis of annual report content at sub-narrative, whole-of-narrative, whole-of-image and whole-of-report levels to catalogue which of the narrative and visual effects outlined in Tables 6.1 and 6.2 are present in particular contemporary annual reports.

The second question relates to whether the observed strategies are being used in a manner that is suggestive of impression management behaviour. Essentially this question can be explored by identifying whether these elements occur in a particular report in the context suggested by the portfolios of possibilities identified in Tables 6.1 and 6.2. For example, if some of the elements identified in Table 6.1 are observed in situations when assertive impression management would be expected, this is *prima facie* suggestive that impression management behaviour may be occurring. By focusing on a range of techniques, more robust evidence can be obtained as to whether corporate annual report content reflects impression management motivations. Specifically the absence of one particular technique does not imply that impression management is not occurring if other goal relevant strategies are used instead.

The third research question reflects the acknowledgement that observing one strategy being used in a manner consistent with impression management motivations is not sufficient to suggest that a coordinated impression management performance is being orchestrated through the annual report. Instead what is needed is evidence that a variety of narrative and visual strategies are being used across and within different levels of the annual report and that they are being used in a manner that is consistent with and reinforcing the impression management goal. For example, if the aspect of the performance being analysed at a the sub-narrative level is conveying a positive, assertive message, then only elements identified in Table 6.7 pertinent to the reporting of positive news would be expected to appear in that level for that part of the performance.

Furthermore, elements across different levels of the overall performance should also be consistent. For example, if the overall of impression being conveyed at the whole

of report level reflects a positive assertive strategy, then similar strategies should be dominant at the whole-of-narrative and whole-of-image levels as well. For example, if techniques reflective of positive, assertive impression management behaviour dominate at the whole-of-narrative or whole-of-image level, they should also dominate at the sub-narrative level and at the whole-of-report-level.

If a particular company's annual report content is found to be consistent with the expectations that underpin the framework developed in this chapter, this provides *prima facie* grounds to suggest that impression management motives influence the construction of that annual report. The failure to observe a particular technique in that annual report does not negate this because it was not expected that all techniques would be present in all annual reports. Instead, preparers will select that mix of tools that they feel is most appropriate in a given circumstance. Conversely, if inconsistencies are observed either across or within the levels at which impression management strategies were expected to be manifest in the annual report, this would indicate that a coherent and consistent holistic impression management performance is not being staged. Such a finding would suggest that the particular report containing the inconsistencies does not emanate from a team impression management performance in the Goffmanian sense.

6.6 OVERVIEW

In this chapter a framework was articulated in which it was recognised that there is a range of specific impression management techniques that might be adopted in corporate annual reports. In doing so the third objective related to the primary aim of this study has been achieved. The framework was developed by drawing upon the literature on the rhetorical use of narrative and imagery that was reviewed in Chapters Four and Five. Specifically it was argued that in order to obtain evidence that impression management was occurring in annual reports it was necessary to look across a range of techniques as not all would be expected to be present in all reports at all times. A number of levels within the annual report were identified at which particular impression management strategies were most likely to be manifest. It was argued that if the annual report is a holistic impression management performance in

the Goffmanian sense described in Chapter Three, these strategies should be used consistently both within and across levels.

Three exploratory research questions were developed from the framework related to the particular narrative and visual strategies that are apparent in annual report content and whether those strategies are reflective of systematic impression management behaviour in the Goffmanian sense. The secondary aim of this study was to conduct some exploratory research that relates to the use of the techniques included in the comprehensive framework. To meet this aim, the questions developed in this chapter will be explored through case studies of the annual reporting practices of five large listed Australian companies. The specific research design used is described and justified in the next chapter.

CHAPTER SEVEN: RESEARCH DESIGN AND METHOD

7.1   INTRODUCTION

In the previous chapter, three research questions were articulated from a framework that had been developed by drawing from the literature on the rhetorical use of narrative and imagery in annual reports. These questions relate generally to the particular narrative and visual strategies that might be apparent in annual report content. Specifically, their focus is on whether those strategies are reflective of systematic impression management behaviour, in the Goffmanian sense, within and across the various levels within the annual report at which impression management techniques might be manifest. The purpose of this chapter is to describe the method that will be used to present an exploratory investigation of the research questions to fulfill the secondary aim of this study.

A case study approach is adopted, with the annual reporting practices of a specific company comprising the unit of analysis. Each annual report needs to be analysed across each of the levels identified in Chapter Six - whole-of-report, whole-of-narrative/image and sub-narrative levels - to document the narrative and visual techniques utilised in each report at each level. The context in which these are manifest, that is, a "good news" or a "bad news" scenario, also needs to be identified to determine whether the techniques are being used in a manner consistent with what would be expected if deliberate, strategic impression management is occurring.

The case study approach and the procedures followed to select the companies whose reports are the subjects of the case analysis are explained in the next section. In Section 7.3 the techniques that will be used to identify and measure the whole-of-report strategies that were documented in Table 6.4 are presented. The procedures used to identity and measure the whole-of-narrative and whole-of-image strategies documented in Tables 6.5 and 6.6 are discussed in Sections 7.4 and 7.5 respectively. The identification and measurement of the sub-narrative characteristics are explained in Section 7.6. The organisation of the data to facilitate case analysis and comparisons across cases is explained in Section 7.7.

7.2   THE CASE STUDY METHOD AND SELECTION OF CASES

7.2.1 Nomothetic versus ideographic explanation

As Larsson [1993: 1515] notes, researchers tend to prefer either nomothetic survey methods or idiographic case-based approaches for data collection. The reviews of the literature presented in Chapters Four and Five indicate that nomothetic methods dominate, typically in the form of cross-sectional quantitative data collection about a relatively small number of variables from a large number of corporate annual reports. In contrast, the case study method is adopted in this study. Whilst many definitions of the case study exist [Bouma and Ling, 2004], Gerring [2004: 341] argues that, for methodological purposes, a case study is best defined as "an in-depth study of a single unit". This definition captures a widely cited advantage of case studies, that of allowing rich, detailed and comprehensive analysis [Tellis, 1997; Yin, 2003; Flack and Ryan, 2003; Jankowicz, 2005]. A key characteristic is the focus on holistic understanding [Tellis, 1997].

The research questions posed in this study dictate an in-depth and holistic approach. They cannot be answered by focussing on a few variables and seeking a nomothetic explanation. The theoretical framework presented is one in which impression management behaviour is characterised as a holistic performance with team members choosing the particular impression management strategies that they feel suit their particular situation. The range of possible strategies that might be chosen was characterised as a "portfolio of possibilities" from which team members can select their techniques. However, it was explicitly argued that this portfolio was not intended to be universally descriptive. As such, the framework is more appropriately tested through idiographic case analysis.

Yin [1993] describes three types of case study: exploratory, explanatory and descriptive. Descriptive case studies are used when the objective is to test principles derived from a general theory in a specific setting [Yin, 1993; Tellis, 1997; Darke et al, 1998; Aust, 2004; Jankowicz, 2005]. As such, generalisations that are made from the case are extended to the theory and not to the population from which the case was drawn [Tellis, 1997; Yin, 2003]. This can occur in both single and multiple case designs, but confidence in the robustness of the theory is enhanced when

generalisations to it can be made from multiple cases [Tellis, 1997; Yin, 2003]. For this reason, a multiple-case design is used in this study.

7.2.2 Selection of the cases

Gerring [2004: 342] describes six nested concepts pertinent to the definition and delineation of cases in case study research. At the highest level is the "population" which is comprised of "studied" and "unstudied" cases. The studied cases constitute the "sample" which is made up of the "units" that are observed and analysed at discrete points in time. These units are made up of either an individual case or a group of cases, the actual composition being driven by the propositions being examined in the research [Gerring: 2004: 342]. Each case is made up of several dimensions of interest, or "variables", and each variable is built from "observations" analytically derived from the case.

At the broadest level, the focus of this study is on reporting practices in corporate annual reports. Thus the population is some bounded set of companies which produce annual reports in a specified jurisdiction. The jurisdiction studied here is Australia and the population is defined as the group of listed companies that constitute the ASX Top 200 stock exchange index. These are the 200 largest companies listed on the ASX by market capitalisation. Although this definition is somewhat arbitrary, it is underpinned by the premise that it is those in the management teams of larger publicly listed companies who have both the greater incentive to engage in impression management and greater resources available to support such efforts. Many of the studies reviewed in Chapters Four and Five have similarly restricted their focus to larger listed companies.

In this study, the variables or dimensions of interest are the range of narrative and visual characteristics that might be present in corporate annual reports. The framework developed in Chapter Six reflects an expectation that, if impression management is occurring, these characteristics will differ depending upon whether the context is one of reporting good news or bad news. As some of the variables of interest are expected to be evident at the whole-of-report level, the framework dictates that each unit analysed must comprise at least two cases – one being a

company's annual report in a good news year and one being the report from a bad news year.

Two approaches have been adopted in the prior literature to identify good and bad reporting years. The first focuses on indicators of economic activity such as gross domestic product and share market indices to delineate good and bad years based on the strength of overall economic performance [e.g. Bettman & Weitz, 1983; Tsang, 2003]. The second approach focuses on actual company performance and denotes years of superior financial performance as good years and those of poor performance as bad years [e.g. Staw et al, 1983; Kohurt and Segars, 1992; Courtis, 2004]. Clatworthy and Jones [2003] argue that "good" and "bad" should be assessed from the perspective of the shareholder as shareholders are conventionally acknowledged as the most important stakeholder group in the context of financial reporting. The annual report has evolved from the requirement to report to shareholders on financial performance each year and it contains the statutorily required financial report. Therefore the latter view of good news and bad news, that reflecting firm-specific performance rather than general economic conditions, is judged to be more appropriate for this study of annual reporting characteristics.

There are many ways in which financial performance measures can be used to identify good and bad years. The majority of cross-sectional studies have used the reported earnings figure in some form to categorise performance as good or bad. There are three broad approaches that have been adopted. The most simplistic is based on changes in profit from the previous year, with companies experiencing an increase being categorised as "good" and those with a profit decline considered "bad" [e.g. see Courtis, 2004]. The main weaknesses in this approach is that it ignores the relative magnitude of the change, in both absolute and rate of return terms, and reflects an implicit expectation that a very small change in profitability will induce the same incentive and motivation to engage in impression management as a much larger one.

To avoid this problem, some researchers have ranked a larger group of companies, such as the 500 largest listed companies on a particular stock exchange or data base, on a profitability measure, typically return on equity or assets. The sample studied is

taken from the tails of the ranking with, for example, the top 50 companies constituting the good sub-sample and the bottom 50 the bad [e.g. see Clatworthy and Jones, 2006]. While this can generate an appropriate sample from within a particular time period, it is not suitable when the research requires identification of two particular years for the same company, one of which is good and one of which is bad as is the requirement for the units in this study.

Hence the third approach is adopted here. This approach involves pre-specifying a level above which performance is classified as good and a benchmark below which performance is considered bad. For example, Staw et al [1983] used a fifty per cent or greater increase in earnings per share over the prior year to indicate a good year and decline of fifty per cent or more to be a bad year. The same metric is adopted in this study. A report year is classified as good if earnings per share have increased by fifty per cent of more over the prior year and as bad if the figure has declined by fifty per cent or more.

Decisions still need to be made about the time period over which the report years may be drawn, the number of cases that will be studied and any other selection criteria that will be imposed. The results of this exploratory study have potentially greater utility if the focus is on relatively contemporary rather than historical reporting practices. However, a time span of at least three years is the minimum possible if the benchmark criteria of a fifty per cent increase and a fifty per cent decline in earnings per share over the prior period is to be used. Even then three years will only be sufficient for a company whose change in earnings per share from year one to year two is fifty per cent in one direction and from year two to year three is fifty per cent in the other direction. For many companies this may not to be the case for any specified three year period. Therefore a somewhat arbitrary five year period has been chosen from which the report years studied will be drawn.

Specifically, the reporting years ending December 31 2000 to December 30 2005 have been chosen as the eligible ones from which reports may be selected. The cut-off of December 30 2005 was adopted to avoid selecting reports from the first year of the implementation of International Financial Reporting Standards (IFRS) by Australian companies. These standards applied to reporting periods commencing

from 1 January 2005. An annual report for the first full year following IFRS adoption might be unduly influenced by the effect of the first time adoption and discussion of associated implementation issues. Thus it might not reflect typical annual reporting strategies.

Although the eligible selection period is five years, it is desirable that the good report year and the bad report year being compared for a particular company be relatively close together. The greater is the period of time between the years studied, the greater is the likelihood that other factors, for example technology, general reporting trends and changes in the top management team, might be driving any observed changes in report content and not differential impression management motivations *per se*. Therefore, companies having good and bad years that are adjacent to each other within the five year period will have priority for selection. Companies with good and bad years that are separated by one year will rank next for selection, followed by those with two years of separation and so on until the desired number of cases is selected.

Four additional criteria have also been imposed. Two reflect pragmatic considerations. First the annual report must contain a statement from the chairperson because, as discussed below, this is the narrative typically read by report users and the one that is, therefore, the subject of most of the research into the characteristics of annual report narratives. Secondly a colour version of the annual report must beavailable because some of the whole-of-report strategies that might be adopted involve the use of colour.

The third and fourth additional criteria relate to the validity of any observations obtained from the case studies. Criterion three is that, in all cases, neither the chairperson nor the CEO of the company may be different in the good year and in the bad year due to the potential influence that these individuals have over annual report content. If either the chairperson or the CEO changes in one of the report years studied, any observed differences in report content might be attributable to individual differences in reporting style and not to changes in impression management activity motivated by different performance contexts. Finally, and although acknowledging that case studies offer depth rather than breadth, in an attempt to broaden the

potential insights gained from this study, the last selection criterion imposed is that only one company from any of the 10 major industry groups in the Global Industry Classification Standard will be included in the study.

The final decision required is the number of units and the number of cases that will be selected and analysed. Again this decision is essentially arbitrary. As noted above, each unit must consist of at least two cases, with one case being the good year and one being the bad. It was decided to limit each unit to these two cases and to study five units. Thus the final sample will contain ten report years (the cases), one good and one bad for each of five companies (the units). The specific steps to be followed to select the five units and their two cases each are set out in Table 7.1

7.2.3 Case analysis

Yin [2003: 116] suggests that pattern matching is one of the most desirable techniques to utilise at the analytical stage of case study work and it is a technique that is suitable for analysis in descriptive case studies. Pattern matching essentially involves comparing an empirically observed pattern with a predicted one [Tellis, 1997; Yin. 2003]. For descriptive case studies it is crucial that the predicted patterns for each of the variables of interest are pre-specified before the case analysis commences [Yin 2003: 116]. Tables 6.4 – 6.7 which were presented in the previous chapter contain the pre-specified pattern expectations for the variables of interest in this study. In this study, the patterns are predicted to be apparent at the unit level because the expected patterns relate to what is occurring in the good news case scenario relative to the bad news case scenario. Pattern matching, then, requires systematic and exhaustive documentation of the actual patterns observed between the two cases in the unit under analysis to determine whether they are consistent with the predicted patterns derived from the theoretical framework.

Generally the process of pattern comparison does not involve statistical precision for two reasons [Yin, 2003]. First, the aspect being compared might not involve quantifiable phenomena, although with respect to most of the patterns set out in Tables 6.4 to 6.7, there is a quantifiable prediction about direction of change, with the expectation being that there will be more or less instances of a particular narrative or visual phenomenon within the annual report in a good news versus a bad

Table 7.1 The selection process to be followed to identify the units and cases

1. Obtain a listing of the membership of the ASX Top 200 index at a randomly selected date during 2005.

2. Eliminate those companies for which 5 years of data for years ending between December 31 2000 and December 30 2005 are not available.

3. For the remaining companies generate a random number list and assign each company a random number.

4. Sort the company list into numerical order and start with the lowest numbered company.

5. Consult the company's five annual reports for the period December 31 2000 to December 30 2005 to determine if the company has, during that five years, a year where earnings per share increased by 50 per cent or more over the previous year and a year where earnings per share decreased by 50 per cent over the previous year. If so move to Step 6. If not discard that company and move to the next in sequence on the list and commence this step again.

6. Determine whether the annual reports for the selected years have a chairperson's statement. If so move to Step 7. If not, discard that company and move to the next in sequence on the list and commence again at Step 5.

7. Determine whether colour versions of the annual report for the selected years are available. If not, discard that company and move to the next in sequence on the list and commence again at Step 5.

8. Determine if either the chairperson or the CEO in the good year and in the bad year have changed. If they are the same move to Step 9. If they have changed, discard that company and move to the next in sequence on the list and commence again at Step 5.

9. Determine the 2- digit GICS industry classification code for the company.

10. Determine the number of years between the good and the bad years selected. If they are adjacent go to Step 11. If they are not adjacent, enter the company on the Reserve List and note the number of years separating the good and the bad years. Move to the next in sequence on the list and commence again at Step 5.

11. If a company with the same 2-digit GICS code has already been selected discard the current company. If not, enter the current company on the Selected List. If the Selected List now has five companies on it, the selection process is complete. If not, move to the next in sequence on the list and commence again at Step 5 until all companies haven been examined. If there are no more companies to assess move to Step 12.

12. Work progressively down the Reserve List starting with companies whose bad years are separated by only one year. If the company is not from an industry already represented on the Selected List add it and continue this process until five companies in total have been chosen.

news context. The second reason is that most observations from a case represent a single data point with no associated variance, rendering statistical tests inapplicable [Yin, 2003: 119]. Therefore, the degree to which patterns correspond or converge often relies on the "interpretive discretion" of the researcher [Yin, 2003: 120].

Once the patterns, or their absence, have been documented for each of the five units analysed, a final analytical technique suggested by Yin [2003], that of cross-case synthesis, will be utilised. This can be applied when multiple units have been analysed, as is the situation here. It involves tabulating data from all of the units analysed in an attempt to obtain insights from the aggregated findings. In this study, data will be tabulated across the units for each of the sets of expected patterns outlined in Tables 6.4 to 6.7 in order to ascertain whether there are similarities across the cases that might suggest generalisations. Again, this analysis relies largely on the argumentative interpretation of the researcher rather than quantification and/or statistical precision [Yin, 2003: 137]. The following sections describe the techniques that will be used to identify and measure the variables of interest that will become the input for the pattern matching analysis and the cross-case synthesis.

7.3   IDENTIFYING AND MEASURING WHOLE-OF-REPORT STRATEGIES

In Table 6.4 strategies that might be manifest at the whole-of-report-level were outlined. These related to the use of narrators, choice of subgenres, and the use colour, graphs and photographs. Based on Jameson's [2000] study, patterns are expected with respect to the number of narrators and whether they are named and/or photographed. In an annual report, a narrator might be explicitly identified by personal name or by organisational title such as "Production Manager", or they may be completely anonymous. Because the aim, according to Jameson, of naming the narrator is to build a relationship with the readers in an attempt to elicit a sympathetic response from them, only narrators who are identified by personal name are considered here as "named". Those identified only by organisational title are classified as anonymous as are narratives with no attribution at all to the narrator.

To facilitate the count of narrators, an assumption made in this study is that a new narrator is implied each time a new narrative is encountered, unless there is

information to the contrary. Further, some narratives are required by regulation, specifically a statement about corporate governance practices and principles, which is required by the ASX listing rules, and the Directors' Report, which is a requirement of the *Corporations Act*. Thus all annual reports will contain these, along with the mandated financial statements and associated notes and declarations. These mandatory elements are excluded from this analysis as the emphasis is on discretionary decisions made by report preparers.

The data about narrators will be measured as follows:

- *Number of narrators:* the number of separate narratives provided in the annual report, excluding the mandatory sections. When one narrator is identified as providing more than one narrative, the narratives of that narrator collectively count as one.

- *Number of named narrators*: the number of narratives that are accompanied by the personal name of the narrator (but, consistent with the approach above, a narrator who is named more than once is counted only once). This will also be calculated as a proportion of total narrators because, in any one report, the relative number of named narrators may have increased but the absolute number decreased when there has been an overall decline in the number of narrators used.

- *Number of photographed narrators*: The number of narratives that are accompanied by a photograph of the narrator (but, consistent with the approach above, a narrator who is photographed more than once is counted only once). Again, this will also be calculated as a proportion of the total number of narrators.

In this study, only one prediction was made about differential use of sub-genres and this related to the use of a question-answer format in the annual report. This is measured in two ways: first by the number of separate locations in the annual report at which a question-answer format is used and, second, by the total number of question-answer pairs that appear in this format in total throughout the entire report. The entire report is examined because the decision to use this sub-genre, regardless

of whether it is in a voluntary or a mandated section of the report, is at the discretion of the preparer. However, the use of this specific sub-genre in the mandated sections is not anticipated.

The use of colour in the annual report will be assessed throughout the entire report, as its use in any place is discretionary. Proportionate measures will be used to control for the effects of changes in the overall length of the reports over the two years examined. Three measures are used to capture the various roles that colour may be playing – primarily attracting attention and sustaining interest. The first measure is the proportion of pages that contain colour. Black and white are not considered to be colours. The second measure is the proportion of pages containing more than one colour in order distinguish minimal use of colour and use of colour just as the background page colour from more intensive uses of colour.

The final measure of colour is the relative area of the annual report that is devoted to colour, calculated as the relative proportion of square centimetres of the annual report page area, including front and back covers, that contains colour. This will be determined by laying a measuring grid printed on clear film, calibrated in square centimetres, over each page and counting the number of square centimetres that contain colour. Judgment will be necessary to estimate the area when the grid squares are not completely filled by colour.

Assessment of the frequency of use of graphs of financial variables and photographs is relatively straightforward. Graph use is a count of the number of graphs of financial variables included in the annual report. Where more than one data series is plotted on the same chart this is still considered to equate to one graph. Similarly, the use of photography is assessed by counting the number of photographs, excluding diagrams, maps, charts and drawings. As well as counting the photographs, the number that is in black and white will also be counted to determine the proportion of photographs that is black and white. The use of graphs and photographs is assessed using the entire report, including front and back covers, as their use anywhere in the report is discretionary.

The size of each photograph will be determined in one of two ways, depending on whether the photograph is presented as a framed rectangular image or if it is free-form and/or irregularly shaped as, for example, in the case of an image of an employee without borders that merges into the background of the page. The size of a framed rectangular photograph can be determined by multiplying its height by its breadth, measured in centimetres, to give the area in square centimetres. When the photograph is irregular, the same measuring grid that was used to assess the use of colour and white space will be employed to estimate the area of the image. Only photographic images are measured. The area of each photograph in each report, including those on the front and back covers, is measured and an average image size for each report calculated.

The final whole-of-report aspect is more problematic to assess. It relates to the relative use of concrete versus abstract imagery. Both David [1998] and Kress and van Leeuwen [1996] view the distinction in terms of the degree of realism or naturalism that is portrayed in an image. For example, objects, materials and people are concrete as they can be experienced by the senses whereas abstract imagery cannot [David, 1998: 185]. Kress and van Leeuwen [1196: 163-4] similarly suggest that "naturalistic" photographs are more concrete or, in their terms, have higher modality than fantasy scenes, impressionistic art, and diagrams. In order to determine the proportion of imagery that is concrete, similar reasoning will be used to dichotomise imagery in the annual report as either concrete or abstract, depending on the degree of photo-realism depicted by the image. Ultimately this may be a matter of subjective interpretation, and the final classification will reflect the decision of the researcher rather than the application of an objective metric. Graphs are excluded from this classification because, although abstract, it is judged that they play a more specific role than other imagery does, the use of which may be potentially more gratuitous.

The data collection sheet templates for the whole-of-report characteristics can be found in Appendix A-1.

7.4 IDENTIFYING AND MEASURING WHOLE-OF-NARRATIVE STRATEGIES

Annual reports contain, as noted earlier, a number of different narratives some of which are mandatory and some of which are included at the discretion of the report preparers. As was evident from the literature overviewed in Chapter Four, the particular narrative that is typically studied in research into annual report characteristics is the chairperson's statement (also called the chairperson's address or letter to shareholders) [e.g. see Bettman and Weitz, 1983; Subramanian et al, 1993; Smith and Taffler, 2000; Clatworthy and Jones, 2001; Tsang 2002; Amernic and Craig, 2004a,b]. Researchers argue that this focus is justified because most reports include this voluntary narrative, typically as the first narrative in the report, giving it pride of place, and it is less restricted by regulation, it rates as one of the most widely read parts of the annual report, and it is used by investors [e.g. see Courtis, 1986; Jones, 1988; Kohurt and Segars, 1992; Abrahamson and Park, 1994; Abrahamson and Amir, 1996; Prasad and Mir, 2002; Clatworthy and Jones, 2006]. Similarly it is the chairperson's statement that is the narrative used in this study to analyse the whole-of–narrative strategies that might be adopted by report preparers.

