

**Centre for Impression Management in Accounting Communication
(CIMAC) Conference**

Friday, 6th June 2014

10.00-17.00

Broadgate Tower, Bangor Business School London Centre

Location

Bangor Business School London Centre

Broadgate Tower

11th Floor

20 Primrose Street

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Keynote speaker

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Charles Cho is Professor of Social and Environmental Accounting at ESSEC Business School, Paris. He holds a Bachelor of Science in Accounting, a Master of Science in Accounting, and a PhD in Business Administration (Accounting Track) from the University of Central Florida. He is also a Certified Public Accountant (CPA) and a Certified General Accountant (CGA), and worked for KPMG LLP and other public accounting firms for several years in auditing and taxation. His research interests are Social and Environmental Accounting; Corporate Social Responsibility (CSR); and Accounting and the Public Interest. Prof. Cho has published articles in refereed academic journals such as *Accounting, Auditing and Accountability Journal*, *Accounting, Organizations and Society*, *Advances in Environmental Accounting and Management*, *Critical Perspectives on Accounting*, the *European Accounting Review*, the *International Journal of Accounting Information Systems*, *Gestion - Revue Internationale de Gestion*, the *Journal of Business Ethics*, and *Social and Environmental Accountability Journal*, and was an invited author of chapters in several books.

Conference program

9.30-10.00	<i>Registration</i>	
10.00-10.15	<i>Welcome and Introduction</i>	Lynn Hodgkinson & Annika Beelitz
10.15-10.45	Paper 1: Performance of French listed companies and financial reporting readability	Elodie Behnam
10.45-11.15	Paper 2: Forms of bias and impression management: A study of accounting for employee health and safety	Chinyere Uche
11.15-11.30	<i>Tea & Coffee</i>	
11.30-12.30	<i>Keynote Address: Graphs, Talk and Impression Management</i>	Charles Cho
12.30-13.00	Paper 3: The impact on firms of corporate political connectivity in governance-related disclosures in annual reports: A case study of Pakistan	Fatima Yusuf
13.00-13.45	<i>Lunch</i>	
13.45-14.15	Paper 4: Sell-side analysts' incentives and linguistic features of their equity research reports	Nana Oiza Akubelem
14.15-15.00	Paper 5: Argumentative paths and rhetorical strategies in takeover documents	Rudi Palmieri
15.00-15.30	Paper 6: Rituals of verification: Impression management and the auditing profession	Neil Dunne
15.30-15.45	<i>Tea & Coffee</i>	
15.45-16.15	Paper 7: Investigating investors' susceptibility to the repetition and placement of positive information in annual report press releases – a mixed methods study	Kate Cullen
16.15-17.00	Paper 8: Visual Rhetoric and the Case of Intellectual Capital	Jane Davison
17.00	<i>Finish</i>	

Performance of French listed companies and financial reporting readability

Elodie Behnam (Nice Sophia Antipolis University, FR)

Abstract

The purpose of this paper is to determine whether financial performance of French listed companies influences the readability of their financial reporting (e.g., impression management) given that regulation for readability increases and intensifies in France. The hypotheses suggest that (i) the stiffening of regulations is negatively associated with readability of French listed companies and (ii) the readability of chairman's statement and MD&A section are positively associated with performance of French listed companies. In total, 990 chairman's statement and 1116 Management Discussion and Analysis (MD&A) from 186 French listed firms for the period between 2007 and 2012 were analysed. Given that most of the firms have a December fiscal year end, my sample mainly covers the fiscal years 2006-2011. The paper's methodology draws upon regression model where the dependant variable is Readability and the second variable of interest is Performance. Readability of chairman's statement and MD&A section are measured from two statistics, Flesch reading ease index applied to the French language and length of the document. Performance measure in this study is ROA. Consistent with prior empirical studies of financial disclosure readability, regression model controls following variables: size, age, debt, growth