Expectations about patterns in the whole-of-narrative strategies were set out in Table 6.5. These fell into four broad categories – thematic content choices, emphasis, structural choices and decisions about typography and presentation. The identification and measurement of the characteristics relevant to each of these categories is discussed in turn below.

7.4.1 Thematic content choices

7.4.1.1 Thematic topic

As indicated in Table 6.5, differences are expected in thematic content with respect to discussion of performance and dividends in the chairpersons' statement in good news reports compared to those in bad news reports. Differences are also expected in relation to the time orientation of statements, the use of emotive language and the frequency of quantitative references. In this study, consistent with previous research [e.g. Smith and Taffler, 2000; Arndt and Bigelow, 2000; Aerts, 2005; Ogden and Clarke, 2005] the unit of analysis is a distinct phrase within a sentence, being the smallest clause within a sentence that has independent meaning. Sentences may have

complex structures and include several phrases which may traverse more than one topic, requiring a focus on each phrase rather than on the totality of the sentence. The incidence of topic aspects will be expressed in relative rather than absolute terms to control for statements that differ in length across the two years examined. Thus the frequency of occurrence of a particular topic in a particular chairperson's statement is measured as the total number of phrases in which that topic is discussed divided by the total number of phrases in the statement.

As noted in Chapter Four, there is no consistent analytical framework that has been adopted to identify and classify topics in annual report narratives. Different topic categories have been developed by different researchers based on their own inductive and interpretive analysis of narrative content. In this analysis, the topics of specific interest are performance and dividends and these will be set as initial classificatory categories. Drawing on Clatworthy and Jones [2001], they will be supplemented by categories for future and/or outlook, employees, acquisitions and disposals, major events, current operations, segment or product mix, board, and finance and investment, although an inductive approach will be adopted with additional categories being added if necessary during the analysis. Although all of these categories are not necessary to explore the framework presented in this study, a full classification of topics is undertaken because other patterns might emerge that should potentially be added to the framework. Like Clatworthy and Jones [2001] the identification and coding process is a manual one which necessarily involves some subjectivity but as those authors note, all content analysis procedures in studies such as these involve some degree of subjectivity.

As well as classifying each phrase for its thematic topic, each will also be coded with respect to its time orientation and use of emotive language. Time orientation will be classified as past (-), present (0), future (+) or indeterminate (I), based on a subjective evaluation of phrase content . Clarke [1997] identifies key words such as "last", "next", "long-term", "short-term", "forecast", and "projected" as useful indicators of time orientation. She also suggests that key words and phrases that flavour report content with the use of colourful or emotive language can be used to identify emotive phrases. Examples include: "unforeseen circumstances", "shock", "bullish",

"speculation", "frustration", and "patience" [Clarke, 1997: 37]. Phrases will be judged as being emotive when they contain at least one emotive or colourful term.

The frequency of quantitative references in the chairperson's statement can be more objectively determined. Following Clatworthy and Jones [2006] quantitative references comprise both absolute monetary references and percentage references. These are aggregated in this study to give the measure of total quantitative references. Clatworthy and Jones analysed absolute and percentage references separately and not in aggregate but gave no theoretical or empirical reason for so doing. Their hypothesis was based on prior research suggesting that profitable companies would be more likely than unprofitable ones to provide hard, quantitative data. Both absolute and percentage references are hard qualitative data so it would seem appropriate to aggregate the two.

7.4.1.2 Attributional statements

An attributional statement is "a phrase or a sentence in which a corporate event or performance outcome is linked with a reason or a cause for the event or outcome" [Aerts, 2005: 300]. Attribution statements can be either explicit or implicit. Explicit attribution statements contain causal linguistic connectors such as "because", "due to," "led to, "caused by", "resulted from" and so on [Salancik and Meindl, 1984; Clatworthy and Jones, 2003; Aerts, 2005]. Implicit attribution statements are ones in which the cause for the outcome must be inferred [Salancik and Meindl, 1984; Clatworthy and Jones, 2003; Aerts, 2005]. Clatworthy and Jones [2003] and Aerts [2005] included implicit attributions in their analysis when an implied linking cause could be reasonably inferred. However, most other researchers have excluded implied attributions from their studies [e.g. Bettman and Weitz, 1983; Salancik and Meindl, 1984; Clapham and Schwenk, 1991; Tsang 2002].

Because the focus of this study is on deliberate and strategic impression management, only explicit attribution statements are analysed. These are manually identified by looking for the presence of a causal linguistic connector in phrases accounting for outcomes or events. Consistent with Bettman and Weitz [1983], Tsang [2002] and Aerts [2002, 2005], the unit of analysis is a specific occurrence of causal reasoning and where multiple causes are given for a particular outcome, each

reason is treated as a separate attributional statement. Following Salancik and Meindl [1984] and Aerts [2005], attribution statements about outcomes that are not related to organisational outcomes or events, such as "the drought broke because of extended rains", are not included.

Patterns were predicted about the types attributions that would more commonly be associated with positive outcomes and those that would be linked with negative outcomes. Judgments as to whether an outcome or event is positive or negative are made from the perspective of a private shareholder in the organisation [Clatworthy and Jones, 2003; Aerts, 2005]. The specific interest is in whether the "locus of causality" is internal or external [Bettman and Weitz, 1983, Staw et al 1983; Aerts, 2001; Tsang, 2002, Aerts, 2005]. The locus is internal when the reason given for an outcome relates to factors internal to the organisation such as organisational policies or strategies, the skill of personnel, investment decisions taken, product portfolios and so on [Bettman and Weitz, 1983; Staw et al 1983]. The locus is external when the cause identified lies outside the organisation relating to, for example, the industry, the economy or the regulatory or general environment.

Based on the judgment of the researcher, each explicit attributional outcome-cause link will be classified as either positive-internal (PI), positive-external (PE), negative-internal (NI) or negative-external (NE). Data are expressed both as the absolute frequency of occurrence of each type of outcome-cause link as well as their relative frequency of occurrence as a proportion of all attributions made. The former indicates the general propensity to use the various types of attributions while the latter indicates the intensity with which the different types are used [Aerts, 2001].

7.4.1.3 Assertive and defensive statements

The frequency of use of assertive and defensive impression management statements was expected to differ between narratives in good news reports and those reporting on bad years. Both Arndt and Bigelow [2000] and Ogden and Clarke [2005] focused on assertive and defensive statements in annual report narratives. Ogden and Clarke [2005] were less systematic, providing examples of various types of both assertive and defensive statements, such as enhancement, entitlement, ingratiation, and exemplification, and apologies, excuses and justifications. Their unit of analysis was

a theme within a sentence but they did not discuss how the specific impression management statements were identified.

Arndt and Bigelow [2000] used iterative, inductive analysis to identify the topics (conceptually equivalent to Ogden and Clarke's themes) that were present in annual report letters. These topics, and the contexts in which they appeared, were then interpretively examined to determine whether they could be classified as one of the types of impression management statements typically identified in the literature. A similar approach is adopted here. In Tables 3.1 to 3.4 in Chapter Three, the various assertive and defensive strategies that might be present in annual report narratives were identified and exemplified. The descriptions in these tables will be used to guide the identification of statements in this study. Because the interest is in the use of assertive or defensive statements *per se*, no attempt is made to classify the individual types of assertive and defensive statements. As with the attribution statements, data are expressed both as the absolute and the relative frequency of occurrence, expressed in this case as a proportion of all phrases.

7.4.2 Emphasis

Sydserff and Weetman [1999] provide one measure of emphasis with their connectivity indexical. Connectivity was measured in terms of the propensity to repeat words from one phrase to another, or to use synonyms or substitute phrases, to emphasise aspects of the narrative. Phrases were scored in the following way [Sydserff and Weetman, 1999: 469-70]:

> 2 = strong connectivity. Rule: the current phrase contains a word or a phrase that explicitly creates a link to the previous phrase

> 1 = weak connectivity. Rule: the current phrase contains a substitute word or phrase which creates an implicit link to the previous phrase OR the phrase contains an explicit link to an earlier but not immediately preceding phrase

> 0 = no connectivity. Rule: there are no words or phrases in the current phrase that create a link to any previous phrase.

Phrases are scored in the same way in this study to obtain a connectivity score for the chairperson's statement to provide one indicator of emphasis. This measure will also capture instances of anaphora (starting successive phrases with the same word or words to emphasise the point). Diallage might also be used to emphasise a point by laying out several arguments successively in the narrative and having them culminate in one main point. Amernic and Craig [2000] identified examples of diallage through a close reading of one annual report letter but provide no guidelines for its systematic identification. In this study, judgment is used to delineate sequences of phrases that link to a culminating point. The number of instances identified per chairperson's statement is the measure recorded. No attempt is made to capture differences in the strength of the instances of diallage identified, for example, by reference to the length of the instance or the number of points within it.

Homoioteleuton, the use of words with endings that sound similar to strengthen their impact, was also identified by Amernic and Craig [2000] through a close reading of one report letter. Again no guidance was provided to assist in the systematic documentation of its use throughout a narrative. In this study the last syllable of all words used in the chairperson's address are examined to identify instances where a common ending, for example "-ing", "-est". "-ly", "-able", is used repetitively in relatively close proximity. If instances are found, the situation in which their use occurs is examined to determine if they are used in a consistent thematic context. This would be expected if their use is rhetorical to emphasise a particular point or argument in the narrative. As with diallage, only the total number of instances of homoioteleuton per statement is recorded.

Apomnemonysis, or appealing to authority, a rhetorical device to strengthen a point or argument, was also noted by Amernic and Craig [2000], again without the articulation of a systematic approach to allow its objective identification. Therefore judgment is used in this study to identify instances of apomnemonysis. To be considered an instance, the appeal must be explicit. That is, an authoritative external entity must be explicitly identified and the reference made to it is such that it serves to reinforce the point being made. The total number of instances of apomnemonysis per statement is recorded.

The final device that was identified that might be employed rhetorically to add emphasis was hyperbole or exaggeration. Amernic and Craig [2004b] identified examples of this in their close reading of Enron's last annual report letter, but did so with the benefit of hindsight following its collapse. The use of hyperbole is not measured in this study because of the potential subjectivity involved in its identification. For example, what might appear to be a grossly exaggerated claim needs to be substantiated as such by reference to some empirical outcome that demonstrates that it was, indeed, hyperbole. The search for subsequent empirical referents for what might be instances of hyperbole is judged to be outside the scope of this study.

7.4.3 Structural choices

The three strategies reflecting structural choices at the whole-of-narrative level that were documented in Table 6.5 were directness, topic shifts and the placement of the discussion of results. Directness was examined by Jameson [2000]. As noted in Chapter Four, it has two key aspects both of which relate to the "main point" of the narrative. The first is how far into the narrative the main point is first revealed. The second is the span of the main point which refers to the distance between the key elements, or "story kernels", that make up the discussion of the main point [Jameson, 2000]. It is argued here that, from the perspective of the private shareholder, the main point of the discussion in a chairperson's statement is the financial performance of the company. The kernels are the various aspects of performance that might be discussed. Examples would include sales, costs, margins, comparative performance and so on.

Jameson [2000] measured the first element of directness, the position at which the main point is revealed, by counting the number of words that preceded the first kernel of the performance discussion in her analysis of the annual reports of investment funds. The same measure will be used here. Since this directness measure focuses on the discussion of performance, it will also capture the third aspect of structural choice, that of the placement of the discussion of the results. If discussion of results is delayed until further on in the chairperson's statement, as is anticipated when performance is poor, the directness measure will reflect this.

The second aspect of directness, the span of the main point, was measured by Jameson [2000] by counting the number of words that separated the first two story kernels in the discussion of the main point, expressing this both in absolute terms and as a percentage of the number of words in the text. The same approach is adopted in this study. In some cases Jameson noted that this could not be calculated because in some narratives there was no second kernel provided. If this occurs, it will be noted and considered to be indicative of extreme indirectness but no quantification of the span can be reported.

The remaining aspect of structural choice at the whole-of-narrative level is the number of topic shifts that occur throughout the narrative. This was analysed by Sydserff and Weetman [1999]. The term "topic" is used much more narrowly in this context than it was when discussing thematic topic choices earlier in this section. A topic shift occurs every time a phrase discusses an information category that differs from that discussed in the previous phrase. Sydserff and Weetman [1999] suggest that items such as turnover, margins, costs, earnings, dividends and so on all represent different items of information in the context of the operating and financial reviews that they analysed. A similar narrow view is adopted here and a topic shift is counted when the subject of a phrase is not an elaboration, expansion, restatement, reiteration, comment or similar about the specific topic covered in the preceding phrase. The measure of topic shift is the total number of times that the topic of a phrase is different from the phrase immediately before it in the chairperson's statement.

7.4.4 Typography and presentation choices

Although differences were predicted about aspects of typography and presentation, these were not derived from empirical research into annual reporting practices. Much of the literature relied upon was normative or practitioner-oriented and did not present metrics for the systematic measurement of aspects of layout and font. Therefore, the measures that will be used in this study are not adopted from prior research but are developed logically from the typographical and presentation aspects that need to be captured. These aspects tend to be straightforward and lend themselves to relatively objective measurement.

Variations in font size used in the chairperson's statement in the good year versus the bad year will be gauged by overlaying a transparency made of the good year statement over a common word that occurs also in the bad news statement. If the font size used in both years is unchanged, this is coded as "0". If a larger font size is used in the good year, this is coded as "+" and if it is smaller the code is "-". The type of margin justification used in the statements will be coded as "J" if the text is both left- and right-justified, "C" if it is centred with a ragged left and right margin, and "R" if one margin is ragged and the other is justified. The use of headlines, headings and callout boxes is aggregated into one measure that is simply a count of the number of times these devices are used on the pages that contain the chairperson's statement.

The amount of white space around the text will be measured using the same approach adopted for the final measurement of the extent to which colour was used throughout the report. That is, the measure is the relative proportion of square centimetres of white space surrounding the text of the chairperson's statement. "White space" in this context does not literally have to be "white". It refers to the amount of space in the same colour as that of the page background, white or otherwise, that is left to surround or separate blocks of the text in the statement. Any other imagery or colour effects on the page are excluded from the measurement.

Another presentation effect of interest is the decision about text and background colour. Where normal dark text on a lighter background is used, this is identified with the code "+" while reverse contrast, lighter text on a darker background, is denoted "-". A judgment is also made about whether degree of contrast between the text and the background colour chosen for the chairperson's statement in the good year is different from that used in the bad year. If the contrast is stronger in the good year, this is denoted by "+" and where it is less strong, "-" is used. A zero indicates no difference in contrast across the good and the bad year.

7.4.5 The data collection worksheets

The data collection worksheets for the thematic content aspects are provided in Appendix A-2. The basic data are captured on a separate worksheet for the good and the bad years for each company (Worksheet A2.1 in the appendix). The thematic

aspects are summarised on Worksheet A2.2. The summarised data that are relevant to the framework developed in this study are transferred to Worksheet A2.3 which is also used to record data on the structural and typographical and presentation choices. The data are arranged to facilitate the identification of similarities and differences in the choices made about report preparation at the whole-of-narrative level in good and bad years.

7.5   IDENTIFYING AND MEASURING WHOLE-OF-IMAGE STRATEGIES
7.5.1 Graph construction choices

The impression conveyed by a graph might be manipulated by measurement distortion and/or presentation distortion as outlined in Table 6.6. Measurement distortion has been consistently evaluated in prior research using the graph distortion index (GDI) which relates the rate of change in the underlying data to the rate of change depicted on the graph. The mechanics of the measurement were described in Chapter Five. More recently, however, the robustness of this measure has been challenged. Mather et al [2005] showed that the GDI can be inconsistent, is in some cases incalculable, and that it is very sensitive to small changes in the underlying trend. In particular, they demonstrated that a high or low level of the calculated GDI does not always correspond to a similarly high or low level of apparent visual distortion.

In response to the problems with the GDI, Mather et al [2005] developed a more robust measure, the Relative Graph Discrepancy (RGD). The RGD measures distortion as a function of the height of the last column presented on the graph and the height that this column should be if correctly drawn. It is calculated as follows:

$$RGD = (g_2 - g_3) / g_3,$$

Where: $g_3 = (g_1/d_1) \times d_2$ (height of last column if correctly drawn)

d_1 is the value of the first data point in the series

d_2 is the value of the last data point in the series

g_1 is the height of the first column

g_2 is the height of the last column.

Mather et al [2005] are able to demonstrate that the RGD is both a superior measure of graph distortion than the GDI and one that is easier to calculate. As noted in Chapter Five, studies using the GDI have typically considered distortion of 5 per cent or more to be material. Mather et al [2005] suggest that the equivalent cut-off for the RGD is 2.5 per cent. The more robust RGD is the measure adopted in this study. The nature of the RGD is such that it applies only to column or bar graphs. Prior research indicates that these formats are by far the most commonly used to graph trends in key financial variables in annual reports [e.g. see Beattie and Jones, 1997, 1999]. Therefore measurement distortion will only be assessed for column and bar graphs of financial variables in this study.

When the last data point in the series graphed is a positive number, a positive RGD indicates that the distortion is favorable while a negative RGD indicates a disserving distortion. The reverse is the case if the final data value is negative. The context of the distortion will be considered to identify distortion that is inconsistent with impression management goals. Negative distortion of positive trends and positive distortion of negative trends are not favourable to the company [Beattie and Jones, 1999]. If such distortions are observed, a separate average RGD is calculated for favourable and unfavourable distortions with the expectation that the magnitude of the former will exceed that of the latter.

Average RGD is consistent with the framework when the nature of the distortion is such that it is generating a more favourable impression than that conveyed without the distortion. It is inconsistent with the framework when it understates positivity or over-emphasises negativity and these are the only assessments made in regard to measurement distortion. There were no expectations about differences in the magnitude of measurement distortion in good versus bad years and no comparison or interpretation of any difference is made. The focus is simply on whether the nature of distortion observed in each of the years is consistent with what would be expected if graph construction is influenced by impression management motivations.

Principles of good graph construction were outlined in Table 5.2, along with the nature of the presentation distortion that can result from their violation. However, no research studies could be located that systematically assess and quantify the extent of

presentation distortion in annual report graphs. Godfrey et al [2003] speculate that this is due to the difficulty associated with its measurement. A number of the aspects of presentation distortion refer specifically to features of column and bar graphs. Therefore, consistent with the approach adopted for measurement distortion, presentation distortion is assessed only for column and bar graphs of financial variables. For each of the principles identified in Table 5.2 that are applicable to column or bar graphs, the specific aspect of distortion is documented in Table 7.2, below, along with a description of the indicator used to capture each aspect and the way in which its presence will be assessed.

The nature of the coding system outlined in Table 7.2 is such that all instances of presentation distortion that are consistent with impression management behaviour are coded with a value of one and those that are inconsistent are coded as minus one. An example of an inconsistent distortion would be the when the scale of the vertical axis extends beyond the end of the highest data point and the trend shown is a positive upward one, or when the time series is reversed in the same situation. Distortions that are not present are assigned a value of zero. A tally is made of the positive values, the negative ones and the net score is calculated for each graph. The net score is the sum of all values assigned to a graph. A negative net score would be inconsistent with the framework as would a zero score produced by favourable and unfavourable distortions within one graph off-setting each other. A zero score produced by offsetting favourable and unfavourable distortions rather than the absence of distortions is denoted by 0̶. As with measurement distortion, there are no expectations about differences in the extent of presentation distortion between good and bad years and the focus is on whether the nature of distortion observed across the years is consistent with impression management behaviour.

The data collection sheet template for the whole-of-graph characteristics can be found in Appendix A-3 on Worksheet A3.1. The data are summarised on Worksheet A3.4 where their consistency or otherwise with the framework developed in this study is indicated.

Table 7.2 Indicators for presentation distortion in annual report graphs

Aspects of presentation distortion	Indicator of this type of distortion	How assessed
Scale extends beyond the value of the highest data point	Scale extended? 0 = No 1 = Yes, trend negative -1 = Yes, trend positive	Visual inspection of graph
Graph is three-dimensional	Graph drawn in three dimensions? 0 = No 1 = Yes	Visual inspection of graph
Stacked bars are used	Specifiers are stacked bars? 0 = No 1 = Yes	Visual inspection of graph
Pictorial specifiers are used	Specifier is pictorial? 0 = No 1 = Yes	Visual inspection of graph
No grid lines are provided	Gridlines absent? 0 = No 1 = Yes -1 = No but favourable measurement distortion is present	Visual inspection of graph
Chart titles are not provided	Chart title absent? 0 = No 1 = Yes	Visual inspection of graph
Axes are not labeled	Axis labels absent 0 = No 1 = Yes	Visual inspection of graph
Data values are not specified	Data values absent? 0 = No 1 = Yes	Visual inspection of graph
Visual effects to accentuate a positive aspect of the graph	Accentuating effects present? 0 = No 1 = Yes	Judgment based on visual inspection of graph
Time series data running from right to left	Reversed time series? 0 = No 1 = Yes, trend was negative -1 = Yes, trend was positive	Visual inspection of graph, consulting report data if axis is not labeled
Obtrusive background or effects used to obscure aspects of the graph	Obtrusive background? 0 = No 1 = Yes, and aspect is negative -1 = Yes and aspect is positive	Judgment based on visual inspection of graph
Not all values in the series are plotted	Some data values omitted? 0 = No 1 = Yes	Compare historical data from annual reports with the graphed series to identify omitted points
Slope parameter is > 45° for upward trends and < 45° for downward trends	Optimum slope parameter violated? 0 = No 1 = Yes	Draw a line between the midpoint of the first and last column on the graph and measure the angle of it from horizontal with a protractor

7.5.2 Photograph construction choices

As indicated in Table 6.6, differences are expected in good and bad years in the size of photographs included in the annual report and in the degree of their visual-verbal overlap. Visual-verbal overlap, as explained in Chapter Five, refers to the strength of the semantic relationship between the text and the picture with the overlap being stronger when the image is a more concrete one that is directly relevant to the text. Since the chairperson's statement is the only narrative in this study that is examined in regard to semantic content, only photographs that accompany this narrative, if any, will be assessed for the degree of overlap. Photographs of the chairperson are not considered. Where other photographs are present, an assessment will be made as to whether their overlap with the text is high (1) or low (0). This is purely a subjective judgement and the reasons for each judgement that is made will be articulated as part of the data collection process on Worksheet A3.3.

The remaining whole-of-image characteristics relate specifically to the photograph of the chairpersons that might accompany their statements. Where a photograph is included, a judgement needs to be made as to whether the chairperson is shown in a demand or an offer image. In a demand image the chairperson is looking directly at the viewer of the photograph while an offer image is one in which the gaze of the chairperson is not directly at the viewer [Kress and van Leeuwen, 1996]. Demand images are coded as "1" on Worksheet A3.4 and offer images are designated by "0".

The relative position of the photographer, reflecting the angle from which the photograph is taken, is also relevant. Harrison [2003] distinguishes three possibilities: a high angle where the chairperson is looking up at the camera and the picture is taken from above, a medium angle where the chairperson is looking horizontally at the camera, and a low angle where the chairperson is looking down to the camera and the picture is taken from below with the photographer looking up at the subject. These are coded, respectively, as "-" (least powerful), "0" (neutral), and "+" (most powerful), on Worksheet A3.4.

The final aspects relate to the distance and framing of the chairperson's photograph. In Chapter Five, six categories of distance were identified and these are used to code the closeness of the chairperson to the viewer as follows:

5 = intimate distance, showing face or head

4 = close personal distance, showing head and shoulders only

3 = far personal distance, showing participant from the waist up

2 = close social distance, showing the whole figure

1 = far social distance, showing the whole figure with background

0 = public distance, showing torsos of at least four people.

The chairperson's photograph can be either framed or unframed. It is framed when borders, colour or strong vectors within the photograph such as a window or a doorway result in it being presented as a unit separate from the statement that it accompanies. Where there is nothing separating or delineating the image of the chairperson from the background of the page on which it occurs, it is considered to be unframed. Framed images are coded as "1" while unframed one are assigned "0" on Worksheet A3.4.

7.6   IDENTIFYING AND MEASURING SUB-NARRATIVE STRATEGIES
7.6.1 The good news / bad news context at the sub-narrative level

It was argued in Chapters Four and Six that the strategies adopted to convey good news are likely to differ from those utilised for bad news. Thus to analyse strategies at the sub-narrative level, the content of the chairperson's statement needs to be broken down into those elements that convey positive news and those which convey negative news. Consistent with the approach outlined in Section 7.4, the perspective of a private shareholder is adopted to evaluate whether a statement conveys positive, negative or neutral news. The unit of analysis is the sentence, a decision that is dictated by some of the sub-narrative characteristics that are to be studied. Readability scores, in particular, require sentence length as an input into the calculation and therefore cannot be calculated on units smaller than a sentence. Also, some of the metadiscourse resources relate to building structure and links with a sentence, again suggesting that the sentence is the appropriate unit of analysis.

At the sub-narrative level, the distinction between the good report year and the bad report year is no longer relevant as expectations relate not to the report year as the context for differential impression management strategy but to the nature of the news

reported, positive or negative, in a particular sentence. Therefore for each of the five companies studied, electronic copies of chairpersons' statements, one from the good year and one from the bad are merged to create one document. All headings, tables, captions and similar items are omitted as are any names at the sign-off at the end of the statement. This new document is then segmented into sentences in a *Microsoft Word* table with each row of the table containing a separate sentence.

Some sentences will contain external attributions of negative outcomes, identified during data collection at the whole-of-narrative level. It was noted in Chapter Six that, although conveying bad news, if a credible external source can be blamed, there may be an incentive to communicate this in a manner similar to that adopted for good news. Due to this potential ambiguity, such sentences are excluded from the sub-narrative analysis. Each of the remaining sentences is judgmentally coded, from the perspective of a private shareholder, to reflect the type of news it contains. The following identifying codes are used to distinguish between the news types: "-1"= bad news, "0" = neutral, and "+1" = good news. A copy of this file is made to facilitate the analysis that is described in Section 7.6.7 below.

Consistent with prior research [e.g. Abrahamson and Park, 1994; Abrahamson and Amir, 1996; Clatworthy and Jones, 2003; Rutherford, 2005] a sentence was coded as positive (good news) if it contained positive words that were used in a context that conveyed what appears to be a good situation or outcome for the organisation and/or its shareholders. Sentences containing words with negative connotations used in a context conveying a poor situation or outcome for the organisation were coded as negative (bad news). For example, positive words include terms such as "profit" "dividends" "pleasing", "advances", "gains" and so on but they must be disambiguated in terms of the context of the sentence in which they appear. To illustrate, although the term "profit" typically has positive connotations, if used in a sentence such as *"Profits declined this year",* the context is such that the sentence would be coded as negative. Sentences that do not clearly contain either a positive or a negative message, or those that contain a mix of both are coded as neutral.

Once all of the sentences for a company's combined chairperson's statements have been coded, the table is sorted on the basis of these codes to allow all of the good

news sentences to be collected together. A copy of this file is made in which the all of the good news is merged into one cell as a single piece of prose, all of the bad news merged in a second cell and all of the neutral news in a third. The content of each merged cell is then pasted into a new document. In these newly constructed documents, because the initial unit of analysis is the sentence, the concept of "paragraph" is no longer meaningful and each document is treated as one continuous piece of prose.

Because no specific expectations were developed with respect to neutral sentences, they are not included in the analysis. There are two key reasons for this. Firstly, if deliberate impression management is occurring it is likely that good news passages and bad new passages are carefully constructed so as to emphasise and make clear the good news whilst bad news will tend to be obscured and/or made more difficult to understand. Neutral news is unlikely to reflect deliberate attempts to communicate it in a way which produces characteristics falling between those reflected in good and bad news. Secondly, and related to the first point, is the fact that the subject matter of neutral news in chairpersons' statements is likely to have a strong impact on its characteristics. Typically much of the neutral discussion is devoted to reporting on board changes and thanking the board and employees. This will tend to be reported in a straightforward, active and factual way. Therefore it is unclear how comparison of neutral news to the good or bad news will yield useful, interpretable insights into impression management behaviour.

In Table 6.7, the sub-narrative characteristics that were expected to differ in good news and bad news contexts were classified into five broad areas: thematic tone, reading ease or textual complexity, verb choices, signalling actors and agents, and specificity. The identification and measurement of the particular characteristics in each of these areas is discussed, in turn, below.

7.6.2 Thematic tone

In prior research, thematic tone has been assessed either manually using word lists that have been constructed to reflect different aspects of tone such as optimism or pessimism, or it has been evaluated using the DICTION text analysis program. It was apparent from the literature reviewed in Chapter Four that the latter approach is more

prevalent and it is the one adopted here. The software provides an objective score on five aspects of verbal tone: certainty, optimism, activity, realism and commonality, each of which was described more fully in Chapter Four. The scores are based on a pre-established dictionary of words that reflect subcategories of each tonal theme. The higher the score the more emphatic is that tonal aspect.

The DICTION software requires the narratives to be in text-only file formats. The *Microsoft Word* files that were created for each company containing the prose made up of the good news sentences and the prose from the bad news sentences will be saved as text-only files. Consistent with Ober et al [1999] and Sydserff and Weetman [2002], the certainty score will be adjusted by deleting the "numerical terms" and "self-reference" subcategories because these reduce the certainty score in DICTION'S calculation whereas they tend to add to the certainty of report narratives. The score for each aspect is recorded on Worksheet A4.3.

7.6.3 Reading ease and textual complexity

It was suggested that text can be made less complex and easier to read by using shorter words and sentences. Sentence and word length are the two inputs into the calculation of the Flesch reading ease score which, as indicated in Chapter Four, is the approach most commonly adopted in studies that assess annual report readability. The reading ease formula is: *206.835 – 0.846W –1.015S* [e.g. see Clatworthy and Jones, 2001; Kinnersley and Fleischman, 2001; Courtis 2004]. W is the number of syllables per 100 words and S is the average sentence length. The larger W and S get, the smaller the Flesch score becomes. The lower the score, the more difficult the narrative is judged to be.

The spelling and grammar tools in *Microsoft Word* were used to calculate the score. The text of the document file was adjusted to remove any periods that occurred in abbreviations such as U.S.A as were decimal points in numbers as these would otherwise have been read as sentence ends when they are not, resulting in an underestimate of textual complexity. Bulleted lists were marked off by periods if they were not already because they would, in practice, be read as sentences and failure to do this would result in an overstatement of complexity. The scores for the good news and the bad news are recorded on Worksheet A4.3.

Interactive metadiscourse resources play a role in organising the narrative, and functions to help guide the reader through the text by adding structure and links throughout the text and signalling relationships between different parts of it. The five types of interactive metadiscourse resources, transitions, frame markers endophoric markers, evidentials and code glosses were described, along with examples, in Chapter Four. The metadiscourse resources will counted manually with identification based on those descriptions and examples.

Each instance of a possible resource will be analysed in its textual context to determine if it is, in fact, metadiscourse or whether it is part of the ideational content. For example, consider the following two phrases:

(1) The drought *finally* broke in March

(2) *Finally*, I want to thank all of the board for another year of committed service.

In the first phrase the word "finally" is not playing a metadiscourse role. It is part of the ideational content. In the second phrase it is functioning as a frame marker. The metadiscourse resources are aggregated by resource type for each of the good news and the bad news. The basic count data is documented in Worksheet A4.1. The aggregate counts are then expressed as the number of resources per 100 words to allow comparison of good news and bad news prose that vary in length and are recorded on Worksheet A4.3

7.6.4 Verb choices

Expectations about verb choices relate to the use of active rather than passive forms and the use of material process verbs rather than verbs of being. The proportion of passive constructions was obtained from the spelling and grammar tools in *Microsoft Word*. Sydserff and Weetman [2002] caution that the use of computer-generated estimates of passive constructions may not result in a precise quantification. They found the number of passive sentences is likely to be understated. However this bias seemed to be consistent with a comparison of results for manually and computer-generated passive counts showing that the direction and significance of their results were unaffected. Clatworthy and Jones [2006] also examine the use of passives in the CEO letter but do not report whether the count is manual or computer-generated. Since the aim in this study is to measure the relative extent of the use of passive

constructions, it is judged that a computer estimate would provide a sufficient indication of relative use. This estimate is recorded on Worksheet A4.3.

Material process verbs are verbs that indicate actions or events in which a direct participant is involved. They convey a sense of movement, occurrence, doing or happening while relational process verbs are verbs of being, identification or attribution [Thomas, 1997]. Each verb in the chairperson's statement is examined to determine, judgmentally, whether it is a material process verb, a relational process verb or neither of these. A count of the number of times each is used is recorded on Worksheet A4.1 and the proportion of total verbs used that each represents is recorded on Worksheet A4.3. Again, the proportionate measure is used to control for differences in the amount of good news and bad news included in the chairpersons' statements.

7.6.5 Signalling actors and agents

Interactional metadiscourse, as noted in Chapter Four, functions to signify the presence of the writer and the writer's attitude to the subject matter, as well as to build a relationship between the reader and the writer. Specifically, the more that boosters, attitude markers, engagement markers, and self-mentions are used, the more strongly is the writer signalled as an agent or participant in the narrative and the events described within it. These four types of interactional metadiscourse were described, along with examples, in Chapter Four. As with interactive metadiscourse, the interactional resources will be counted manually with identification based on those descriptions and examples. Counts of the metadiscourse resources identified are documented on Worksheet A4.1 and are expressed as the number of resources per 100 words and recorded on Worksheet A4.3

Clatworthy and Jones [2006] measured the number of personal pronouns, both singular and plural, as an indication of the tendency for chairpersons to associate themselves with good performance and to distance themselves from poor performance. The metadiscourse category of self-mentions captures exactly this and therefore a separate measure of personal pronouns used in the narrative is not needed. Thomas [1997] measured references to non-human agents in the first and last paragraphs of the annual report letters that she studied, noting that the internal

paragraphs tended to make heavy use of them, a situation she put down to the subject matter under discussion. As a result of the way the sub-narrative files have been constructed in this study, the concept of first and last paragraph is no longer meaningful. Therefore all sentences in each of the good and bad news files will be examined for the use of non-human actors.

Thomas [1997] does not clearly explain what she considered to be non-human actors and whether, this category, when combined with that containing the human actors, represented two mutually exhaustive categories. This is potentially problematic. For example, "the company" might be referred to as an actor and technically this is a non-human actor. However, it is far less distant an actor than something like "markets" or "operating conditions", both of which are given by Thomas [1997:56] as examples of non-human actors. Similarly, "the board" is technically not a human actor, but the term does refer collectively to a group of possible actors. Three categories are used to capture these different types in this study:

1. human actor/agents, indicated by personal names or pronouns, position titles such as "production manager", or collective nouns indicating a group of human actors such "the board", "staff", "management", "our employees" and so on;

2. the company as an actor/agent indicated by the name of the company or terms such as the "company," "organisation", "firm", "group" and so on;

3. non-human actor/agents, indicated by reference to any non-human actor or agent such as "markets", "interest rates", "government policy" and so on.

Counts of the number of times each type of actor/agent is used are documented on Worksheet A4.1 and the proportion of total actors/agents used that each category represents is recorded on Worksheet A4.3.

7.6.6 Specificity

The three indicators of specificity that were identified in Table 6.7 were the use of the interactional metadiscourse resource category of hedges, the frequency of quantitative references and the use of condensations. As explained in Chapter Four,

hedges are terms used to indicate a degree of tentativeness about the subject matter discussed, and include words such as "perhaps", "possibly", "approximately" and "might". As with the other metadiscourse resources measured in this study, possible instances of terms that might be used to hedge are identified from visual inspection. Once identified, each occurrence is disambiguated by considering the context in which it occurs to determine whether the term is, in fact, serving the purpose of adding tentativeness to the discussion. The count data are documented on Worksheet A4.1 and the frequency of use of hedges, expressed as a rate per 100 words, is recorded on Worksheet A4.3

The use of specific, detailed, factual and quantitative references relates to Sydserff and Weetman's [1999] indexical of specificity. In their study, Sydserff and Weetman [1999: 471-72] scored phrases in the following way:

> 2 = highly specific, reflected by a predominant focus on unambiguous quantitative analysis, fact and detail

> 1 = mixture of general and specific, reflected by partial or hedged quantification with some associated uncertainly

> 0 = focus predominantly on generalities, reflected by no quantification.

To determine the score for this aspect of specificity, each sentence is assigned the appropriate specificity score based on the guidelines above and a total score for the good and the bad news is obtained. Although Sydserff and Weetman [1999] did not do this, the score is expressed as an average score per sentence to avoid the bias that might be introduced if the amounts of different types of news reported are dissimilar. For example, if there is much more good news than bad news, the specificity score for the good news may appear to be higher simply because more sentences are scored and not because the content of them is inherently more specific. The average score is recorded on Worksheet A4.3.

The final specificity sub-narrative characteristic to be examined is the use of condensations. Condensations occur when elements are left out of the discussion that are necessary to obtain the full and unambiguous meaning [Thomas, 1997]. This

can occur because specific thematic elements are replaced with vague terms leaving the reader to impute a particular meaning, or because elements are omitted altogether, or because euphemistic terms are used instead of specific factual ones. Examples were provided in Chapter Four.

Thomas [1997] does not provide guidelines to assist in the systematic identification of instances of condensations. However, it is apparent from her discussion and the examples that she gives that whenever the full meaning is not clear, and this includes full specification of events that have implicitly occurred, then a condensation is deemed to have occurred. For example a phrase like "gradually improving market" [Thomas, 1997: 62] is a condensation because details are omitted about what happened to cause the situation, such as declining orders and sales, from which the market has improved.

Because of their nature, the identification of condensations is somewhat subjective. The key judgment is whether the full thematic structure is accessible to the reader from the explicit narrative content or whether aspects of it need to be imputed by the reader. Because of the potential degree of subjectivity involved in making this judgement, each example that is considered to be a condensation is documented on Worksheet A4.2 and the thematic elements that need to be supplied indicated. If it is not possible to indicate elements that the reader needs to impute, then a phrase cannot be considered to be a condensation. It is acknowledged that due to the application of conservative judgment, the counts of condensations are likely to be understated. However, there is no reason to expect that this understatement will be biased with respect to either good or bad news. Therefore valid comparisons should be able to be made between the use of condensations in the different news types. The average number of condensations per sentence is the measure that is recorded on Worksheet A4.3 as this controls for variations in the amounts of the different news types reported. No attempt is made to distinguish between the differing degrees of condensation that might occur.

7.6.7 Presentation choices

The final sub-narrative aspect relates to the chunking of paragraphs with differences in paragraph length expected between those containing predominantly good news

and those reporting bad news. As described in Section 7.6.1, the sentences in the chairpersons' statements were classified as containing good, bad or neutral news and a copy kept of the file containing the sentences so delineated. Each paragraph break is now identified and a judgment made as to whether each individual paragraph contains predominantly good, bad or neutral news based of the presence or otherwise of sentences that were coded as good bad or neutral. A paragraph will be classified as neutral if it contains predominantly neutral news or if it contains a mix of good and bad news without a predominant presence of either good or bad. Once these judgments have been made, the paragraphs are coded for identification as follows: "-1"= bad news, "0" = neutral, and "+1" = good news. *Microsoft Word's* spelling and grammar tools will be used to obtain a measure of the average number of words and sentences in the good and bad news paragraphs.

7.7   PATTERN MATCHING AND CROSS-CASE SYNTHESIS

Once the data collection is complete, Worksheets A1.2, A2.3, A3.4 and A4.3 contain all of the data necessary to carry out pattern matching at the whole-of-report, whole-of-narrative, whole-of-image and sub-narrative levels respectively for each company in the sample. The final column of each of these worksheets requires decisions about whether the observed differences, if any, in the characteristics compared are consistent with the framework summarised in Tables 6.1 and 6.2 in Chapter Six. Once this judgement has been made for each characteristic for each company, the results are summarised on a final worksheet, A5, which is designed not only to highlight the results of the pattern matching process but also to facilitate cross-case synthesis.

To illustrate, the first panel of Worksheet A5 is reproduced below. It represents a hypothetical summary of tendencies observed at the whole-of-report level for all five companies. Similar panels are constructed for the other levels of analysis and are attached in Appendix A-5. In Panel A below, the results of a hypothetical analysis are presented to demonstrate the coding approach and interpretation of the patterns shown. Where a tendency has been observed in a particular company's reports that is judged to be consistent with the framework, the relevant cell is coloured green. Where an inconsistency is observed, the relevant cell is shaded red. When no

difference is apparent, or where a characteristic is not observed in the reports, the cell is left un-shaded.

Figure 7.1 Panel A of Worksheet A5

		Company				
		1	2	3	4	5
Whole of report level	Number of narrators	green	green		red	red
	Number of named narrators	red (half)	green	green	green	
	Proportion of named narrators		green	green	green	
	Number of photographed narrators		green (half)			red
	Proportion of photographed narrators	red				red
	Occurrences of Q-A format			green (half)		red
	Total number of Q-A pairs		red	red		red
	Proportion of pages containing colour	green				green
	Proportion of pages containing more than one colour	green			green (half)	green
	Proportion of square centimetres of colour	green	green (half)	red		green
	Number of graphs	green		red		
	Number of photographs	green				
	Proportion of B&W photographs			red (half)	green (half)	red (half)
	Proportion of concrete images					green

In this example consistencies have been noted with the number and proportion of named narrators in Companies Two, Three and Four. However, in Company Five the use of photographed narrators and the question-answer format was the opposite to that expected. The red shading highlights this inconsistency with the framework that has been developed. Some cells are partially shaded, either half red or half green. These represent situations where a difference in a characteristic has been observed but its magnitude is so small that it cannot confidently be judged as clearly consistent or inconsistent with the framework. For example, the cell that summarises

Company Four's use of black and white photographs is shaded half green. This indicates that the difference in the use of these photographs was as expected but that the amount of difference across the reports was very small. Similarly in Company Five, the difference was inconsistent with the framework but the actual difference was very small and this is reflected by that cell being shaded half red.

The results of pattern matching for each company can be observed by looking at the amounts and types of shading in the relevant column for that company throughout all of the panels of Worksheet A5. The colour coding allows easy identification of which strategies across all levels that the report preparers for that company appear to be utilising in a manner consistent with impression management behaviour. It also shows those that are not used differentially and those that are being used in a manner that is inconsistent with the impression management performance. Looking across the rows of Worksheet A5 facilitates the cross-case synthesis, allowing identification of which techniques are favoured relatively more or relatively less across the sample of companies analysed, which ones tend to be used in a consistent manner across the group and which ones are not used differentially. Thus Worksheet A5 contains the summary data necessary to evaluate the three research questions that were posed in Chapter Six.

7.8   OVERVIEW

The nature of the case study analysis that will be used to explore the research questions that were developed in Chapter Six was described in this chapter. The procedures for the selection the cases that are to be analysed were explained as were those for identifying, measuring and coding each of the narrative and visual report characteristics that are the focus of this study. Data collection and analysis worksheets were constructed and presented in Appendix A and their use explained. In the next chapter the results of following the procedures described here are presented and discussed.

CHAPTER EIGHT: PRESENTATION AND DISCUSSION OF THE RESULTS

8.1 INTRODUCTION

In Chapter Six, three research questions were articulated which focus on whether the narrative and visual strategies apparent in corporate annual reports are reflective of systematic impression management behaviour. In the previous chapter, the method for conducting the case analysis to explore these questions was described. The results of implementing the sample selection procedures and analytical techniques detailed in that chapter are presented and discussed here. The cases selected for the analysis are identified in the next section. This is followed by the presentation and discussion of the results for the whole-of-report, whole-of-narrative, whole-of-image and sub-narrative levels respectively in Sections 8.3 to 8.6 to address the first two research questions (hereafter RQ1 and RQ2). An assessment of the consistency with which observed strategies are being applied in the annual reports of each of the five organisations studied is provided in Section 8.7 to assess the third research question (hereafter RQ3).

8.2 THE CASES SELECTED FOR ANALYSIS

Five companies, each with a good performance year and a bad performance year, were selected from the ASX 200 membership as at July 5, a randomly selected date in 2005. Constituent members of the ASX 200 at any specified date can be downloaded from the Standard and Poor's web site and a link to this is provided from the ASX web site. Of the 200 companies, 53 were eliminated because they did not have the requisite five years of data available. Five companies were selected from the remaining 147 following the procedures outlined in Table 7.1. The companies selected were:

- Crane Group Limited (CRG), a manufacturer and distributor of plumbing, metal and electrical products, which has been listed on the ASX since 1962;
- MYOB Limited (MYO), a developer and publisher of business-related software products, which listed on the ASX in 1999;

- Newcrest Mining Limited (NCM), Australia's largest independent gold producer, which has been listed on the ASX since 1987;

- QBE Insurance Limited (QBE), a provider of general insurance and reinsurance services, which has been listed on the ASX since 1973; and

- Roc Oil (ROC), an oil producer with international interests, which listed on the ASX in 1999.

All of these companies had good and bad performance years that were adjacent and, thus, there was no need to utilise companies from the Reserve List. Information on the companies selected is summarised in Table 8.1. The use of a design company was acknowledged in all of the selected annual reports and none of the companies changed their design company during the two years studied.

Table 8.1 The cases and units selected for analysis

Company	Industry	GOOD YEAR			BAD YEAR		
		Year	EPS (c)	Δ from prior year	Year	EPS (c)	Δ from prior year
Crane Group	Industrials	2005	68.3	+344%	2004	(28.0)	-132%
MYOB	Information technology	2000	8.2	+193%	2001	2.1	-74%
QBE	Financial	2002	42.6	+906%	2001	(5.3)	-112%
Newcrest	Materials	2003	29.6	+254%	2002	(19.2)	-233%
Roc Oil	Energy	2000	13.8	+238%	2001	(8.5)	-162%

8.3 WHOLE-OF-REPORT STRATEGIES

Impression management strategies that might be manifest at the whole-of-report-level related to the use of narrators, choice of the question-answer sub-genre, and the use of colour, graphs and photographs. The worksheets summarising the results of the analysis for each of the five companies at the whole-of-report level can be found in Appendix B1. The worksheet for case analysis and cross-case synthesis is attached in Appendix C. Panel A of that worksheet which summarises the whole of report strategies used across the companies is reproduced below as Figure 8.1.

8.3.1 Narrators and genres

With respect to narrators, it was expected that in the years when poor performance was reported the annual reports would include a greater number of narrators to present a range of accounts from which the reader must choose. It was anticipated that these narrators would be more likely to be named and photographed in an attempt to garner sympathy from the report audience. The reports of MYOB and Newcrest Mining did not make differential use of narrators in the good and bad years. However, contrary to expectations, the reports of the three remaining companies contained fewer rather than more narrators in the bad year.

Figure 8.1 Synthesis of the whole-of-report strategies

Characteristic	Company				
	CRG	MYO	NCM	QBE	ROC
Number of narrators	red			red	red
Number of named narrators	red			green	
Proportion of named narrators	red			green	green
Number of photographed narrators	red				
Proportion of photographed narrators	red			green	green
Occurrences of Q-A format					
Total number of Q-A pairs		red			
Proportion of pages containing colour	green		red	green	green
Proportion of pages containing more than one colour	green		red	green	green
Proportion of square centimetres of colour	green	green	red	green	green
Number of graphs of financial variables			green		red
Number of photographs	green	red	green	green	red
Average photograph size	red	green	red	green	green
Proportion of B&W photographs	green			green	
Proportion of concrete images	green	red	green	green	red

A plausible alternative explanation that is consistent with impression management incentives can be advanced for this observation. If more narrators are used when performance is poor, this carries an associated risk that more individuals or functional areas within the company will be seen to be associated with that performance, potentially creating a greater crisis of confidence in managerial competence than might be the case when fewer narrators are implicated. Further, when performance has been poor, a strategic response might be to show fiscal restraint by producing a shorter annual report. Four of the five annual reports were shorter in the poor performance years. One way of reducing report length is to include fewer narratives.

If this explanation is accepted, then only one company's reports, those of Crane Group reflect decisions about naming and photographing narrators that are inconsistent with impression management explanations. In both the QBE and Roc Oil reports for the bad year, the number of narrators that were named and photographed either remained the same or increased, and in both cases the relative proportions of narrators who were named and photographed increased. Therefore, although fewer narrators overall are used in the poor year, those that are used tend to be more fully dramatised, consistent with an attempt to elicit an emotive and sympathetic response from the report reader.

Use of the question-answer sub-genre occurred only in the annual report of MYOB where the Chief Executive Officer's report was presented using this format. In the poor performance year eleven question-answer pairs were used as opposed to thirteen in the good year. However, there was little difference in the number of words that were communicated using this sub-genre, 1,041 in the poor year and 1,024 in the good. Thus in the five cases studied here, there is no substantive indication that the question-answer format is used as an impression management tool.

8.3.2 Colour and imagery

It was anticipated that the annual reports produced in good years would make greater use of colour and imagery than would be the case in bad years. As indicated in Figure 8.1, in only one of the five companies, QBE, were colour and imagery used in a manner entirely consistent with the framework. As predicted, in the bad year, the

QBE annual report contained less colour and fewer photographs which, on average, were smaller in size than those used in the good year. All of these photographs were presented in black and white whilst in the good year no black and white photography was used. The relative use of abstract imagery also increased as expected in the annual report for the bad year

There was no difference in the number of graphs used in QBE's reports in the good and the bad year, nor in the variables graphed. However the particular variables graphed showed positive trends in both the good and the bad years. Therefore there would be no incentive to remove any of these graphs in the bad year. Nonetheless the preparers of QBE's report in the good year did not exploit the opportunity to include further graphs to stress the positive nature of performance in that year. Reference to the QBE report in 2000, the year preceding the bad year, revealed that the same three variables were also graphed in that year, despite strong performance on other variables that could also have been graphed. Hence it appears that impression management incentives are not driving the decision about which graphs to include in the annual report for this company.

The reports of Crane Group were consistent with the framework except with respect to size of photographs used. On average the photographs used in the report for the bad year were larger than those used in the good year. The expectation that photographs would, on average, be larger in the good news report was underpinned by the attention-attracting effect that large images have. To attract attention to good news, it was expected that the images near narrative containing it would be larger. The use of photography in the Crane Group report was re-examined to see if there appeared to be a consistent pattern with respect to the use of photographs placed near narratives discussing performance in each of the report years.

This re-examination yielded some useful insights which suggested that photographs were, in fact, being used to attract attention in a manner consistent with impression management expectations. In the annual report for the good year, the narrative segment overviews were accompanied by one large colour photograph and several smaller ones. The large photographs are arguably the ones most likely to attract attention. These were placed in the centre of the pages on which they appeared, a

position where salience is maximised, and were of a consistent size of 294 square centimetres. However, in the year reporting on poor performance, the narrative segment reports were accompanied by only one black and white photograph per page of a consistent size of 200 square centimetres and these were positioned at the left or right margin of the page, a position that is less salient than a centred image.

A similar re-examination of the apparent anomalies in the reports of MYOB and Roc Oil also revealed that photography was being used in ways consistent with impression management behaviour, albeit not in the specific way predicted in the framework developed in this study. In the case of MYOB, use of colour tended not to differ much between the two years and while there was one more page containing colour in the bad year report compared to the good, relatively less of the report overall contained colour in that bad year. The apparent inconsistency was in the number of photographs used in the bad year (ten versus four), and that a greater proportion of images was of concrete phenomena.

A closer examination of the four photographs used in the good year indicates that they depicted the directors and the MYOB headquarters. In the report of the bad year, four of the photographs depicted directors but the remaining six contained images associated with either bees or flowers. Although bees and flowers are concrete rather than abstract images, they are ones that might be expected to have very little visual-verbal overlap with the poor performance experienced in the report year. Instead these images appear to be used in a role of deflecting attention from the immediate past and focussing it on a more promising future.

The bee-related imagery commences on the front cover of the report which contains a honeycomb pattern. On the first and second main pages of the report are photographs of bees. Under the first of these is the caption, in large print: *"Ten years of B2B success and the best is yet to come"*. The accompanying narrative is generally about success and expansion over the past ten years and the "fresh fields of opportunity on the horizon". There is no mention of the seventy-four per cent decline in earnings per share that was experienced during the year. The images of flowers occur later in the report, immediately preceding the directors' report and the financial statements. The first one is accompanied by the large-print caption *"Fresh*

fields of opportunity" and a narrative that is focussed on development and plans for future growth. Again, there is no mention of the poor performance experienced during the year.

There was a potential anomaly with the Roc Oil reports with respect to the number of graphs and photographs included in the poor performance year and with the proportion of concrete images reported in that year. The annual report in the bad news year included one more graph. However the additional graph was of "underlying profit", a concept that was not even mentioned in the report for the year of good performance. "Underlying profit" was a figure obtained after adding back to the reported loss certain provisions and exploration expenses which had the effect of converting the actual $9.2M loss into a $24M "profit". Hence the graphical depiction of this profit concept is consistent with assertive impression management. Nonetheless, the report preparers still chose to include the actual profit graph which showed an unfavourable trend.

The Roc Oil report for the good news year contained relatively fewer images of concrete objects. However, in that year the corporate logo appeared throughout the report eleven times, compared to once in the bad news report. If logos are excluded, then there is no difference in the proportion of concrete imagery appearing in each report. The remaining inconsistency related to the use of 15 more photographs in the bad news year. However examination of their content revealed that the bad news report contained eighteen photographs of images unrelated to the company's operations or personnel. Examples include fields, flowers and a cat staring at a goldfish in a bowl. The good news report included only two similarly unrelated images. As with MYOB, the inclusion of photographs with potentially very low visual-verbal overlap may be a strategy calculated to distract from the reality of the actual performance achieved.

Contrary to expectations the report of Newcrest Mining made proportionately more use of colour and, on average, larger photographs in the poor performance year. A re-examination of the report photography revealed a tendency to use more full-page photographs in the poor performance year which accounts for the unexpected observations regarding size and proportionate use of colour. However, the content or

positioning of the photographs did not reveal any obvious strategic differences in their use across the years that might be reflective of impression management behaviour. Significantly, perhaps, the bad year report was in landscape format while that of the good was in the more typical portrait. The differences in use of imagery might be related more to aesthetic design considerations associated with these formats rather than impression management behaviour.

8.3.3 A *post hoc* reformulation and consideration of RQ1 and RQ2 at the whole-of-report level

Based on the insights gained from the case analysis and, in particular, the re-examination and reconsideration of observed behaviour from an impression management perspective, Figure 8.1 has been recast as Figure 8.1a, below. The lighter green shading represents observations that are consistent with impression management behaviour but which were not initially included in the framework developed in this study for whole-of-report level behaviour. In relation to the use and presentation of narrators, the key apparent anomaly was the use of fewer narrators in the poor performance year. However, as noted, this could be driven by an impression management incentive to associate as few as possible of the company's personnel with poor performance to avoid undermining confidence in the management team. The initial prediction of more narrators was based on only one research study and the contrary observations here suggest that this is an area in which further research might yield more robust and reliable insights.

In hindsight, the initial analysis of the use of photographs proved not to be sufficiently subtle to detect when they were being used to play a distracting role. However the use of imagery to distract is entirely consistent with impression management behaviour. When this has been apparent in a re-examination of the cases, the relevant parts of Figure 8.1a have been shaded in lighter green to reflect behaviour consistent with impression management but which was not apparent from the initial analysis because of the way in which photographic use was operationalised and measured. The orange shading in Figure 8.1a highlights areas where observed behaviour was inconsistent with the predictions in this study but where that behaviour was not apparently disserving.

Figure 8.1a *Post hoc* reinterpretation of the whole-of-report strategies

Characteristic	Company				
	CRG	MYO	NCM	QBE	ROC
Number of narrators	🟩			🟩	🟩
Number of named narrators	🟥			🟩	
Proportion of named narrators	🟥			🟩	🟩
Number of photographed narrators	🟥				
Proportion of photographed narrators	🟥			🟩	🟩
Occurrences of Q-A format					
Total number of Q-A pairs					
Proportion of pages containing colour	🟩		🟧	🟩	🟩
Proportion of pages containing more than one colour	🟩	🟥	🟧	🟩	🟩
Proportion of square centimetres of colour	🟩	🟩	🟧	🟩	🟩
Number of graphs of financial variables			🟩		🟩
Number of photographs	🟩	🟩	🟩	🟩	🟩
Average size of photographs	🟩	🟩	🟧	🟩	🟩
Proportion of B&W photographs	🟩			🟩	
Proportion of concrete images	🟩	🟩	🟩	🟩	

RQ1 asked which of the range of techniques identified in the portfolio of impression management possibilities were apparent in contemporary annual reports. As Figure 8.1a confirms, at the whole-of-report level, differential use of all possibilities except for use of the question-answer sub-genre was observed in the cases studied here. RQ2 concerned whether the techniques observed were being used in a manner consistent with impression management motivations. The analysis suggests that this generally was the case.

However, there are two caveats to this assertion. First, although of the techniques used there are instances of use consistent with impression management, not all companies used them in such a manner. As expected, not every report reflected differential use of all of the strategies collectively observed. Further there are some, albeit isolated, instances of behaviour that appears to be inconsistent with that motivated by impression management incentives. This occurred with the way in which Crane Group used and dramatised its narrators. The second caveat is that some of the observed behaviour was inconsistent with that predicted in the framework developed from prior research. It was only after a *post-hoc* reconsideration of the observed reporting strategies that that particular behaviour was rationalised as consistent with impression management.

8.4   WHOLE-OF-NARRATIVE STRATEGIES

Impression management strategies that might be manifest at the whole-of-narrative level related to topic choices, the use of causal attributions, the prevalence of assertive and defensive statements, emphasis, structural choices and aspects of typography and presentation. The worksheets summarising the results of the analysis for each of the five companies at the whole-of-narrative level can be found in Appendix B2. The worksheet for case analysis and cross-case synthesis is attached in Appendix C. Panel B of that worksheet which summarises the whole-of-narrative strategies used across the companies is reproduced below as Figure 8.2.

8.4.1 Thematic choices and emphasis

With respect to thematic topics, the expectation that the content of the chairperson's statement in the good year would contain relatively more phrases about performance was supported in the case of Crane Group, MYOB and Roc Oil. However, the chairperson's statement for QBE Insurance in the good year contained unexpectedly fewer references to performance. The prediction that the good year statements would also contain relatively more phrases about dividends and the past while the bad news statements would focus more on the future were not borne out by any of the cases observed. Where differences existed, they were opposite to those expected.

Figure 8.2 Synthesis of the whole-of-narrative strategies

Characteristic	CRG	MYO	NCM	QBE	ROC
Thematic choices					
Proportion of phrases about performance	green	green		red	green
Proportion of phrases about dividends	red			red	
Proportion of phrases with past orientation		red	red	red	red
Proportion of phrases with future orientation	red	red	red	red	red
Proportion of phrases with emotive content	green	red	green	green	red
Number of quantitative references	green	red	red	red	
Number of positive internal attributions	green	green		red	
Proportion of positive internal attributions	green	green	green	green	red
Number of negative external attributions			green	green	
Proportion of negative external attributions			green	green	
Proportion of assertive statements	green	green	green	green	red
Proportion of defensive statements	red	green		green	
Emphasis					
Connectivity score	green	red	red	green	
Instances of diallage					
Instances of homoioteleuton					
Instances of apomnemonysis					
Structural choices					
Words preceding main point	green		green	green	
Span of the main point	green				green
Span as a percentage of total words	green				green
Number of topic shifts	red	green	green	red	green
Typography and presentation					
Difference in font size		green	green		
Justification of margins					
Number of headlines, headings and callouts		green		green	red
Proportion of white space	red	green	green	green	red
Text and background contrast					
Change in contrast				green	

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The statements of two companies, MYOB and Roc Oil, contained less emotive language in the bad year. The remaining three statements all contained more emotive language as expected. However, as is discussed further in Section 8.6 below, the chairpersons' statements for MYOB and Roc Oil in the bad years, despite accompanying financial statements reporting a decline of 74 and 162 per cent respectively in earnings per share, did not contain any negative phrases. The poor performance was overlooked and other positive aspects were discussed. Given the expectation that negative news would be conveyed more emotively than positive news, if these two companies' statements do not contain any bad news, the fact that less emotive langue is used in the bad year is not inconsistent with impression management expectations. This situation could also explain the unexpected observation that the MYOB statement contained more quantitative references in the poor year than it did in the good.

The results with respect to attribution statements were largely consistent with previous research. With the exception of Roc Oil, all of the good news statements contained a higher proportion of positive internal attributions than did the bad news statements. However, as noted, Roc Oil's "bad" news statement contained no bad news and thus the observation that it contains relatively more positive self-serving attributions is not inconsistent with impression management behaviour. Only two of the statements, those of Newcrest Mining and QBE Insurance, contained negative external attributions. In both cases, as expected, there were relatively more of these in the bad news statements.

A similar pattern was apparent in the use of assertive and defensive statements. Four of the statements contained, as expected, more assertive statements in the good year than in the bad year. Roc Oil's bad year statement had marginally more, but this could again be explained by its very selective focus on only good and neutral news. In three cases the statements contained defensive statements, and with the exception of Crane Group, relatively more of these were included in the bad news statement.

With respect to emphasis, good news statements were expected to produce greater connectivity scores, reflecting more and stronger repetition from phrase to phrase, and also to contain more instances of diallage, homoioteleuton and apomnemonysis.

No instances of these latter three devices were detected in any of the statements. Only one prior study has reported on the use of these devices in report statements [Amernic and Craig, 2000] and this was in a very selective and dated context of Walt Disney's first statement to shareholders. In regard to connectivity, only the MYOB "bad" year statement had a connectivity score which moved clearly in the unexpected direction across the two reports. As with Roc Oil, the MYOB statement reflected a strategy of not reporting any negative news in the bad year and having a stronger connectivity score in that year is not, therefore, inconsistent with impression management behaviour.

8.4.2 Structural, typographical and presentation choices

In general, the chairpersons' statements exhibited structural characteristics that were consistent with expectations. Where the number of words preceding the main point differed across the statement pairs, as it did with the three companies with statements reporting bad news, the differences were clearly in the expected direction. There were fewer words preceding the main point of good news versus bad news statements. Similarly when the span of the main point differed, as it did in two cases, the difference was as predicted. Good news statements had shorter spans. The only anomaly that was clearly observable was the number of topic shifts in Crane Group's good news statement exceeding those of the bad news statement.

The final whole-of-narrative characteristics relate to aspects of typography and presentation. As Figure 8.2 shows, none of the statement pairs differed in margin justification and all used a darker text on a lighter background in both years. Two differences in font sizes were observed in the good versus the bad year and one change in the degree of text and background contrast. Each of differences was as expected with a smaller font size and less contrast being used in the bad years.

Some apparent anomalies were observed with presentation choices. Roc Oil's chairperson's statement in the year of poor performance contained a headline while the one from the good year did not. However that headline for the year in which earnings per share declined by 162 per cent from 13.8 cents per share to a loss of 8.5 cents per share read: *"... record financial results, achieved against a backdrop of generally weakening oil prices..."*. This referred to selective financial results such as

revenue and the "underlying profit" figure referred to earlier, and was made in the context of only a three year history of results. The use of such a headline is entirely consistent with impression management. The remaining anomaly related to the use of white space around the chairpersons' statements. As indicated in Figure 8.2, in two of the five cases, the statement in the bad news year was surrounded by more white space than that of the good news year, although one of these was the Roc Oil statement that contained no negative news.

8.4.3 A *post hoc* reformulation and consideration of RQ1 and RQ2 at the whole-of-narrative level

The predicted differences in narrative characteristics at the whole-of-narrative level reflected an expectation that negative news would be communicated in a manner different from positive news if impression management goals are being pursued. When developing the framework of predictions about techniques that might be used in narratives for good news years and bad news years it had not been anticipated that, even in years of very large performance declines, the chairperson's statement would contain no negative statements. However this did occur, as noted, in the "bad news" years of MYOB and Roc Oil.

If there is no negative news being discussed in the statements in years when performance has been particularly poor, those constructing the annual report face a significant impression management challenge if the positive focus being conveyed in the narrative is to dominate the negative news contained in the accompanying financial statements. In this case, it might be expected that the impression management strategies expected to be associated with the chairpersons' statements in years of good performance would be even more evident when attempting to produce a convincing positive narrative in years of poor performance.

A re-examination of Figure 8.2 revealed that of the twenty cells that had been coloured fully red, indicating a clear inconsistency with expectations, eleven of these related to either MYOB or Roc Oil. If the argument in the previous paragraph is accepted, then this behaviour is exactly what would be expected if report preparers are engaging in impression management. Therefore, as was done above for the whole-of-report level strategies, Figure 8.2 has been recast as Figure 8.2a utilising

these insights. Specifically, for MYOB and Roc, cells that were initially red are now shown in lighter green shading.

Once these adjustments had been made, of the strategies that were used there was only one that has no examples of use in the manner predicted. This was in regard to the propensity to discuss dividends. In the two instances where the proportion of phrases about dividends differed, the change was in the direction opposite to that expected. The bad news statements of both Crane Group and QBE Insurance contained relatively more discussion of dividends. In the case of QBE this was potentially disserving as the discussion was of a reduced dividend. With Crane Group the dividend was unchanged and therefore discussion of it was not likely to be disserving. As was done in the reinterpretation of the whole-of-report characteristics, the relevant cell for Crane Group in Figure 8.2a is shaded orange to indicate behaviour inconsistent with the predictions in this study but not apparently disserving.

In relation to RQ1, it is evident from Figure 8.2a that not all of the whole-of-narrative techniques included in the portfolio of possibilities were evident in the annual reports studied. Firstly, the rhetorical use of diallage, homoioteleuton and apomnemonysis were not detected. These are relatively sophisticated literary devices and their absence may be due to a lack of understanding of them or of their rhetorical power and potential role in annual report statements. As noted, their inclusion in the portfolio of possibilities was based on one study of one possibly atypical annual report statement.

Secondly, not all of the range of typographical and presentation choices were exploited. There were no instances of margin justification changes to the less user-friendly ragged form in the chairpersons' statements for bad years. Nor were there any instances of adoption of reverse contrast, that is lighter text on a darker background, in those bad news years and only one instance of less contrast between the text colour and the background was observed.

In relation to RQ2, after the post-hoc reinterpretation of the results, the relative extent of discussion about dividends, as noted above, is the only characteristic that

Figure 8.2a *Post hoc* **reinterpretation of the whole-of-narrative strategies**

Characteristic	Company				
---	CRG	MYO	NCM	QBE	ROC
Thematic choices					
Proportion of phrases about performance	green	green		red	green
Proportion of phrases about dividends	orange			red	
Proportion of phrases with past orientation		yellow-green	red	red	yellow-green
Proportion of phrases with future orientation	red	yellow-green	red	red	yellow-green
Proportion of phrases with emotive content	green	yellow-green	green		green
Number of quantitative references	green	yellow-green	red	red	
Number of positive internal attributions	green	green	red	red	
Proportion of positive internal attributions	green	green	green	green	yellow-green
Number of negative external attributions			green	green	yellow-green
Proportion of negative external attributions			green	green	yellow-green
Proportion of assertive statements	green	green	green	green	yellow-green
Proportion of defensive statements	red	green		green	
Emphasis					
Connectivity score	green	yellow-green	red	green	
Instances of diallage					
Instances of homoioteleuton					
Instances of apomnemonysis					
Structural choices					
Words preceding main point	green		green	green	
Span of the main point	green				green
Span as a percentage of total words	green				green
Number of topic shifts	red	green	green	red	green
Typography and presentation					
Difference in font size		green	green		
Justification of margins					
Number of headlines, headings and callouts		green		green	yellow-green
Proportion of white space	red	green	green	red	yellow-green
Text and background contrast					
Change in contrast				green	

exhibits no examples of differences in the predicted direction. In no cases was relatively more discussion devoted to dividends in the statements of the good news years but there were instances of unanticipated increased discussion of them in the bad news years. This aside, for the remaining characteristics that were observed, there were examples of use consistent with the predictions developed in this study. However, in the case of relative focus on the future, there were more instances of inconsistent than consistent differences.

As Figure 8.2a shows, the remainder of the thematic characteristics observed – emotive content, attributions made, and assertive and defensive statements – are generally consistent with their expected occurrence if their use is motivated by impression management goals. Similarly, choices made about emphasis, structure, typography and presentation were all generally as predicted in the framework of this study. Nonetheless, the caveats identified above also apply to the whole-of-narrative analysis. Not all instances of use were consistently as predicted and not all instances of use consistent with impression management were identified *a priori* in the framework developed in this study. Some became apparent only upon the *post hoc* reinterpretation of observed outcomes.

8.5 WHOLE-OF-IMAGE STRATEGIES

Impression management strategies appropriate to the whole-of-image level relate to the construction of graphs and photographs. The worksheets summarising the results of the analysis for each of the five companies at the whole-of-image level can be found in Appendix B3. The worksheet for case analysis and cross-case synthesis is attached in Appendix C. Panel C of that worksheet which summarises the whole-of-image strategies used across the companies is reproduced below as Figure 8.3.

8.5.1 Graph construction

To promote impression management goals, it was anticipated that graphs of financial variables in the annual reports would display favourable measurement distortion and contain presentation distortion to emphasise positive trends or obscure negative ones. There are no graph distortion calculations for any of the MYOB graphs because the data values for the first point in each of the data series graphed in each of the years

were not available. A presentation enhancement score is not determined for any of the MYOB graphs in the 2000 annual report because line graphs rather than column or bar charts were used.

Figure 8.3 Synthesis of the whole-of-image strategies

Characteristic	Company				
	CRG	MYO	NCM	QBE	ROC
Average RGD: favourable distortion		[grey]	[green]	[green]	[green]
Average RGD: unfavourable distortion	[green]	[grey]	[green]	[green]	[green]
Use of presentation distortion	[green]	[green]	[green]	[green]	[green]
Visual-verbal overlap					
Chairperson's photograph: demand or offer	[red]	[red]	[red]	[red]	[red]
Chairperson's photograph: vertical angle			[green]		[green]
Chairperson's photograph: distance		[green]	[green]	[green]	
Chairperson's photograph: framing					

Of the four companies for which graph distortion could be calculated, only the graphs of Crane Group consistently displayed no measurement distortion. The graphs of the remaining three companies all displayed favourable distortion to enhance positive trends, consistent with impression management behaviour. However, the graphs of Roc Oil only contained measurement distortion in the bad year. No attempt was made to emphasise positive trends in the year of good performance. There were no instances of unfavorable measurement distortion in any of the graphs analysed.

Presentation enhancement was apparent in all of the annual reports that used column or bar graphs and it was pervasive. In the good news years, all of the graphs in the four reports that contained column or bar graphs displayed positive presentation enhancement. There were no instances of net unfavourable presentation distortion. However, Newcrest Mining's report in the good year contained two graphs with a presentation score of 0, resulting from each having one positive and one negative

enhancement effect. This might suggest that presentation enhancement attempts in that company are not particularly systematic and probably are not the result of a sustained impression management effort.

8.5.2 Photographic choices

There were no instances in the cases analysed where the chairperson's statement was accompanied by a photograph other than that of the chairperson. Therefore, the extent of visual verbal overlap was not assessed. However, as indicated in the discussion in Section 8.3.2, instances were noted in two of the cases, MYOB and Roc Oil, where there appeared to be a strategy of accompanying operational reports in the poor year with photographs having very low visual-verbal overlap with operations or performance, possibly in an attempt to distract the reader and/or reinforce other themes.

The remaining expectations related to aspects of the chairperson's photograph that accompanied their statements. It was anticipated that, in the good year, the photograph would be a demand one with the chairperson looking directly at the reader whilst in the poor year the image would create an offer with the gaze being to the left or right of centre. Consistently this was found not to be the case. Without exception, in the good years, the chairpersons did not look directly at the reader whilst in the poor years they did. This was unexpected but it might reflect a strategy of conveying a sense of frankness, control and honesty and, therefore, trustworthiness, in times of poor performance.

In three of the cases, the vertical angle of the chairperson's photograph remained unchanged in the good and the bad year and in each of these cases the angle was medium indicating that the eye-line between the reader and the chairperson is horizontal and indicative of equal power. In both of the cases where the vertical angle differed, Newcrest Mining and Roc Oil, the shift was from a low vertical angle to a medium one. A low angle suggests that the photographed subject, the chairperson, is more powerful than the viewer. Thus in the good performance year, the chairperson is being portrayed as relatively more powerful than in the year when performance is poor.

In three cases the distance from which the chairperson was photographed varied between the good and the bad years. In each case the effect was to increase the distance in the poor year from either intimate or close personal distance to a far personal distance. This reduces the apparent intimacy of the relationship between the reader and the chairperson. Where no change occurred, the chairperson was shown in each case from a close personal distance. No differences or changes were observed in the framing of the chairperson's photograph. In every case the photograph was framed.

8.5.3 Consideration of RQ1 and RQ2 at the whole-of-image level

With respect to RQ1, it is apparent from Figure 8.3 that not all of visual techniques identified in the portfolio of impression management possibilities were exploited in the annual reports analysed. First, a strategy of manipulating visual-verbal overlap was not used to reinforce or weaken the narrative message. No photographs, other than those of the chairperson, accompanied the chairperson's statements. Second, there were no attempts to influence the apparent degree of connectedness or separation of the chairperson from the accompanying narrative by manipulating the way in which the chairperson's photograph was framed.

In relation to RQ2, there was a clear instance where a potential tool was not being used in the manner predicted to be consistent with rhetorical impression management motivation. This occurred with the decision of whether to portray the chairperson in a demand or an offer image. Although demand images were expected in the good years and offer images in the bad ones, without exception the reverse was observed. Offer images were used in good years and demand images in poor ones.

That exception aside, the remaining techniques relevant to graphs and photographs, where they were used, were exploited in a manner completely consistent with the impression management expectations set out in the framework developed in this study. Graphs consistently displayed self-serving measurement and presentation distortion. There were no examples of overall disserving manipulations. With respect to the chairpersons' photographs, changes in vertical angle and distance, when they occurred, were entirely consistent with the expectation that the

chairperson would be depicted as more distant and less powerful in the years of poor performance.

8.6 SUB-NARRATIVE STRATEGIES

Impression management strategies relevant to the sub-narrative level fell into six categories: thematic tone, readability and complexity, verb choices, signaling actors and agents, specificity, and presentation choices. These aspects are expected to differ depending upon whether the subject matter of a particular part of the narrative is positive or negative. As a result of applying the procedures described in Section 7.6.1 to delineate good, bad and neutral news, it emerged, as alluded to earlier, that despite the fact that all companies had a very bad performance year, the chairpersons' statements of MYOB and Roc Oil did not include any bad news in either of the years analysed.

Two distinct and different strategies were applied by these companies. The MYOB statement in the bad performance year contained an account of what appeared to be good performance. The opening two sentences of the 2001 statement illustrate this:

> *It is pleasing to report an improved operating performance during the year, with earnings before interest, tax, depreciation and amortisation (EBITDA) increasing from a 12% margin in the first half to a 33% margin in the second. This, together with the contribution from the sale of our Canadian operations, resulted in a net profit before tax of $7.1m for the year.*

The remainder of the statement consists of only positive or neutral discussion. While it may have been the case that the margin in the latter half of the year was an improvement over the first half of the year, performance overall was extremely poor. The statement ignores this completely. Despite profit before tax falling from $32.4M in 2000 to $7.1M in 2001 with an associated decrease in earnings per share and dividends per share of seventy-four and ninety per cent respectively, there is no mention of these negative outcomes.

With Roc Oil, the approach is similar but the chairperson's statement does focus on whole year performance. However, it is very selective in what is discussed as the following excerpt from the 2001 report indicates:

> *.. the Company posted some record annual results including new highs for sales revenue, operating cash flow and profit after tax before adjustments for asset sales, development expenditure write downs and exploration expenditure written off and expensed.*

There is no mention of the operating profit for the year, nor that it dropped from a profit of $15.1M in 2000 to a loss of $9.2M in 2001with a corresponding decline in earnings per share of 162 per cent.

Whilst it is acknowledged that neutral news may not be crafted as carefully as is good or bad news, because there is no bad news for MYOB or Roc Oil, sub-narrative comparisons are made between good and neutral news. The worksheets summarising the results of the analysis for each of the five companies at the sub-narrative level can be found in Appendix B4. The worksheet for case analysis and cross-case synthesis is attached in Appendix C. Panel C of that worksheet which summarises the sub-narrative strategies used across the companies is reproduced below as Figure 8.4.

8.6.1 Thematic tone

The shading in the first section of Figure 8.4 indicates that expectations about thematic tone differences were generally observed. Of the five tone types across the five cases analysed, there were only six out of a possible twenty-five clear inconsistencies and these inconsistencies do not appear to be systematic. In all cases, good news was conveyed in a tone that was higher in optimism, and in four out of five cases it was also higher in certainty. Of the remaining tonal aspects, there were three instances where good news was conveyed, as expected, with greater activity, realism and less commonality, than the bad[3] news. However, these three instances

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[3] "Bad" news is referring to the actual bad news in the Crane Group, Newcrest Mining and QBE Insurance reports. It is referring to the neutral news in the reports of MYOB and Roc Oil unless explicitly noted otherwise.

did not occur within the reports of the same three companies. Four of the five company reports produced only one clear anomalous result, while QBE Insurance had two.

8.6.2 Readability and complexity

Again, reference to Figure 8.4 indicates that unexpected observations about readability and complexity occurred eight out of a possible thirty-five times. Four of these apparent anomalies occurred with Roc Oil and MYOB where potentially less reliable comparisons had to be made with neutral rather than bad news. If these two companies are excluded when considering the Flesch reading ease scores, the remainder are as expected. The reading ease scores associated with the bad news prose are lower than those associated with the good news prose. This indicates that the bad news is more textually complex with the use of longer sentences and/or polysyllabic words, and therefore potentially more difficult to read.

The results with respect to the use of interactive metadiscourse resources indicate that the use of metadiscourse resources is not very prevalent (See Appendix B4). The unshaded cells in Figure 8.4 in the case of the metadiscourse resources indicate instances where the resources were not used at all, as opposed to where not used differentially across good and bad news. Nonetheless, in all cases some interactive resources were used and in four out of five cases their use, in total, was consistent with expectations. The good news contained more interactive metadiscourse resources than did bad news.

Examination of the individual resource types reveals a less consistent picture. Transitions were used in all cases and used as expected, with good news containing more transitions than bad, in all but one of these. Frame marker use was observed in the reports of two companies, but one instance of use was not as expected. This, however, was Roc Oil where the comparison was made against neutral rather than bad news. Roc Oil's reports were also the only ones to use endophoric markers and use was also not as expected – they were used in the neutral news but not in the good news. Only QBE's reports contained evidentials and they were used in the expected way. Code glosses were used in four cases, but in only two of these cases was their use consistent with expectations.

Figure 8.4 Synthesis of the sub-narrative strategies

Characteristic	Company				
	CRG	MYO	NCM	QBE	ROC
Thematic tone					
Certainty	green	green	green	green	red
Optimism	green	green	green	green	green
Activity	green	red	green	red	green
Realism	white	green	red	green	green
Commonality	red	green	green	red	green
Readability and complexity					
Flesch reading ease score	green	red	green	green	red
Transitions per 100 words	green	green	green	red	green
Frame markers per 100 words	white	white	green	white	red
Endophoric markers per 100 words	white	white	white	white	red
Evidentials per 100 words	white	white	white	green	white
Code glosses per 100 words	red	green	green	red	white
Total interactive per 100 words	green	green	green	red	green
Verb choices					
Proportion of passives	green	green	green	red	green
Material process verbs as a proportion of total verbs	green	red	red	green	green
Relational process verbs as a proportion of total verbs	red	red	white	red	green
Signaling actors and agents					
Boosters per 100 words	white	white	white	white	white
Attitude markers per 100 words	green	green	green	green	red
Engagement markers per 100 words	white	red	green	red	white
Self-mentions per 100 words	green	red	white	red	green
Total per 100 words	green	red	green	red	green
Proportion of instances of human actor/agents	green	red	green	red	red
Proportion of instances of company as actor/agent	?	green	green	green	green
Proportion of instances of non-human actors	green	red	green	green	red
Specificity					
Hedges per 100 words	white	white	white	white	green
Specificity score per sentence	green	green	green	green	white
Condensations per sentence	green	green	green	green	green
Presentation choices					
Average sentences per paragraph	green	green	green	green	green
Average words per paragraph	green	green	green	green	green

8.6.3 Verb use

Expectations about verb use relate to the prevalence of passive constructions and the relative occurrence of material process versus relational process verbs. With the exception of the QBE reports, differential use of passive constructions was as expected. Good news was conveyed using more active verb forms whilst bad news contained relatively more of the indirect passive verb forms.

The pattern of use of material process and relational process verbs was not as strong. It was expected that good news would contain relatively more material process verbs, indicating a sense of action and happening. This occurred in three of the five cases. One of the anomalies was MYOB where the comparison was made against neutral news. It was expected that material process verbs would be replaced by verbs of being, the relational process verbs, in bad news. This occurred in only two cases.

8.6.4 Signaling actors and agents

The two ways in which the presence of actors and agents was assessed were by analysing the use of interactional metadiscourse resources, which signal the presence of the writer, and by measuring the relative use of human and non-human actors in the good and bad news in the chairpersons' statements. As with the interactive metadiscourse resources, the pattern of use of interactional resources is mixed. No use of boosters was observed in the reports. Attitude markers were used in all five cases, and in the expected manner in four of these. The pattern of use of these in Roc Oil's reports was counter to that predicted. Self-mentions occurred in four of the five cases, but the expected pattern was observed in only two of these four cases.

Overall, usage that was inconsistent with predictions was observed only five out of a possible twenty times, and three of these related to MYOB and Roc Oil. Use by both Crane Group and Newcrest Mining, where it occurred, was entirely consistent with predictions. The QBE Insurance reports on the other hand, had only one instance of use that was consistent with expectations.

Patterns with respect to the relative use of human and non-human actors were similar to that observed with interactional metadiscourse use. Five anomalies were noted but four of these were in the reports of MYOB and Roc Oil where the comparison was

made against neutral rather than bad news. A re-examination of the content of the neutral sentences revealed that many related to welcoming or farewelling board members and key personnel and to thanking employees. Such sentences require the naming of those joining or leaving the organisation and/or the human agent who is doing the welcoming, farewelling or thanking. Thus the nature of the subject matter that is classed amongst the neutral sentences would account in a large part for the relatively greater user of human actors and relatively less use of non-human actors when compared to the good news.

Of the remaining three cases, good news in the chairperson's statements of Crane Group and Newcrest Mining contained relatively more references to human actors and relatively less to non-human actors than did the bad news. The reduced rate of reference to non-human actors was associated with an increase in the use of both the company as an actor and to other human actors in Crane-Group's reports. In Newcrest's, only non-human actors were identified in the bad news sentences with there being no instances of human actors or the company as an actor in the bad news for that company.

QBE Insurance's reports contained the only remaining instance of anomalous use with respect to actors and agents in that the proportion of human actors referred to in bad news sentences increased compared to that in good news. However the circumstances of the bad news may account for this. QBE Insurance, like many other insurance companies, was severely negatively affected by the terrorist attacks in New York in September of 2001. QBE's 2002 report was selected in this study and it was the report in which very poor performance, largely attributable to the terrorist attacks, was disclosed. Given the circumstances, the chairperson of QBE may have deliberately been attempting to "humanise" his statement. Although perhaps not the prime motivation, such an approach is also consistent with attempting to garner sympathy from the report audience.

8.6.5 Specificity

Specificity was assessed through the use of the interactional metadiscourse resource of hedges, specificity scores and the use of condensations. Hedges tended not to be used in the chairpersons' statements to any significant extent. Only one instance of a

hedge was found and this was in the neutral news for Roc Oil. The remaining indicators of specificity produced consistent results that aligned with expectations. Specificity scores differed in four of the five cases and did so in the expected direction. Good news sentences consistently contained, on average, more specific quantification than did bad news sentences. Further, in all five cases, as expected, the bad news sentences contained more condensations, the effect of which is to create ambiguity, than did the good news sentences.

8.6.6 Presentation choices

It was expected that bad news would be conveyed in longer paragraphs than would good news. The procedures described in Section 7.6.6 were followed to categorise each paragraph in each of the chairpersons' statements as containing predominantly good, bad or neutral news. As shown in Figure 8.4, in every case observed behaviour was consistent with that predicted in the framework in this study. The bad news paragraphs were longer both in terms of the average number of sentences they contained and in the average number of words per paragraph than were the good news paragraphs.

8.6.7 Consideration of RQ1 and RQ2 at the sub-narrative level

Whilst the large majority of sub-narrative characteristics identified in the framework developed in this study were observed in use in the good news and the bad news sentences in the chairpersons' statements, there were some exceptions with regard to the use of metadiscourse resources. On the whole, endophoric markers, evidentials, boosters and hedges tended not to be used. In response to RQ1, as demonstrated in Figure 8.4, the remaining sub-narrative characteristics were all employed in the prose studied.

As with other levels, in relation to RQ2, there were instances where the techniques reflected by these sub-narrative characteristics were being employed in a manner consistent with the framework. However, for all characteristics except those related to specificity and presentation choices, there were also instances observed where the differential use was not as predicted. However, for the twenty-one characteristics that were used, instances of consistent use outweighed those of inconsistent use. In four cases, use of relational process verbs, engagement markers, self-mentions and

human actors, there were, *prima facie*, more instances of inconsistent than consistent use. However, for the latter three, if observations for MYOB and Roc Oil are omitted for the reason outlined previously, only the use of relational process verbs remains as the characteristic for which the majority of use was inconsistent with expectations.

Therefore the tentative conclusion with respect to RQ1 and RQ2 is that, with the exception of relational process verbs, on the whole, the techniques reflected in the sub-narrative characteristics tend to be used in a manner consistent with the predictions underpinning the framework developed in this study. However, there are two caveats that apply particularly here. First, not all of the characteristics were observed in use and of those that were observed, there were instances where they were used in a manner inconsistent with the framework, albeit in a minority of cases.

8.7 CONSISTENCY AND COHERENCE IN THE ANNUAL REPORT PERFORMANCES

8.7.1 Research question three

RQ3 asked:

> *Are mutually supporting and reinforcing rhetorical effects used consistently within and across the various levels at which impression management strategies may be manifest in the annual report, suggesting that a coordinated impression management performance is being staged in that particular report?*

This question is asking whether a consistent and holistic impression management performance is being staged throughout the annual reports of a particular company. A consistent performance requires that, by and large, the strategies that are evident at each level in each case are mutually consistent, and that any performance is sustained across all levels and not just in an isolated area within the annual report. It does not require that all possible techniques are utilised at all levels in all reports.

8.7.2 The analysis for RQ3

The discussion above confirmed that consistent use of a range of potential impression management techniques was observed in the reports analysed. However

some, albeit relatively infrequent, instances of inconsistent use were also identified. To answer RQ3, the focus needs to narrow from the cross-case one adopted to assess RQ1 and RQ2 to a unit level to assess the consistency with which techniques reflective of impression management behaviour are applied in the annual reports of each company studied. To facilitate this, a table has been constructed for each company in which the elements for each level of analysis that were presented in the Figures 8.2 to 8.4, above, are summarised.

To illustrate, refer to Table 8.2, below, which contains the summarised analysis for Crane Group. The four columns represent each of the four levels of analysis – whole-of-report, whole-of-narrative, whole-of-image and sub-narrative. The cells within each column represent the summarised strategies that might be manifest at each level. For example, the whole-of-narrative strategies can be summarised as those relating to thematic topic choices, the use of causal attribution statements, the use of defensive and assertive phrases, emphasis, structural choices and decisions about typography and presentation.

The cells in the first row of the table, representing each level of analysis, are shaded green, red or orange. The colour reflects the degree of consistency with which potential impression management techniques appear to be applied within that level. Thus the particular shade depends upon the behaviour that is summarised in the cells in each separate column. In those cells, the text is green when the strategy it summarises has been employed in a manner largely consistent with impression management behaviour. It is orange if use is not clearly consistent or inconsistent and it is red when overall use of that set of techniques is inconsistent with expectations. When techniques are not used differentially black text is used.

A subjective heuristic is adopted to make judgments about the degree of consistency. A set of techniques is judged to be used consistently when at least two-thirds of the instances of use are reflective of impression management behaviour. For example, reference to Figure 8.2a indicates that the Crane Group reports made differential use of all four structural choices at the whole-of-narrative level. Three instances of use were as expected and one was not. Thus three-quarters of instances were mutually supportive and as this exceeds the heuristic benchmark of two-thirds, overall use of

structural features is judged to be consistent with impression management behaviour and the font used for the text in that cell is green.

Where the use of techniques in a particular set is not mutually reinforcing at least fifty per cent of time, overall use is deemed to be inconsistent with impression management behaviour. This occurred, for example, with Crane Group in choices about narrators. As indicated in Figure 8.1a, inconsistent use was noted in four of five instances. Thus overall use is deemed to be not reflective of coherent impression management behaviour and a red font is used for the text in that cell. When the rate of use of mutually reinforcing techniques falls in the range of fifty per cent up to two-thirds of instances, this is considered to be neither clearly consistent nor inconsistent and orange font is used. Graphs were not used differentially at the whole-of-report level in Crane Group's reports so black font is used in the relevant cell of the first column.

The same heuristic is used to guide judgments about consistency at each overall level of analysis. For example, if at least two-thirds of the cells in a particular column that contain coloured text contain green text, then use within that level overall is judged to be consistent with impression management behaviour and the first cell in the column is shaded green to indicate this. This occurred with Crane Group at the whole-of-report and sub-narrative levels as the shading in Table 8.2 illustrates. In the whole-of-narrative and whole-of-image level columns the first cell is shaded orange because mutually consistent use of techniques within those levels occurred only fifty per cent of the time. If less than fifty per cent of the colored text cells had been green in any of the columns, the first cell of that column would have been shaded red to indicate that behaviour at that level was not consistent with a coherent impression management strategy.

Thus the columns of the table reflect the consistency with which strategies are used within the levels. The first row of the table reflects whether a consistent impression management performance has been staged across all levels of the annual report. If the first row is shaded entirely green, then a consistent performance has occurred. If at least one cell is red, then the performance lacks consistency. If two or more of the cells are orange and the remainder green, the performance cannot be clearly judged

to be either consistent or inconsistent. If three of the cells are green and the remaining one is orange, this is judged to reflect a consistent performance.

8.7.3 The specific annual report performances

8.7.3.1 Crane Group

As noted, the overall characteristics of the annual report performance for Crane Group are summarised in Table 8.2. Overall, the performance cannot be clearly identified as consistent or inconsistent with impression management behaviour. Although at the whole-of-report and sub-narrative levels consistent performances were staged, these were not supported by clearly consistent performances at the whole-of-narrative and whole-of image levels.

Table 8.2 Summary of the consistency of strategies observed in the Crane Group annual reports

Whole-of-report	Whole-of-narrative	Whole-of-image	Sub-narrative
Use of narrators	Thematic content	Graph distortion	Thematic tone
Use of colour	Attributions	Photograph construction	Readability and complexity
Use of graphs	Assertive & defensive phrases		Verb choices
Use of photographs	Emphasis		Types of actors and agents
	Structural choices		Specificity
	Typography and presentation		Presentation

Further, although not all strategies were expected to be used in all reports, there were many instances, as Figures 8.1 to 8.4 indicate, where the preparers of the Crane Group annual report did not differentially exploit potential impression management opportunities. This occurred particularly with typography and presentation choices at the whole-of-report level and with choices about the presentation of the chairperson's photograph at the whole-of-image level.

Collectively then, the failure to use mutually reinforcing impression management techniques consistently across the levels of the annual report and the failure to

exploit a number of opportunities suggest that, in Goffmanian terms, the annual report performance potentially lacks expressive control and compromises the presentation of a consistent front. If the Crane Group annual report is being used as an impression management vehicle, the impression management performance must be described as naïve and/or poorly directed.

8.7.3.2 MYOB Limited

The characteristics of the MYOB Limited annual report performance are summarised in Table 8.3. Overall, the performance can be judged to be a consistent one with three of the four levels of the performance being clearly mutually reinforcing while the remainder was neither clearly consistent nor inconsistent. This result is not surprising given the way in which the MOYB chairpersons' statements were crafted. These statements in both reports made no reference to bad news. Only positive or neutral topics were discussed.   A clever strategy of focussing on performance improvements achieved in the later half of the year compared with the first half allowed an apparently good news story news to be conveyed despite the fact that extremely poor performance was achieved overall when compared to the previous year.

Table 8.3 Summary of the consistency of strategies observed in the MYOB Limited annual reports

Whole-of-report	Whole-of-narrative	Whole-of-image	Sub-narrative
Use of narrators	Thematic content	Graph distortion	Thematic tone
Use of colour	Attributions	Photograph construction	Readability and complexity
Use of graphs	Assertive & defensive phrases		Verb choices
Use of photographs	Emphasis		Types of actors and agents
	Structural choices		Specificity
	Typography and presentation		Presentation

The chairperson's statement, thus, reflects scripting choices that are *prima facie* evidence that the annual report is being used to further impression management

objectives. The analysis here also suggests that the scripting elements are being supported by mutually reinforcing staging strategies to produce a coherent and consistent performance across all levels of the annual report. As noted in Chapter Three, such a combination is likely to result in a successful outcome from the impression management performance.

8.7.3.3 Newcrest Mining

Table 8.4 indicates that, overall, the Newcrest Mining annual reports present a consistent impression management performance within and across all levels. Differential use occurred in all sets of potential impression management techniques except for that relating to the use of narrators. There were, however, three areas within levels where inconsistent strategies were evident. These were with respect to thematic topics and emphasis at the whole-of-narrative-level and verb use at the sub-narrative level.

Table 8.4 Summary of the consistency of strategies observed in the Newcrest Mining annual reports

Whole-of-report	Whole-of-narrative	Whole-of-image	Sub-narrative
Use of narrators	Thematic content	Graph distortion	Thematic tone
Use of colour	Attributions	Photograph construction	Readability and complexity
Use of graphs	Assertive & defensive phrases		Verb choices
Use of photographs	Emphasis		Types of actors and agents
	Structural choices		Specificity
	Typography and presentation		Presentation

Thematic topic choice, emphasis and verb use all affect primarily the scripting element of the performance and the observation above raises a concern that the degree of consistency between the scripting and the staging elements of the performance may not be a strong as it could be. Stronger directorial control over the dramatic realisation of elements included in the script might enhance the likelihood that the impression management performance will be a successful one.

8.7.3.4 QBE Insurance

The characteristics of the QBE Insurance annual report performance are summarised in Table 8.3. The shading in the first row indicates that the overall performance presented cannot be categorised as clearly consistent or inconsistent. Whilst mutually reinforcing strategies are used at the whole-of-report and whole-of-narrative levels, those at the whole-of-image and sub-narrative levels are equivocal. Within the levels, particular inconsistencies can be noted here regarding the narrative in terms of both what is said and how it is said.

Table 8.5 Summary of the consistency of strategies observed in the QBE Insurance annual reports

Whole-of-report	Whole-of-narrative	Whole-of-image	Sub-narrative
Use of narrators	Thematic content	Graph distortion	Thematic tone
Use of colour	Attributions	Photograph construction	Readability and complexity
Use of graphs	Assertive & defensive phrases		Verb choices
Use of photographs	Emphasis		Types of actors and agents
	Structural choices		Specificity
	Typography and presentation		Presentation

These observations suggest that aspects of both the scripting and staging elements of the performance lack cohesion and consistency and, as such, the success of any impression management attempts might be compromised. However, the context of the annual report for QBE in 2002 was, as noted earlier, exceptional with the narrative focussing to a large extent on the effects of the 2001 terrorist attacks in New York City. The framework and predictions developed in this study derive from defeasible logic reflecting expectations about typical behaviour and situations and therefore might not apply when reporting in somewhat extraordinary circumstances. Therefore an overall assessment of the report performance is difficult to make.

8.7.3.5 Roc Oil

The summarised characteristics of the annual report performance of Roc Oil are shown in Table 8.5 and, overall, the performance can be judged to be a consistent one. Three of the four levels of the performance are clearly mutually reinforcing while the remainder is neither clearly consistent nor inconsistent. As with MYOB, this result is not surprising given the way in which the chairpersons' statements were crafted. Like MYOB, the Roc Oil statement in both reports made no reference to bad news. Only positive or neutral topics were discussed and this was achieved by selective focus on aspects of performance that had positive elements, including an unusual measure that appeared to have been creatively defined to serve this purpose.

Table 8.6 Summary of the consistency of strategies observed in the Roc Oil annual reports

Whole-of-report	Whole-of-narrative	Whole-of-image	Sub-narrative
Use of narrators	Thematic content	Graph distortion	Thematic tone
Use of colour	Attributions	Photograph construction	Readability and complexity
Use of graphs	Assertive & defensive phrases		Verb choices
Use of photographs	Emphasis		Types of actors and agents
	Structural choices		Specificity
	Typography and presentation		Presentation

As noted with MYOB, the narrative choice to avoid completely any mention of negative news despite experiencing a year of extremely poor performance is *prima facie* evidence that reporting choices are being made to serve impression management goals. As such it is to be expected that both the staging and the scripting choices within and across the levels of the annual report performance will tend to be highly consistent to promote the likelihood that the desired outcome will be achieved with the report audience.

8.8   SYNOPSIS OF THE RESULTS

RQ1 required a close analysis of corporate annual reports to determine which of the potential impression management techniques included in the portfolios of possibilities developed in this study were observable in those reports. The analysis revealed that all but eleven of the strategies were observed in at least one of the reports examined, and that many were common to a number of reports. At the whole-of-report level examples of all elements in the portfolio could be found in the annual reports. However, the question-answer sub-genre was used in only one set of reports and its use did not differ substantially across the good and the bad year.

At the whole-of-narrative level strategies relating to use of causal attributions, the prevalence of assertive and defensive statements, structural choices, and typography and presentation were all differentially exploited in at least some of the reports analysed. No instances of the use of diallage, homoioteleuton or apomnemonysis were observed. Differential use of the margin justification of text did not occur in any of the cases across the good and bad years nor did a reversal of text and background contrast. Further only one instance of a change in the degree of text and background contrast was observed. Thus the majority of elements in the portfolio that related to emphasis and half of those pertaining to presentation choices at the whole-of-narrative level were not exploited in the annual reports analysed.

All but two of the strategies pertaining to the construction of graphs and photographs at the whole-of-image level were observed. The two strategies that were not apparent related to visual-verbal overlap and framing. First, there were no instances where the degree of visual and verbal overlap was being manipulated because in no cases were the chairpersons' statements accompanied by a photograph other than that of the chairperson. Secondly, there were no differences in the framing of the chairpersons' photographs across the good and bad years with the photographs being framed in all cases.

At the sub-narrative level, all expected strategies were observed except for a small number related to the use of metadiscourse resources. Endophoric markers and evidentials, which relate to textual complexity, tended not to be used, but the

remaining four resources that influence complexity were observed. Boosters were not used but all other strategies pertaining to signalling actors and agents were apparent. There was only one instance of the use of hedges but the remaining indicators of specificity were observed.

RQ2 asked whether the observed strategies were used in a manner consistent with impression management. Examples of consistent use were observed with all but two strategies. First, changes in the relative amount of discussion of dividends were the opposite of that expected. In the cases where a difference was observed, there was unexpectedly more discussion of dividends in the bad year. Second, the use of demand or offer images for the chairpersons' photographs was contrary to expectations. Demand images were used in the bad year and offer images in the good.

In the case of focus on the future at the whole-of-narrative level and the use of relational process verbs and human actors at the sub-narrative level, examples of inconsistent use outweighed those of consistent use. Further, some examples of use of photography initially appeared to be inconsistent with impression management in terms of the framework developed in this study. It was only on a *post-hoc* re-examination that the use was judged to be reflective of impression management behaviour revealing that the framework was not sufficiently robust to accommodate all of the uses observed.

Collectively these results suggest that, as expected, impression management is a multi-faceted and complex activity. A large majority of the potential impression management techniques included in the portfolio of possibilities developed in this study was observed in practice in the annual reports analysed, and the observed use was generally consistent with impression management behaviour. Further, consistent with expectations, not all of the strategies were adopted in all of the reports. In fact no report exploited the full range of techniques that were analysed in this study. This supports the assertion that those preparing annual reports make strategic decisions to favour certain techniques over others to present the impression management message.

The final research question addresses whether a coordinated and coherent impression management performance in the Goffmanian sense appears to be occurring in the annual reports studied. A coordinated, coherent performance requires that, by and large, the techniques used within each level of the performance are mutually reinforcing and that mutually reinforcing strategies are evident across all levels of the report performance. Coherent and co-ordinated performances were staged in the annual reports of three of the five companies, MYOB, Newcrest Mining and Roc Oil. The performances of the remaining two companies, Crane Group and QBE Insurance, could not be classified as clearly consistent across all levels of the performance. However there were no instances where a clearly inconsistent performance was being staged at any of the levels.

On balance, the case study evidence is consistent with the assertion that coordinated Goffmanian-type impression management performances are being attempted in corporate annual reports, although the quality of performance differs from report to report. Further, these results accord with the observation in Chapter Three that the motivation to engage in impression management behaviour varies depending on the goal relevance of the behaviour, the value of the desired outcome, and the perceived discrepancy between the current an the desire image. It is likely that these factors differentially influenced the motivation to engage in impression management in the five cases analysed here.

To illustrate, one of the annual report sets that could not be clearly delineated as consistent or inconsistent with a holistic impression management performance was that of QBE Insurance. The year of poor performance for QBE was, as noted, largely attributable to the terrorist attacks in New York in 2001. Like many insurers, QBE's performance declined as a result of losses stemming from the attacks and this was clearly articulated in the chairperson's statement. Thus, although reported performance was poor, the exceptional circumstances that caused this may have led those within QBE to judge the poor performance as unlikely to damage its image. Therefore there may have been a perception within the organisation that there was no discrepancy between QBE's current and desired image. Hence the incentive to stage a holistic impression management performance of the type generally anticipated in times of poor financial results may not have been particularly strong.

In contrast, in two other cases there was strong *prima facie* evidence that an impression management performance was occurring due to the nature of the content of the chairpersons' statements. As noted, both the MYOB and Roc Oil report statements in the poor performance years contained no negative news. Instead creative strategies were adopted to try to convey positive outcomes suggesting that the preparers of these reports had strong motivations to stage impression management performances. These two companies were the youngest of those analysed in terms of their listing history with both listing in 1999. In both cases, 2000 was the good performance year and 2001 the bad. For young companies still establishing their market credibility such a negative performance outcome in the second full reporting year subsequent to listing likely posed a significant threat to the their reputations. Not surprisingly the MYOB and Roc Oil annual report sets were two of the three that could be clearly described as presenting a consistent holistic impression management performance.

8.9   OVERVIEW

In this chapter, to meet the secondary aim of this study, the results of the exploratory case analysis of corporate annual reports from a holistic Goffmanian impression management perspective were presented and discussed. Overall, the case evidence is consistent with the assertion that corporate annual reports are being used as impression management vehicles and that report preparers choose from a range of potential impression management tools to construct coherent and coordinated impression management performances.

In general, this provides tentative grounds to suggest that the structural synthesis of Goffman's exposition of self-presentation behaviour and the multi-level theory of impression management behaviour as an organisational phenomenon that were developed in Chapter Three have empirical validity. In the next chapter the full significance of these findings in the context of the broader purpose of this study are explained, along with a consideration of its limitations and the future research directions that emerge from it.

CHAPTER NINE: SUMMARY AND CONCLUSIONS

9.1 INTRODUCTION

The primary aim of this research was to contribute to the growing body of literature addressing impression management in annual reports by making explicit the nature and implications of the Goffmanian roots upon which the theory of impression management is based. To do so, three objectives needed to be met. The first was to provide a structured synthesis of Goffman's [1959] work as an integrated descriptive framework to guide the analysis of impression management. The second was to construct a multi-level model demonstrating that the individually-based behaviour described by Goffman could be applied in more complex organisational settings. Recognising the multi-faceted nature of impression management, the third objective was to develop a comprehensive framework of impression management techniques that reflected how and where they might be manifest in corporate annual reports.

The findings from pursuing these three objectives are summarised in Section 9.2. This is followed in Section 9.3 by a reiteration of the outcome of the exploratory case study analysis of the three research questions that flowed from the development of the framework of impression management techniques. This was done to meet the secondary aim of conducting some exploratory research relating to the use of the techniques included in the comprehensive framework. The purpose was to illustrate how the framework, or the "portfolio of possibilities" as it was labelled, could be operationalised to yield insights as to whether behaviour consistent with impression management in the Goffmanian sense was evident in corporate annual reports. The significance of these findings and the contribution that they make, both in practical terms and to the academic literature, are discussed in Section 9.4. The limitations of the research are identified in Section 9.5. The thesis concludes with a number of suggestions for future research that are stimulated by the findings of this study.

9.2 SUMMARY OF FINDINGS: THE PRIMARY RESEARCH AIM

9.2.1 Objective 1: a structured model of Goffmanian impression management

Goffman's [1959] exposition of self-presentation behaviour utilised a dramaturgical analogy to describe such activity. It was underpinned by eight elements that were an

integral part of the self-presentation or impression management performance that individuals (actors) construct and present to those whose perceptions they wish to influence (the audience). In Chapter Three the eight elements of the performance were recast as an integrated conceptual model of the impression management process with three key components that were illustrated in Figure 3.1. The first component contained two pre-conditions. The first was the necessary condition that a degree of mystification or information asymmetry exists between the actor and the audience. The second was the sufficient condition that the actor is motivated to play the role, regardless of their belief in the veracity of the impression being conveyed.

The second of the three components was the performance component and it was made up of two sub-components, one comprising the scripting elements and the other the staging elements. The scripting sub-component contains Goffman's elements of dramatic realisation, idealisation, misrepresentation, and reality and contrivance. Collectively these four elements determine the content of the performance - what facts and values are communicated, which are omitted or obscured, and which are misrepresented, along with the degree of ambiguity associated with that content and the extent to which it is contrived or embellished. The staging sub-component comprises the elements of front and maintenance of expressive control. Collectively these result in a consistent and cohesive performance if the actor adopts a manner and appearance appropriate to the role (front) and the performance is free of expressions, gestures or scenery that are inconsistent with the script being played out (expressive control).

The third component relates to performance outcomes. It does not contain any of Goffman's elements but reflects the likely outcomes of the performance, depending upon choices made about the scripting and staging elements. Assuming the pre-conditions are met, if consistent, mutually reinforcing scripting and staging choices are made, then an effective performance is likely to ensue and the probability of a successful impression management outcome is high. However, if elements of the script are inconsistent and they are combined with staging decisions that are not mutually reinforcing, the most probable result is an unsuccessful performance. When consistent scripting elements are combined with inconsistent staging choices, or *vice versa*, the outcome of the performance is unpredictable.

Collectively the components of the model summarised in Figure 3.1 comprise a descriptive framework from which impression management behaviour can be analysed. Thus the first major objective of this study has been achieved. The integrated model of impression management behaviour makes it clear that, as noted in Chapter Three, those analysing such behaviour must adopt a holistic view that encompasses both the scripting and staging elements and it is not sufficient to focus on aspects of scripting and staging independently. All aspects must be considered because omissions, problems or inconsistencies that may appear inconsequential in isolation can have a profound effect on the impression that is left with the audience when viewed in the context of the whole performance.

9.2.2 Objective 2: a multi-level model extending to organisational contexts

In order to meet the second objective a multi-level model needed to be constructed that showed how individuals within an organisation had incentive to act cooperatively and cohesively to stage an impression management performance, the aim of which is to influence outsiders' perceptions about the organisation's reputation. To achieve this, a multi-level model was constructed using a meso-paradigmic approach to show the links between individual (micro-level) incentives, collective (meso-level) actions, and organisational reputation (macro-level). The model was illustrated in Figure 3.2 in Chapter Three. In that analysis, the organisation was characterised as a collective of cooperating individuals and the view of organisational behaviour as literally or metaphorically anthropomorphic was rejected.

The basis of the model was the proposition that organisational reputation, which emerges as a macro-level phenomenon, is valued by individual members of the organisation because benefits accrue to them in a number of ways when the organisation is perceived as reputable by those within and outside it. Since reputation is valuable, individuals have an incentive to attempt to manage the organisational image to influence how it is perceived by those outside the organisation. However, not all organisational members are in a position of particular influence. Members of the top management team are likely to be the most successful at impression management attempts because they are seen as credible and

appropriate spokespeople for the organisation. Further it is the members of top management who should benefit most when the organisational reputation is strong.

Top management members are likely to recognise, however, that there are risks involved with individuals acting in isolation to manage the organisational image as contradictory and inconsistent messages might be communicated. Members of the top management team are bound together by mutual familiarity and mutual dependence, the effect of which is to create a strong sense of shared group identification. Strong group identification increases the probability that those within the group will negotiate to present a coordinated and coherent team impression management performance in an attempt to influence perceptions about the organisational reputation.

In all, a set of seventeen propositions was presented to show how the micro-, meso- and macro-levels within the organisation interact to create conditions conducive to the staging of a team impression management performance. The multi-level model developed demonstrates that Goffmanian self-presentation behaviour can be extended to organisational contexts without a need to rely on anthropomorphic assumptions. Thus the second major objective of this research was met. The remainder of the discussion in Chapter Three focussed on illustrating that the corporate annual report presents important impression management opportunities to influence perceptions about the organisational reputation and that it could be viewed as a team performance in its own right. This provided the basis for narrowing the focus of the study to impression management behaviour, in the Goffmanian sense, in voluntary disclosures in corporate annual reports.

9.2.3 Objective 3: a comprehensive framework of impression management techniques for voluntary report disclosures

Any analysis of Goffmanian impression management behaviour requires that a holistic view be taken of the impression management performance, one that embraces the full range of scripting and staging elements utilised in that performance. A review of the literature into features of narratives that might be manipulated to serve impression management ends in voluntary annual report disclosures was undertaken in Chapter Four. A review of research into the use of

graphs and photographs in annual reports along with that of more broadly focussed work into aspects of image construction, layout and presentation, and typographical choices, was presented in Chapter Five.

Two key general observations emerged from those reviews. The first was that the research into annual report content typically has not adopted a holistic view when analysing behaviour that might be indicative of impression management activity. Instead it tends to focus on one or a small number of potential techniques. Secondly research into visual aspects of reporting has been less common and more narrow than that investigating narrative features. A number of aspects related to image construction, layout, presentation and typography that are potentially relevant to impression management performances in annual reports appear not to have been investigated in that context.

Therefore the third major objective of this research was to develop a more comprehensive framework of the impression management techniques that might be used in voluntary disclosures in annual reports, indicating both how they might be used and where in the annual report they are likely to be manifest. The reviews conducted in Chapters Four and Five provided the basis for this framework as the objectives of those chapters were to develop a catalogue of narrative features and visual effects, respectively, that might be used in voluntary disclosures to pursue impression management goals in annual reports. Collectively the narrative and visual content represent the scripting and staging elements of the impression management performance.

In Chapter Six, two "portfolios of possibilities" were constructed, each of which contained mutually reinforcing impression management strategies, both narrative and visual, that could be combined to produce a consistent and cohesive impression management performance. In Table 6.1 the portfolio of strategies supporting an assertive impression management performance, that is, one aimed at enhancing an already established positive image, was presented. The portfolio of strategies to support a defensive strategy, adopted when an existing image needs to be repaired or protected from an image-threatening event, was set out in Table 6.2.

In developing these portfolios of possibilities it became apparent that there were a number of levels within the annual report at which particular strategies might be manifest. Some occur at the whole-of-report levels with examples being the number of narrators used and the extent to which colour occurs through the report. Some, such as thematic content choices and whether headlines or headings, will be used with a particular narrative, occur at the whole-of narrative level. Some are relevant only at the whole-of-image level, for example, the extent of distortion in a particular graph or the vertical and horizontal angles from which a particular photograph is taken. The final level was the sub-narrative level in which the strategies used to communicate good news was expected to differ from those adopted when the news is bad.

In Tables 6.4 to 6.7 in Chapter Six the range of whole-of-report level, whole-of-narrative level, whole-of-image level and sub-narrative level strategies, respectively, were identified. Along with Tables 6.1 and 6.2, these summarise how the third objective has been met. Together Tables 6.1 and 6.2 present a comprehensive framework of techniques that might be adopted for impression management purposes in annual reports and show how they might be used differentially depending upon whether the performance is an assertive one or a defensive one. Tables 6.4 to 6.7 supplement this by illustrating where in the annual report particular strategies are likely to be manifest.

9.3 SUMMARY OF FINDINGS: THE SECONDARY RESEARCH AIM

The secondary aim of this research was to conduct a preliminary and exploratory analysis of three research questions that were developed as a result of meeting the major objectives described above. The first question asked which of the potential impression management techniques included in the portfolios of possibilities developed in this study are observable in annual reports while the second related to whether observed strategies are consistent with impression management. The third addressed whether a coordinated and coherent impression management performance in the Goffmanian sense was being staged with mutually reinforcing techniques being used both within and across each of the levels of the annual report impression management performance.

The analysis of these questions utilised a case study approach, the details of which were described in Chapter Seven. The annual reports of five companies, each with a very strong performance year followed by a very poor performance year (or *vice versa*) were selected for the analysis. A close reading of the reports indicated that a large majority of the strategies included in the portfolios of possibilities were used in those annual reports and used in the manner anticipated in the portfolios. There were some instances of use that were different from that anticipated in the framework but a *post-hoc* inspection of those uses in their particular reporting contexts found that behaviour was, in fact, consistent with impression management, albeit not in the manner initially anticipated. There were a small number of exceptions as noted in Chapter Eight but, on the whole, the case study evidence was consistent with expectations based on impression management theory.

As anticipated, not all of the strategies were observable in all of the reports. However the analysis revealed that in all reports there were strategies consistent with impression management behaviour evident at all of the four levels at which such behaviour was expected to be manifest. Further, analysis of the way in which strategies had been combined *within* each of these levels in each of the five sets of annual reports did not yield any observations of clearly inconsistent combinations within levels. In most cases, the combinations were clearly mutually reinforcing, although in six of a possible twenty instances, the combinations could not be delineated as clearly consistent or inconsistent.

In addition when analysing whether, for each set of company reports, mutually reinforcing strategies were being used *across* each of the four levels, there were no clear instances of inconsistent performances being staged. In three of the five cases, the combination of strategies across the levels was clearly mutually reinforcing. In the remaining two, the combinations could not be clearly described as either consistent or inconsistent. As noted in the previous chapter, this result accords with the observation that the motivation to engage in impression management behaviour is not the same for all individuals at all times.

9.4   SIGNIFICANCE AND CONTRIBUTIONS

9.4.1 Significance and contribution to the academic literature

The major purpose of this study was to make a theoretical contribution to the academic literature investigating impression management behaviour generally and in corporate annual reports specifically.   The two models that were developed in Chapter Three Two represent major contributions to the literature at the general level. First, the structuring of Goffman's [1959] exposition on self-presentation as an integrated conceptual model of impression management behaviour represents a significant contribution to the literature because it provides a descriptive framework that can guide future analysis of such behaviour in any setting.   Importantly, this framework makes explicit the preconditions that underpin impression management behaviour and highlights the dual components of scripting and staging, demonstrating the interdependencies that exist between the two. Any analysis of impression management that fails to recognise this must be considered to be incomplete.

Secondly, the meso-paradigmatic multi-level model of impression management that was developed fills a gap about which the literature has tended to be silent or to rely on assumptions that do not accord with reality. This model shows that individually-based self-presentation behaviour can be extended to organisational contexts without the need to make unrealistic assumptions about the anthropomorphic characteristics of organisations or organisational behaviour. The model articulates the bridging assumptions that suggest that individuals will come together to stage a team performance for organisational impression management purposes, and identifies who the members of that team are likely to be, and how that performance relates to the organisational image. It makes explicit that the team performance intersects the micro level of behaviour by individuals and the macro level at which the organisational phenomena of image and reputation emerge.

Finally, by explicitly recognising the Goffmanian roots of impression management theory, the complex nature of impression management behaviour has been exposed. This has led to a contribution to the literature investigating impression management in corporate annual reports in three significant areas.   First, it is clear that the

research domain must expand to include all aspects of content and presentation in annual reports. As noted, the emphasis to date has been overwhelmingly on narrative characteristics followed by graphs with some limited attention paid to the use of photographs. However the review conducted in this study highlights the rhetorical role that aspects of image selection, construction and placement can play. Similarly decisions about typeface, page layout and design, and techniques that influence emphasis and contrast can all impact upon the success of the impression management attempt but these are aspects that have not attracted the attention of those investigating impression management behaviour in annual reports. However, given their visual and rather subtle nature, these aspects are potentially very powerful rhetorical devices.

Secondly it is not appropriate for researchers to investigate just one or a few aspects that might be indicative of impression management behaviour. To do so runs a risk of making both Type One and Type Two errors. A Type One error occurs when the null hypothesis is rejected when it is, in fact, true. This could occur when a researcher observes one technique in isolation b as expected, for example, differential use of particular verb types, and concludes that impression management is occurring. However, if this is only an isolated instance and no other variations can be found that reinforce the expected impression management objective then it cannot be confidently inferred that impression management, a complex holistic activity, is occurring. In fact, it may be the case that other characteristics of the report are contradictory to those observed. If this is not assessed then no confident inferences about impression management can be drawn and the null hypothesis cannot be rejected.

A Type Two error occurs when the null hypothesis is accepted when, in fact, it is false. This could occur when research, again, focuses on one or a few selected characteristics that might be indicative of impression management behaviour. Failure to observe the expected differences may lead to the erroneous conclusion that behaviour consistent with impression management is not occurring. However, it may be the case that other compensating strategies are being favoured over those chosen for investigation and that an impression management performance is being staged that does not rely on the particular strategies selected for study. For example,

manipulation of interactive metadiscourse might be chosen in favour of manipulation of word and sentence complexity. The analytical lens adopted must be a holistic one that seeks mutually reinforcing strategies throughout the annual report and with all aspects of report content and presentation.

Thirdly, researchers need to specify carefully the appropriate level of analysis for the impression management phenomena that they are investigating. Four distinct levels were identified in this research at which these phenomena might be manifest: the whole-of-report level, the whole-of-narrative level, the whole-of-image level and the sub-narrative level. It was noted in the review of the literature that much of the research into narrative characteristics has adopted a whole-of-narrative focus when a sub-narrative one would be more appropriate. Further, relatively little research has been conducted at the whole-of-report level or the whole-of-image level for photographs. A further contribution of this research has been to identify various phenomena that might be apparent at these levels, and to illustrate how measures of them might be operationalised in future research.

9.4.2 Practical significance and contributions

From a practical perspective, this research makes a contribution to the broad debate about discharging corporate accountability in the light of calls for greater transparency and expanded disclosure. The case study analysis produced evidence, albeit of an exploratory and tentative nature, that was consistent with the contention that sophisticated impression management activity is occurring in the voluntary disclosures made in corporate annual reports. Rather than observing isolated incidences of activity, the case analysis found in the majority of instances clearly consistent mutually reinforcing strategies that were indicative of impression management behaviour occurring both within and across the four levels of analysis that were conducted.

These findings suggest that the nature of voluntary disclosure in annual reports may be opportunistic, calculated to serve the impression management objectives of self-interested report preparers rather than to meet goals of improved communication and transparency with stakeholders. The major practical contribution of these findings is an increased awareness of the likelihood that sophisticated impression management

attempts are occurring in corporate annual reports in Australia, and a greater appreciation of the multifarious ways in which it might be manifest in those reports. Annual reports are seen as authoritative and credible documents because they contain the audited financial report and research consistently indicates that the voluntary material presented early in them ranks highly amongst that most widely read and best understood in the annual report. These two factors increase the likelihood that impression management attempts may be successful.

This effectively creates a conundrum for those seeking to regulate content or require expanded disclosure in the annual report that contains the audited financial report. If the regulatory approach to improving corporate accountability and transparency is to mandate expanded disclosure to accompany the financial report, this is likely to have the effect of reinforcing the perceived authority and credibility of the annual report, and enhance the success of any impression management behaviour that occurs within it.

A response could be to place regulatory constraints on the characteristics that expanded narrative and/or visual disclosures must or can contain or display. However, it would be quite difficult to develop enforceable guidelines to constrain the content of narratives and images to what might be deemed to be "true and fair", and even more problematic to regulate aspects of linguistic style and photographic composition. It might be more straightforward to set guidelines regarding graph construction, particularly with respect to measurement distortion. However, any changes in these directions raise issues for audit as the skills required to detect and assess aspects of narrative and visual distortion differ from those usually associated with financial statement audits.

Alternatively, regulators might respond by prohibiting discretionary voluntary disclosures in the document in which the financial report is disseminated. For example, its content could be restricted to that mandated by the Corporations Act. However, firms are likely to respond to this by producing stand-alone supplementary reports to accompany the financial report. Some firms do this now in the form of an annual review document that contains the discretionary, or what is sometimes referred to as the editorial, material as a stand-alone report that is sent to stakeholders

at the same time as the financial report. It is likely that such documents are afforded the same degree of credibility and authority as the traditional annual report. However, the content of these stand-alone reports may be subject to even less scrutiny than that which accompanies the financial report in the annual report.

Even in the absence of regulatory change, the findings in this research suggest implications for the current practice and regulation of the audit process. As noted in Chapter Two, Auditing Standard ASA 720 [AUASB, 2006] covers the auditor's obligation with respect to other information in the document containing the audited financial report. The auditor is required to read the other material to identify any material inconsistencies between it and the financial report. There are no practical guidelines, however, to guide judgements about assessing the materiality of potential inconsistencies particularly in regard to omissions. For example, in two of the cases analysed here, despite very material declines in earnings per share, the chairpersons' statements that accompanied the financial reports contained no negative news. They concentrated instead on selective positive content to create an impression of performance improvement in one case and of record financial results in the other. In the eyes of some users, this narrative strategy might be judged to be materially inconsistent with the reality reported in the financial statements.

Further, the wording of the standard is such that it is implied that it relates to narrative and numerical data only as it refers to reading to identify material inconsistencies (para. 14) and to misstatements of fact (para. 18). However, the indications of this and prior research are that graphs and other imagery can be used in potentially inconsistent and possibly misleading ways. Further, this may be done in subtle yet powerful ways. Auditing standard setters may need to consider whether guidelines need to be developed to assist auditor judgement in the current regulatory regime as to whether the extent of measurement distortion or presentation enhancements in graphs of financial variables might be considered to be misleading. Similarly, there may be situations in which the photographs included in annual reports can mislead the user but it is unlikely to be detected or reported under existing auditing guidelines and obligations.

9.5 LIMITATIONS

Although the discussion above suggests a number of theoretical and practical implications that stem from the findings of this research, these need to be considered in light of its limitations. First, in building the multi-level model of impression management, a number of propositions were drawn from the literature to develop the links and interrelationships between the micro-, meso- and macro-levels of the analysis. These propositions, and the relationships that flow from them, were not empirically tested. Although logically sound and grounded in a body of prior research, it may be the case empirically that it is not the members of the top management teams that drive the impression management performance to achieve individual benefits. The motivation may, for example, reflect the influence of an external designer or one dominant individual within the organisation. If their goals differ from those assumed here, the nature of the impression management performance staged could be expected to differ from the predictions in this study. Nonetheless, the results of the case analysis are in accord with the predictions from the framework that was developed here.

Secondly, the framework that was developed encompassing the portfolios of possible impression management strategies, and the levels within the annual report at which they might be manifest, relied on the extant literature. It was not inductively derived from comprehensive observations of actual annual reporting and disclosure practices. As such, it is possible it omits an unpredictable range of strategies that might be used but have not been the subject of specific research. Thus the framework could be developed further. The case analysis confirmed this as there were instances noted where applications of strategies were not as predicted in the framework but *post-hoc* analysis revealed that they were reflective of impression management motives, albeit not as initially anticipated.

Thirdly, the framework was developed with the assumption that it is financial performance that is the key determinant of what sort of impression management behaviour might be expected in the annual report. This assumption derived from the fact that the annual report evolved from the requirement to report to shareholders on financial performance resulting in a perception of a strong relationship between

annual reporting and financial performance. However, if a perceived discrepancy between the current and desired image derives from issues other than financial performance, these might also be motivating factors behind impression management performances staged in the annual report. For example, social and environmental issues might be a key focus and if these issues contribute to the motivation for the performance then aspects of it might differ from those set out in the framework developed in this study.

There are also potential limitations associated with the case analysis that was conducted to assess the research questions. An inherent limitation of case studies is the limited ability to generalise to other elements in the population because of the small number of units observed. Further, in this study the cases were selected on the basis of extreme performance. Thus the patterns that were found might reflect specific peculiarities of the cases analysed and not be indicative of typical reporting practices. Finally, the data collection procedures undertaken to assess the existence or otherwise of the excepted patterns sometimes involved some subjective identification and/or measurement processes. Examples include the categorisation of news as good or bad, classification of photographic content as concrete or abstract, and the identification of less objective narrative characteristics such as condensations. However, there is no reason to expect that the resulting data are systematically biased.

9.6 SUGGESTIONS FOR FUTURE RESEARCH

Many opportunities for future research flow from the findings of this study. At the broadest level, the conceptual framework that was derived to guide the study of Goffmanian impression management behaviour lends itself to application in all areas where impression management behaviour might be expected. That framework has two clear implications for future research into such behaviour. The first is that researchers need to establish that the preconditions of belief in the part and a degree of mystification or information asymmetry exist between actor and the audience. Secondly, any ensuing examination of impression management behaviour must adopt a holistic approach that identifies and evaluates both the scripting and the staging elements of any impression management performance. Further, if the performance is

a team event, such as that studied here, then it is also necessary to articulate, as was done with the multi-level model proposed in this study, the incentives that exist for individuals to come together cooperatively with the objective of staging a coherent and successful impression management performance.

The context modelled and studied here was the motivation that good and poor financial performance created for individuals to orchestrate a coherent cooperative annual report performance the aim of which was to influence perceptions about corporate reputation. The propositions underpinning the multi-level model were not empirically tested. Further work could establish whether the proposed incentives and relationships appear to be empirically valid. One approach might be to conduct interviews with those responsible for annual report preparation.

Future research could also consider and model with a meso-paradigmic approach other contexts that are unrelated to financial performance but which might also create motivations for individuals within organisations to cooperate to stage impression management performances. Examples include poor environmental performance, public corporate governance failures, companies about to embark on large share or debt issues, and newly listed companies seeking to establish credibility and legitimacy in their new environment.

The impression management performance is also likely to be staged in places other than the corporate annual report. For example, corporate web-sites, media releases, ASX announcements and stand-alone environmental or sustainability reports offer opportunities to pursue impression management goals. Future research could focus on these media both individually and collectively to determine whether cooperative and coherent performances appear to be occurring.

In the specific context of corporate annual reporting there are also several avenues for future work that arise from the findings of this research. Firstly, an inductive study that builds from observations of actual annual reporting behaviour would be a useful extension to the portfolios of possibilities developed here which relied on the prior literature. A more robust framework is likely to evolve from a comprehensive study of actual reporting practice when viewed through an impression management

lens. Such a study might also help to elicit insight into what other incentives seem to drive impression management behaviour in annual reports and when these incentives appear to be more or less strong.

Larger scale empirical testing of the framework developed here, both within and across the four identified levels of analysis, needs to be undertaken to establish whether the case-based results have more general applicability to observed reporting behaviour. This could proceed cross-sectionally with a larger sample of corporate annual reports. It could also adopt a time-series approach to determine whether and how report preparers in particular organisations appear to adjust their impression management performances in light of events that have potentially compromised the organisation's reputation throughout its reporting history.

The focus in this study was on a few facets of voluntary disclosure in corporate annual reports. However, aspects of the whole-of-narrative and sub-narrative levels of analysis could usefully be extended to the content of mandated narrative disclosures. Areas would include the expanded directors' reports now required from listed companies and the management discussion and analysis that must accompany concise financial reports. Although disclosure is mandated, there is no regulation over the specific content or construction of these narratives. Thus there is scope for impression management to occur here as well.

Finally, the results of this study suggest that those preparing annual reports might be engaging in relatively sophisticated coordinated impression management behaviour. What is not known, however, is whether these performances are successful in achieving their impression management goals. Experimental work with report users could shed some light on this.

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Appendix A-1: Data Collection Sheets - Whole-of-report characteristics

Worksheet A1.1: Measurement of the size of photographs

	Company:		Company:		Company:		Company:		Company:	
	Good year	Bad year	Good year	Bad year	Good year	Bad year	Good year	Bad year	Good year	Bad year
Photo 1										
Photo 2										
Photo 3										
Photo 4										
.										
.										
.										
.										
.										
.										
.										
.										
.										
.										
.										
.										
Photo n										
Average size										

Worksheet A1.2 Comparison of whole-of-report characteristics

Company:_____ Good year: _____ Bad year: _____

Item	Good year	Bad year	Difference	Consistent with framework[*]
Number of pages in report, including cover				
Total number of square centimetres in report including cover				
Number of narrators				
Number of named narrators				
Proportion of named narrators				
Number of photographed narrators				
Proportion of photographed narrators				
Occurrences of Q-A format				
Total number of Q-A pairs				
Number of pages containing colour				
Proportion of pages containing colour				
Number of pages containing more than one colour				
Proportion of pages containing more than one colour				
Square centimetres of area containing colour				
Proportion of square centimetres of colour				
Number of graphs				
Number of photographs				
Average photograph size				
Number of B&W photographs				
Proportion of B&W photographs				
Total number of images, excluding graphs				
Total number of concrete images				
Proportion of concrete images				

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Appendix A-2: Data Collection Sheets - Whole-of-narrative characteristics

Worksheet A2.1: Basic data collection for thematic content choices

Company:_____   Type of year: Good / Bad   Year_____

ID	Phrase	Topic	Time focus	Emotive?	No. of quant. refs	Attribution?	Type	Assertive?	Defensive?	Connectivity score
1										
2										
3										
4										
.										
.										
n										
Σ										

Coding instructions:

Topic: 1 = Performance   Time focus: - = past   Emotive: 1 = yes
     2 = Dividends   0 = present   Attribution: 0 = no
     3 = Future/outlook   + = future   Assertive:
     4 = Employees   I = indeterminate   Defensive
     5 = Acquisition and disposals
     6 = Major events
     7 = Current operations   Type: PI = positive-internal   Connectivity
     8 = Segment or product mix   PE = positive-external   2 =strong connectivity
     9 = Board   NI = negative-internal   1 = weak connectivity
     10 = Finance and investment   NI = negative –external   0 = no connectivity
     11 = other (specify)

Worksheet A2.2: Summary of basic data on thematic content choices for each company

Company:_____ Good year: _____ Bad year: _____

	Absolute count		Relative proportion	
	Good year	Bad year	Good year	Bad year
Total number of phrases			▓▓▓▓	▓▓▓▓
Phrases about Topic 1				
Phrases about Topic 2				
Phrases about Topic 3				
Phrases about Topic 4				
Phrases about Topic 5				
Phrases about Topic 6				
Phrases about Topic 7				
Phrases about Topic 8				
Phrases about Topic 9				
Phrases about Topic 10				
Phrases about other topics				
Past oriented phrases				
Future oriented phrases				
Present oriented phrases				
Indeterminate				
Emotive phrases				
Quantitative references			▓▓▓▓	▓▓▓▓
Total number of attributions			▓▓▓▓	▓▓▓▓
Positive-internal				
Positive-external				
Negative-internal				
Negative- external				
Assertive statements				
Defensive statements				
Instances of diallage				
Instances of homoioteleuton				
Instances of apomnemonysis				

Worksheet A2.3: Comparison of whole-of-narrative characteristics

Company:_____ Good year: _____ Bad year: _____

Item	Good year	Bad year	Difference	Consistent with framework*
Number of phrases in the statement				
Proportion of phrases about performance				
Proportion of phrases about dividends				
Proportion of phrases with past orientation				
Proportion of phrases with future orientation				
Proportion of phrases with emotive content				
Number of quantitative references				
Number of positive internal attributions				
Proportion of positive internal attributions				
Number of negative external attributions				
Proportion of negative external attributions				
Connectivity score				
Proportion of assertive statements				
Proportion of defensive statements				
Instances of diallage				
Instances of homoioteleuton				
Instances of apomnemonysis				
Number of words in chairperson's statement				
Words preceding main point				
Span of the main point				
Span as a percentage of total words				
Number of topic shifts				
Difference in font size				
Justification of margins				
Number of headlines, headings and callouts				
Proportion of white space				
Text and background contrast				
Change in contrast				

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* "C" = consistent, "-" = no difference, "I" = inconsistent

Appendix A-3: Data Collection Sheets - Whole-of-image characteristics

Worksheet A3.1: Data collection for graph distortion

Company:_____ Type of year: Good / Bad   Year_____

	Graph 1	Graph 2	Graph 3	Graph 1		Graph n
Value of first data point						
Value of last data point						
Height of first column						
Height of last column						
Height of last column if correctly drawn						
RGD						
Line graph used?						
Scale extended?						
Graph drawn in three dimensions?						
Specifiers are stacked bars						
Specifier is pictorial?						
Gridlines absent?						
Chart title absent?						
Axis labels absent						
Data values absent?						
Accentuating effects represent?						
Reversed time series?						
Obtrusive background?						
Some data values omitted?						
Are negative values obscured?						
Optimum slope parameter violated?						
Sum of presentation distortion aspects						

Worksheet A3.3 Assessment of visual verbal overlap

Company	Year	Degree of overlap	Reason for judgment
	Good		
	Bad		
	Good		
	Bad		
	Good		
	Bad		
	Good		
	Bad		
	Good		
	Bad		

Worksheet A3.4: Comparison-of whole-of-image characteristics

Company:_____ Good year: _____ Bad year: _____

Item	Good year	Bad year	Consistent with framework[*]
Average RGD: favourable distortion			
Average RGD: unfavourable distortion			
Proportion of graphs with a positive presentation distortion score			
Proportion of graphs with a negative or 0 presentation distortion score			
Average RGD: favourable distortion			
Visual-verbal overlap			
Chairperson's photograph: demand or offer			
Chairperson's photograph: vertical angle			
Chairperson's photograph: distance			
Chairperson's photograph: framing			

Coding instructions:

Visual-verbal overlap:	1 = high 2 = low	Distance	5 = intimate distance 4 = close personal distance 3 = far personal distance
Demand or offer:	1 = demand 2 = offer		2 = close social distance 1 = far social distance 0 = public distance
Vertical angle	- = high 0 = medium + = low	Framing	1 = framed 0 = unframed

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Appendix A-4: Data Collection Sheets – Sub-narrative characteristics

Worksheet 4.1 Basic data collection for sub-narrative characteristics

Company:_____

	Good news	Bad news
Number of sentences		
Number of words		
Number of verbs used		
Number of actor agent references made		
Count of transitions		
Count of frame markers		
Count of endophoric markers		
Count of evidentials		
Count of code glosses		
Total interactive resources		
Count of material process verbs		
Count of relational process verbs		
Count of boosters		
Count of attitude markers		
Count of frame markers		
Count of self-mentions		
Total of boosters, attitude and frame markers and self-mentions		
Count of instances of human actor/agents		
Count of instances of company as actor/agent		
Count of instances of non-human actors		
Count of hedges		

Worksheet A4.2: Identification of condensations

Company:_____   News type: _____

Condensation	Thematic elements that need to be added

Worksheet A4.3: Comparison-of sub-narrative characteristics

Company:_____

Item	Good news	Bad news	Difference	Consistent with framework[*]
Thematic tone:				
• Certainty				
• Optimism				
• Activity				
• Realism				
• Commonality				
Readability and complexity:				
• Flesch reading ease score				
• Transitions per 100 words				
• Frame markers per 100 words				
• Endophoric markers per 100 words				
• Evidentials per 100 words				
• Code glosses per 100 words				
• Total interactive resources per 100 words				
Verb choices				
Proportion of passive constructions				
Material process verbs as a proportion of total verbs				
Relational process verbs as a proportion of total verbs				
Signaling actors and agents				
• Boosters per 100 words				
• Attitude markers per 100 words				
• Engagement markers per 100 words				
• Self-mentions per 100 words				
• Total of these four interactional resources per 100 words				

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Proportion of instances of human actor/agents				
Proportion of instances of company as actor/agent				286
Proportion of instances of non-human actors				
Specificity				
Hedges per 100 words				
Average specificity score per sentence				
Average number of condensations per sentence				
Presentation choices				
Average number of sentences per paragraph				
Average number of words per paragraph				

Appendix A-5: Summary Sheet for case analysis and cross-case synthesis

Level	Worksheet A5.1	1	2	3	4	5
Panel A	Number of narrators					
	Number of named narrators					
	Proportion of named narrators					
	Number of photographed narrators					
R e p o r t	Proportion of photographed narrators					
	Occurrences of Q-A format					
	Total number of Q-A pairs					
	Proportion of pages containing colour					
	Proportion of pages containing more than one colour					
	Proportion of square centimetres of colour					
	Number of graphs					
	Number of photographs					
	Average photograph size					
	Proportion of B&W photographs					
	Proportion of concrete images					
B	Proportion of phrases about performance					
	Proportion of phrases about dividends					
	Proportion of phrases with past orientation					
N a r r a t i v e	Proportion of phrases with future orientation					
	Proportion of phrases with emotive content					
	Number of quantitative references					
	Number of positive internal attributions					
	Proportion of positive internal attributions					
	Number of negative external attributions					
	Proportion of negative external attributions					
	Proportion of assertive statements					
	Proportion of defensive statements					
	Connectivity score					
	Instances of diallage					
	Instances of homoioteleuton					
	Instances of apomnemonysis					
	Words preceding main point					
	Span of the main point					
	Span as a percentage of total words					
	Number of topic shifts					
	Difference in font size					
	Justification of margins					
	Number of headlines, headings and callouts					
	Proportion of white space					
	Text and background contrast					
	Change in contrast					
C	Average |RGD|: favourable distortion					
	Average |RGD|: unfavourable distortion					
I m a g e	Use of presentation distortion					
	Visual-verbal overlap					
	Chairperson's photograph: demand or offer					
	Chairperson's photograph: vertical angle					
	Chairperson's photograph: distance					
	Chairperson's photograph: framing					
D	Certainty					
	Optimism					
	Activity					
	Realism					
	Commonality					
S u b	Flesch reading ease score					
	Transitions per 100 words					
	Frame markers per 100 words					
n a r r a t i v e	Endophoric markers per 100 words					
	Evidentials per 100 words					
	Code glosses per 100 words					
	Total interactive resources per 100 words					
	Proportion of passive constructions					
	Material process verbs as a proportion of total verbs					
	Relational process verbs as a proportion of total					
	Boosters per 100 words					
	Attitude markers per 100 words					
	Engagement markers per 100 words					
	Self-mentions per 100 words					
	Total per 100 words					
	Proportion of instances of human actor/agents					
	Proportion of instances of company as actor/agent					
	Proportion of instances of non-human actors					
	Hedges per 100 words					
	Average specificity score per sentence					
	Average number of condensations per sentence					
	Average number of sentences per paragraph					
	Average number of words per paragraph					

APPENDIX B: WORKSHEETS CONTAINING THE SUMMARISED RESULTS

Appendix B-1: Comparison of whole-of report characteristics

Company: Crane Group   Good year: 2005   Bad year: 2004

Item	Good year	Bad year	Difference	Consistent with framework[*]
Number of pages in report, including cover	84	76		
Total number of square centimetres in report including cover	52038	47082		
Number of narrators	15	9	4	I
Number of named narrators	6	3	3	I
Proportion of named narrators	40%	33.3%	13.3%	I
Number of photographed narrators	6	3	3	I
Proportion of photographed narrators	40%	33.3%	13.3%	I
Occurrences of Q-A format	0	0	0	-
Total number of Q-A pairs	0	0	0	-
Number of pages containing colour	84	71		
Proportion of pages containing colour	100%	93.4%	6.6	C
Number of pages containing more than one colour	24	8		
Proportion of pages containing more than one colour	28.6%	10.5%	18.1%	C
Square centimetres of area containing colour	13937	3066		
Proportion of square centimetres of colour	26.8%	6.5%	20.3%	C
Number of graphs of financial variables	8	8	0	-
Number of photographs	39	27	12	C
Average photograph size	57.89	151.18	-93.29	I
Number of B&W photographs	0	27		
Proportion of B&W photographs	0	100%	100%	C
Total number of images, excluding graphs	42 (1 logo)	54 (27 logos)		
Total number of concrete images	39	24		
Proportion of concrete images	92.9%	44.4%	48.5%	C
Proportion of concrete images, excluding logos	95.1%	88.9%	6.2%	C

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company:MYOB   Good year: 2000   Bad year: 2001

Item	Good year	Bad year	Difference	Consistent with framework[*]
Number of pages in report, including cover	68	61		
Total number of square centimetres in report including cover	42126	37790		
Number of narrators	8	8	0	-
Number of named narrators	2	2	0	-
Proportion of named narrators	25%	25%	0	-
Number of photographed narrators	2	2	0	-
Proportion of photographed narrators	25%	25%	0	-
Occurrences of Q-A format	1	1	0	-
Total number of Q-A pairs	13	11	2	I?
Number of pages containing colour	18	16		
Proportion of pages containing colour	26.5%	26.2%	0.2%	-
Number of pages containing more than one colour	13	14		
Proportion of pages containing more than one colour	19.1%	23%	-3.9%	I
Square centimetres of area containing colour	5135	2773		
Proportion of square centimetres of colour	12.2%	7.3%	4.9%	C
Number of graphs of financial variables	3	3	0	-
Number of photographs	4	10	-6	I
Average photograph size	71.71	45.0	26.71	C
Number of B&W photographs	0	0		
Proportion of B&W photographs	0	0	0	-
Total number of images, excluding graphs	11	16		
Total number of concrete images	6	11		
Proportion of concrete images	54.5%	68.7	-14.2%	I

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company: Newcrest Mining   Good year: 2003   Bad year: 2004

Item	Good year	Bad year	Difference	Consistent with framework[*]
Number of pages in report, including cover	78	72		
Total number of square centimetres in report including cover	48321			
Number of narrators	10	10	0	-
Number of named narrators	2	2	0	-
Proportion of named narrators	20%	20%	0	-
Number of photographed narrators	2	2	0	-
Proportion of photographed narrators	20%	20%	0	-
Occurrences of Q-A format	0	0	0	-
Total number of Q-A pairs	0	0	0	-
Number of pages containing colour	20	28		
Proportion of pages containing colour	25.6	31.9	-6.3	I
Number of pages containing more than one colour	18	23		
Proportion of pages containing more than one colour	23.1	31.9	-8.8	I
Square centimetres of area containing colour	7655	9080		
Proportion of square centimetres of colour	15.8	20.3	-4.5	I
Number of graphs of financial variables	3	2	1	C
Number of photographs	52	38	8	C
Average photograph size	91.29	111.59	-20.3	I
Number of B&W photographs	0	0		
Proportion of B&W photographs	0	0	0	-
Total number of images, excluding graphs	59	41		
Total number of concrete images	52	35		
Proportion of concrete images	88.1	85.4	2.7	C

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company: QBE Insurance   Good year: 2002   Bad year: 2001

Item	Good year	Bad year	Difference	Consistent with framework[*]
Number of pages in report, including cover	84	72		
Total number of square centimetres in report including cover	52038	44604		
Number of narrators	14	10	4	I
Number of named narrators	8	9	-1	C
Proportion of named narrators	53.3%	90%	-36.7%	C
Number of photographed narrators	8	8	0	-
Proportion of photographed narrators	53.3%	80%	-26.7%	C
Occurrences of Q-A format	0	0	0	-
Total number of Q-A pairs	0	0	0	-
Number of pages containing colour	83	70		
Proportion of pages containing colour	98.8%	97.2%	1.6%	C?
Number of pages containing more than one colour	30	24		
Proportion of pages containing more than one colour	35.7%	33.3%	2.4%	C?
Square centimetres of area containing colour	10708	6262		
Proportion of square centimetres of colour	20.6%	14.0%	5.6%	C
Number of graphs of financial variables	3	3	0	-
Number of photographs	105	21	84	C
Average photograph size	40.79	22.08	18.71	C
Number of B&W photographs	0	21		
Proportion of B&W photographs	0	100%	100%	C
Total number of images, excluding graphs	106	34		
Total number of concrete images	98	21		
Proportion of concrete images	92.5%	61.8%	30.7%	C

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company: ROC Oil   Good year: 2000   Bad year: 2001

Item	Good year	Bad year	Difference	Consistent with framework[*]
Number of pages in report, including cover	60	78		
Total number of square centimetres in report including cover	37170	43321		
Number of narrators	14	12	2	I
Number of named narrators	2	2	0	-
Proportion of named narrators	14.3%	16.7%	-2.4	C?
Number of photographed narrators	2	2	0	-
Proportion of photographed narrators	14.3%	16.7%	-2.4	C?
Occurrences of Q-A format	0	0	0	-
Total number of Q-A pairs	0	0	0	-
Number of pages containing colour	60	63		
Proportion of pages containing colour	100%	80.8%	19.2%	C
Number of pages containing more than one colour	30	28		
Proportion of pages containing more than one colour	50%	38.9%	11.1%	C
Square centimetres of area containing colour	5541	4716		
Proportion of square centimetres of colour	14.9%	10.9%	4%	C
Number of graphs of financial variables	3	4	-1	I
Number of photographs	20	35	-15	I
Average photograph size	135.97	81.11	54.86	C
Number of B&W photographs	0	0		
Proportion of B&W photographs	0	0	0	-
Total number of images, excluding graphs	43	47		
Total number of concrete images	24	34		
Proportion of concrete images	55.1%	72.3%	-17.2%	I

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Appendix B-2: Comparison of whole-of-narrative characteristics

Company: Crane Group   Good year: 2005   Bad year: 2004

Item	Good year	Bad year	Difference	Consistent with framework[*]
Total number of phrases in the chairperson's statement	28	22		
Proportion of phrases about performance	17.9	9.1	8.8	C
Proportion of phrases about dividends	10.7	13.6	-2.9	I
Proportion of phrases with past orientation	53.6	54.6	-0.9	-
Proportion of phrases with future orientation	14.2	4.5	9.7	I
Proportion of phrases with emotive content	7.1	18.2	-11.1	C
Number of quantitative references	8	3	5	C
Number of positive internal attributions	2	0	2	C
Proportion of positive internal attributions	7.1	0	7.1	C
Number of negative external attributions	0	0	0	-
Proportion of negative external attributions	0	0	0	-
Proportion of assertive statements	60.7	9.1	51.6	C
Proportion of defensive statements	7.1	0	-7.1	I
Connectivity score	25	22	3	C
Instances of diallage	0	0	0	-
Instances of homoioteleuton	0	0	0	-
Instances of apomnemonysis	0	0	0	-
Number of words in chairperson's statement	624	424		
Words preceding main point	0	16	-16	C
Span of the main point	0	39	-39	C
Span as a percentage of total words	0	9.2	-9.2	C
Number of topic shifts	17	11	6	I
Difference in font size			0	-
Justification of margins	R	R		-
Number of headlines, headings and callouts	1	1	0	-
Proportion of white space	51.1	56.9	-5.8	I
Text and background contrast	+	+		-
Change in contrast			0	0

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company: MY0B   Good year: 2000   Bad year: 2001

Item	Good year	Bad year	Difference	Consistent with framework[*]
Total number of phrases in the chairperson's statement	15	24		
Proportion of phrases about performance	26.7	16.6	10.1	C
Proportion of phrases about dividends	0	0	0	-
Proportion of phrases with past orientation	12	20.8	-8.8	I
Proportion of phrases with future orientation	33.3	20.8	20.5	I
Proportion of phrases with emotive content	13.3	8.3	5	I
Number of quantitative references	2	4	-2	I
Number of positive internal attributions	3	.	3	C
Proportion of positive internal attributions	75	0	75	C
Number of negative external attributions	0	0	0	-
Proportion of negative external attributions	0	0	0	-
Proportion of assertive statements	66.7	50	16.7	C
Proportion of defensive statements	0	4.1	-4.1	C
Connectivity score	8	10	-2	I
Instances of diallage	0	0	0	-
Instances of homoioteleuton	0	0	0	-
Instances of apomnemonysis	0	0	0	-
Number of words in chairperson's statement	268	481		
Words preceding main point	3	3	0	-
Span of the main point	0	0	0	-
Span as a percentage of total words	0	0	0	-
Number of topic shifts	16	20	-4	C
Difference in font size			+	C
Justification of margins	R	R		-
Number of headlines, headings and callouts	1	0	1	C
Proportion of white space	62.1	39.4	22.7	C
Text and background contrast	+	+		-
Change in contrast			0	-

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company: Newcrest Mining   Good year: 2003   Bad year: 2002

Item	Good year	Bad year	Difference	Consistent with framework[*]
Total number of phrases in the chairperson's statement	21	39		
Proportion of phrases about performance	4.8	5.1	0.03	-
Proportion of phrases about dividends	0	0	0	-
Proportion of phrases with past orientation	23.8	38.5	-14.7	I
Proportion of phrases with future orientation	33.3	9.9	23.4	I
Proportion of phrases with emotive content	0	5.1	-5.1	C
Number of quantitative references	0	1	-1	?I
Number of positive internal attributions	3	4	-1	?I
Proportion of positive internal attributions	75	66.7	11.3	C
Number of negative external attributions	1	2	1	?C
Proportion of negative external attributions	25.0	33.3	-8.3	C
Proportion of assertive statements	47.6	41.0	6.6	C
Proportion of defensive statements	0	0	0	-
Connectivity score	19	20	-1	?I
Instances of diallage	0	0	0	-
Instances of homoioteleuton	0	0	0	-
Instances of apomnemonysis	0	0	0	-
Number of words in chairperson's statement	397	861		
Words preceding main point	31	267	-236	C
Span of the main point	∞	∞	0	-
Span as a percentage of total words	na	na		
Number of topic shifts	18	39	19	C
Difference in font size			+	C
Justification of margins	R	R		-
Number of headlines, headings and callouts	1	1	0	-
Proportion of white space	65.6	49.2	16.4	C
Text and background contrast	+	+		-
Change in contrast			0	-

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company: QBE Insurance   Good year: 2002   Bad year: 2001

Item	Good year	Bad year	Difference	Consistent with framework[*]
Total number of phrases in the chairperson's statement	39	29		
Proportion of phrases about performance	15.4	27.6	-12.2	I
Proportion of phrases about dividends	7.7	6.7	-1.0	?I
Proportion of phrases with past orientation	28.2	31.0	-2.8	?I
Proportion of phrases with future orientation	7.7	3.4	-4.3	I
Proportion of phrases with emotive content	5.1	27.6	-22.5	C
Number of quantitative references	19	20	1	?I
Number of positive internal attributions	1	2	-1	?I
Proportion of positive internal attributions	100	40	50	C
Number of negative external attributions	0	2	2	C
Proportion of negative external attributions	0	50	50	C
Proportion of assertive statements	48.7	27.5	21.2	C
Proportion of defensive statements	0	6.9	-6.9	C
Connectivity score	31	22	-9	C
Instances of diallage	0	0	0	-
Instances of homoioteleuton	0	0	0	-
Instances of apomnemonysis	0	0	0	-
Number of words in chairperson's statement	854	615		
Words preceding main point	0	63	-63	C
Span of the main point	0	0	0	-
Span as a percentage of total words	0	0	0	-
Number of topic shifts	27	26	1	?I
Difference in font size			-	-
Justification of margins	R	R		-
Number of headlines, headings and callouts	2	0	2	C
Proportion of white space	49.0	47.0	2	?C
Text and background contrast	+	+		-
Change in contrast			-	C

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Company: Roc Oil   Good year: 2000   Bad year: 2001

Item	Good year	Bad year	Difference	Consistent with framework[*]
Total number of phrases in the chairperson's statement	9	15		
Proportion of phrases about performance	66.7	26.7	40	C
Proportion of phrases about dividends	0	0	0	-
Proportion of phrases with past orientation	33.3	46.7	-13.4	I
Proportion of phrases with future orientation	11.1	6.6	5.5	I
Proportion of phrases with emotive content	11.1	20	-9.9	C
Number of quantitative references	0	0	0	-
Number of positive internal attributions	1	1	0	-
Proportion of positive internal attributions	50	100	-50	I
Number of negative external attributions	0	0	0	-
Proportion of negative external attributions	0	0	0	-
Proportion of assertive statements	44.4	46.7	-2.3	?I
Proportion of defensive statements	0	0	0	-
Connectivity score	10	10	0	-
Instances of diallage	0	0	0	-
Instances of homoioteleuton	0	0	0	-
Instances of apomnemonysis	0	0	0	-
Number of words in chairperson's statement	237	471		
Words preceding main point	0	0	0	-
Span of the main point	0	30	-30	C
Span as a percentage of total words	0	6.3	-6.3	C
Number of topic shifts	8	13	-5	C
Difference in font size			0	-
Justification of margins	J	J		-
Number of headlines, headings and callouts	0	1	-1	I
Proportion of white space	46.7	61.0	-14.3	I
Text and background contrast	+	+		-
Change in contrast			0	-

[*] "C" = consistent, "-" = no difference, "I" = inconsistent

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Appendix B-3: Comparison of whole-of-image characteristics

Company: Crane Group   Good year: 2005   Bad year: 2004

Item	Good year	Bad year	Consistent with framework[*]
Average RGD favourable distortion	0	0	-
Average RGD: unfavourable distortion	0	0	C
Proportion of graphs with a positive presentation distortion score	100%	20%	C
Proportion of graphs with a negative or ~~0~~ presentation distortion score	0	0	
Visual-verbal overlap	-	-	-
Chairperson's photograph: demand or offer	2	1	I
Chairperson's photograph: vertical angle	0	0	-
Chairperson's photograph: distance	4	4	-
Chairperson's photograph: framing	1	1	-

Coding instructions:

Visual-verbal overlap:	1 = high 2 = low	Distance	5 = intimate distance 4 = close personal
distance			3 = far personal distance
Demand or offer:	1 = demand 2 = offer		2 = close social distance 1 = far social distance 0 = public distance
Vertical angle	- = high 0 = medium + = low	Framing	1 = framed 0 = unframed

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[*] "C" = consistent, "-" = not used, "I" = inconsistent

Company: MYOB   Good year: 2000   Bad year: 2001

Item	Good year	Bad year	Consistent with framework[*]
Average RGD: favourable distortion	nc	nc	nc
Average RGD: unfavourable distortion	nc	nc	nc
Proportion of graphs with a positive presentation distortion score	nc	100%	C
Proportion of graphs with a negative or ~~0~~ presentation distortion score	nc	0	
Visual-verbal overlap	-	-	-
Chairperson's photograph: demand or offer	2	1	I
Chairperson's photograph: vertical angle	0	0	-
Chairperson's photograph: distance	4	3	C
Chairperson's photograph: framing	1	1	-

NOTES: The value for the first data item in the series graphed in each of 2000 and 2001 was unavailable. Therefore no RGD calculations are made. In 2000, line graphs were used. Therefore no presentation enhancement scores are determined for that report.

Coding instructions:

Visual-verbal overlap:	1 = high	Distance	5 = intimate distance
	2 = low		4 = close personal distance
			3 = far personal distance
Demand or offer:	1 = demand		2 = close social distance
	2 = offer		1 = far social distance
			0 = public distance
Vertical angle	- = high		
	0 = medium	Framing	1 = framed
	+ = low		0 = unframed

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[*] "C" = consistent, "-" = not used, "I" = inconsistent

Company: Newcrest Mining   Good year: 2003   Bad year: 2002

Item	Good year	Bad year	Consistent with framework[*]
Average RGD: favourable distortion	18.2	23.4	C
Average RGD: unfavourable distortion	0	0	C
Proportion of graphs with a positive presentation distortion score	33.3%	100%	?C
Proportion of graphs with a negative or 0 presentation distortion score	66.7%	0	
Visual-verbal overlap	-	-	-
Chairperson's photograph: demand or offer	2	1	I
Chairperson's photograph: vertical angle	+	0	C
Chairperson's photograph: distance	4	3	C
Chairperson's photograph: framing	1	1	-

Coding instructions:

Visual-verbal overlap:	1 = high 2 = low	Distance	5 = intimate distance 4 = close personal distance
			3 = far personal distance
Demand or offer:	1 = demand 2 = offer		2 = close social distance 1 = far social distance 0 = public distance
Vertical angle	- = high 0 = medium + = low	Framing	1 = framed 0 = unframed

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[*] "C" = consistent, "-" = not used, "I" = inconsistent

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Company: QBE Insurance   Good year: 2002   Bad year: 2001

Item	Good year	Bad year	Consistent with framework[*]
Average RGD: favourable distortion	33.5	31.5	C
Average RGD: unfavourable distortion	0	0	C
Proportion of graphs with a positive presentation distortion score	100%	100%	C
Proportion of graphs with a negative or 0 presentation distortion score	0	0	
Visual-verbal overlap	-	-	-
Chairperson's photograph: demand or offer	2	1	I
Chairperson's photograph: vertical angle	0	0	-
Chairperson's photograph: distance	5	3	C
Chairperson's photograph: framing	1	1	-

Coding instructions:

Visual-verbal overlap:	1 = high	Distance	5 = intimate distance
	2 = low		4 = close personal distance
			3 = far personal distance
Demand or offer:	1 = demand		2 = close social distance
	2 = offer		1 = far social distance
			0 = public distance
Vertical angle	- = high		
	0 = medium	Framing	1 = framed
	+ = low		0 = unframed

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[*] "C" = consistent, "-"not used, "I" = inconsistent

Company: ROC Oil   Good year: 2001   Bad year: 2000

Item	Good year	Bad year	Consistent with framework[*]
Average RGD: favourable distortion	0	15.0	C
Average RGD: unfavourable distortion	0	23.4	-
Proportion of graphs with a positive presentation distortion score	100%	100%	C
Proportion of graphs with a negative or 0 presentation distortion score	0	0	
Visual-verbal overlap	-	-	-
Chairperson's photograph: demand or offer	2	1	I
Chairperson's photograph: vertical angle	+	0	C
Chairperson's photograph: distance	4	4	-
Chairperson's photograph: framing	1	1	-

Coding instructions:

Visual-verbal overlap:	1 = high	Distance	5 = intimate distance
	2 = low distance		4 = close personal
			3 = far personal distance
Demand or offer:	1 = demand		2 = close social distance
	2 = offer		1 = far social distance
			0 = public distance
Vertical angle	- = high		
	0 = medium	Framing	1 = framed
	+ = low		0 = unframed

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[*] "C" = consistent, "-" = not used, "I" = inconsistent

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Appendix B-4: Comparison of sub-narrative characteristics

Company: Crane Group

Item	Good news	Bad news	Difference	Consistent with framework[*]
Thematic tone:				
• Certainty	55.39	49.66	5.73	C
• Optimism	54.04	49.07	4.97	C
• Activity	53.68	52.42	1.26	C
• Realism	41.36	42.04	-0.68	?I
• Commonality	51.10	49.63	1.47	I
Readability and complexity:				
• Flesch reading ease score	32	22.1	9.9	C
• Transitions per 100 words	0.86	0.55	0.31	C
• Frame markers per 100 words	0	0	0	-
• Endophoric markers per 100 words	0	0	0	-
• Evidentials per 100 words	0	0	0	-
• Code glosses per 100 words	0.29	0.56	-0.27	I
• Total interactive resources per 100 words	1.15	0.71	0.44	C
Verb choices				
Proportion of passive constructions	35	50	-15	C
Material process verbs as a proportion of total verbs	52%	33.3%	18.7	C
Relational process verbs as a proportion of total verbs	40%	33.3%	6.7	I
Signaling actors and agents				
• Boosters per 100 words	0	0	0	-
• Attitude markers per 100 words	1.15	0	1.15	C
• Engagement markers per 100 words	0	0	-	-
• Self-mentions per 100 words	1.72	0	1.72	C
• Total of these four interactional resources per 100 words	2.87	0	2.87	C

[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Proportion of instances of human actor/agents	56.3	0	56.3	C
Proportion of instances of company as actor/agent	25.0	66.7	41.7	I
Proportion of instances of non-human actors	18.8	33.3	-14.5	C
Specificity				
Hedges per 100 words	0	0	0	-
Average specificity score per sentence	0.875	0.667	0.208	C
Average number of condensations per sentence	0.25	0.835	-0.583	C
Presentation choices				
Average number of sentences per paragraph	2.1	2.5	-0.4	C
Average number of words per paragraph	43.2	60.5	-17.3	C

Company: MYOB

Item	Good news	Neutral news	Difference	Consistent with framework[*]
Thematic tone:				
• Certainty	51.91	48.20	3.71	C
• Optimism	58.03	53.69	4.34	C
• Activity	49.40	53.66	-4.26	I
• Realism	47.27	45.90	1.37	C
• Commonality	46.36	52.40	-6.04	C
Readability and complexity:				
• Flesch reading ease score	24.5	32.7	-8.2	I
• Transitions per 100 words	3.48	1.52	1.96	C
• Frame markers per 100 words	0	0	0	-
• Endophoric markers per 100 words	0	0	0	-
• Evidentials per 100 words	0	0	0	-
• Code glosses per 100 words	0.70	0	0.70	C
• Total interactive resources per 100 words	4.18	1.52	2.66	C
Verb choices				
Proportion of passive constructions	8	25	-17	C
Material process verbs as a proportion of total verbs	47.8	57.6	-9.8	I
Relational process verbs as a proportion of total verbs	43.5	18.2	-25	I
Signaling actors and agents				
• Boosters per 100 words	0	0	0	-
• Attitude markers per 100 words	1.4	0.22	1.18	C
• Engagement markers per 100 words	0.35	1.36	-1.01	I
• Self-mentions per 100 words	0	2.5	-2.5	I
• Total of these four interactional resources per 100 words	1.75	4.08	-2.33	I

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Proportion of instances of human actor/agents	22.2	52.2	-30	I
Proportion of instances of company as actor/agent	33.3	8.7	24.6	C
Proportion of instances of non-human actors	44.5	39.1	5.4	I
Specificity				
Hedges per 100 words	0	0	0	-
Average specificity score per sentence	0.5	0.05	0.45	C
Average number of condensations per sentence	0.25	0.4	-0.15	C
Presentation choices				
Average number of sentences per paragraph	1.22	1.66	-0.44	C
Average number of words per paragraph	31.1	38.6	-7.5	C

Company: Newcrest Mining

Item	Good news	Bad news	Difference	Consistent with framework[*]
Thematic tone:				
• Certainty	49.62	39.65	9.97	C
• Optimism	52.25	50.25	2.00	C
• Activity	55.48	47.03	8.45	C
• Realism	45.44	49.03	-3.59	I
• Commonality	48.85	51.00	-2.15	C
Readability and complexity:				
• Flesch reading ease score	45.5	22.0	23.5	C
• Transitions per 100 words	1.76	1.22	0.54	C
• Frame markers per 100 words	0.50	0	0.5	C
• Endophoric markers per 100 words	0	0	0	-
• Evidentials per 100 words	0	0	0	-
• Code glosses per 100 words	0.25	0	0.25	C
• Total interactive resources per 100 words	2.51	1.22	1.29	C
Verb choices				
Proportion of passive constructions	0	50	-50	C
Material process verbs as a proportion of total verbs	54.3	62.5	-8.2	I
Relational process verbs as a proportion of total verbs	25.7	25.0	0.7	?I
Signaling actors and agents				
• Boosters per 100 words	0	0	0	-
• Attitude markers per 100 words	0.76	0	0.76	C
• Engagement markers per 100 words	0.25	0	0.25	C
• Self-mentions per 100 words	0	0	0	-
• Total of these four interactional resources per 100 words	1.01	0	1.01	C

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Proportion of instances of human actor/agents	7.7	0	-7.7	C
Proportion of instances of company as actor/agent	53.87	0	-53.8	C
Proportion of instances of non-human actors	38.5	100	-61.5	C
Specificity				
Hedges per 100 words	0	0	0	-
Average specificity score per sentence	0.2	0	0.2	C
Average number of condensations per sentence	0.15	1.33	-1.18	C
Presentation choices				
Average number of sentences per paragraph	2.5	7	-4.5	C
Average number of words per paragraph	48.5	152	-103.5	C

Company: QBE Insurance

Item	Good news	Bad news	Difference	Consistent with framework[*]
Thematic tone:				
• Certainty	51.17	47.69	3.48	C
• Optimism	55.19	46.63	8.56	C
• Activity	44.08	49.4	-5.32	I
• Realism	47.10	44.60	2.5	C
• Commonality	51.06	46.86	4.2	I
Readability and complexity:				
• Flesch reading ease score	27.7	24.3	3.4	C
• Transitions per 100 words	0.89	2.58	-1.69	I
• Frame markers per 100 words	0	0	0	-
• Endophoric markers per 100 words	0	0	0	-
• Evidentials per 100 words	0.17	0	0.17	C
• Code glosses per 100 words	0.18	0.51	-0.33	I
• Total interactive resources per 100 words	1.24	3.09	-1.85	I
Verb choices				
Proportion of passive constructions	20	12	8	I
Material process verbs as a proportion of total verbs	60.0	38.5	21.5	C
Relational process verbs as a proportion of total verbs	23.1	30.8	-7.7	C
Signaling actors and agents				
• Boosters per 100 words	0	0	0	-
• Attitude markers per 100 words	0.89	0.52	0.37	C
• Engagement markers per 100 words	0.18	0.52	-0.34	I
• Self-mentions per 100 words	1.07	3.09	-2.02	I
• Total of these four interactional resources per 100 words	2.14	4.12	-1.98	I

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Proportion of instances of human actor/agents	18.2	37.5	-19.3	I
Proportion of instances of company as actor/agent	44.4	0	44.4	C
Proportion of instances of non-human actors	45.4	62.5	-17.1	C
Specificity				
Hedges per 100 words	0	0	0	-
Average specificity score per sentence	0.92	0.75	0.17	C
Average number of condensations per sentence	0.077	.025	-1.73	C
Presentation choices				
Average number of sentences per paragraph	2.3	3.25	-0.95	C
Average number of words per paragraph	46.9	76.2	-29.3	C

Company: Roc Oil

Item	Good news	Neutral news	Difference	Consistent with framework[*]
Thematic tone:				
• Certainty	44.13	52.88	-8.75	I
• Optimism	54.83	50.56	4.27	C
• Activity	49.09	47.96	1.13	C
• Realism	46.12	44.47	1.65	C
• Commonality	50.42	51.85	-1.43	C
Readability and complexity:				
• Flesch reading ease score	32.4	34.2	-1.8	I
• Transitions per 100 words	2.44	1.61	0.83	C
• Frame markers per 100 words	0	0.48	-0.48	I
• Endophoric markers per 100 words	0	0.48	-0.48	I
• Evidentials per 100 words	0	0	0	-
• Code glosses per 100 words	0	0	0	-
• Total interactive resources per 100 words	2.44	2.01	0.43	C
Verb choices				
Proportion of passive constructions	0	37	-37	C
Material process verbs as a proportion of total verbs	64.3	24.0	40.3	C
Relational process verbs as a proportion of total verbs	21.4	30.0	-8.6	C
Signaling actors and agents				
• Boosters per 100 words	0	0	0	-
• Attitude markers per 100 words	0.48	0.6	-0.12	I
• Engagement markers per 100 words	0	0	0	-
• Self-mentions per 100 words	0.98	0.8	0.10	C
• Total of these four interactional resources per 100 words	1.46	1.4	0.06	C

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[*] "C" = consistent, "-" = no difference, "I" = inconsistent

Proportion of instances of human actor/agents	0	31.8	-31.8	I
Proportion of instances of company as actor/agent	40.0	36.4	3.6	C
Proportion of instances of non-human actors	60.0	31.8	28.2	I
Specificity				
Hedges per 100 words	0	0.20	-0.20	C
Average specificity score per sentence	0	0	0	-
Average number of condensations per sentence	0.29	0.64	-0.35	C
Presentation choices				
Average number of sentences per paragraph	1.75	3.4	-1.65	C
Average number of words per paragraph	53.75	97.6	-43.85	C

APPENDIX C: CASE ANALYSIS AND CROSS-CASE SYNTHESIS

Level		CRG	MYO	NCM	QBE	ROC
Panel A — Report	Number of narrators					
	Number of named narrators					
	Proportion of named narrators					
	Number of photographed narrators					
	Proportion of photographed narrators					
	Occurrences of Q-A format					
	Total number of Q-A pairs					
	Proportion of pages containing colour					
	Proportion of pages containing more than one colour					
	Proportion of square centimetres of colour					
	Number of graphs of financial variables					
	Number of photographs					
	Average photograph size					
	Proportion of B&W photographs					
	Proportion of concrete images					
B — Narrative	Proportion of phrases about performance					
	Proportion of phrases about dividends					
	Proportion of phrases with past orientation					
	Proportion of phrases with future orientation					
	Proportion of phrases with emotive content					
	Number of quantitative references					
	Number of positive internal attributions					
	Proportion of positive internal attributions					
	Number of negative external attributions					
	Proportion of negative external attributions					
	Proportion of assertive statements					
	Proportion of defensive statements					
	Connectivity score					
	Instances of diallage					
	Instances of homoioteleuton					
	Instances of apomnemonysis					
	Words preceding main point					
	Span of the main point					
	Span as a percentage of total words					
	Number of topic shifts					
	Difference in font size					
	Justification of margins					
	Number of headlines, headings and callouts					
	Proportion of white space					
	Text and background contrast					
	Change in contrast					
C — Image	Average |RGD|: favourable distortion					
	Average |RGD|: unfavourable distortion					
	Use of presentation distortion					
	Visual-verbal overlap					
	Chairperson's photograph: demand or offer					
	Chairperson's photograph: vertical angle					
	Chairperson's photograph: distance					
	Chairperson's photograph: framing					
D — Sub narrative	Certainty					
	Optimism					
	Activity					
	Realism					
	Commonality					
	Flesch reading ease score					
	Transitions per 100 words					
	Frame markers per 100 words					
	Endophoric markers per 100 words					
	Evidentials per 100 words					
	Code glosses per 100 words					
	Total interactive resources per 100 words					
	Proportion of passive constructions					
	Material process verbs as a proportion of total verbs					
	Relational process verbs as a proportion of total					
	Boosters per 100 words					
	Attitude markers per 100 words					
	Engagement markers per 100 words					
	Self-mentions per 100 words					
	Total per 100 words					
	Proportion of instances of human actor/agents					
	Proportion of instances of company as actor/agent	?				
	Proportion of instances of non-human actors					
	Hedges per 100 words					
	Average specificity score per sentence					
	Average number of condensations per sentence					
	Average number of sentences per paragraph					
	Average number of words per paragraph					

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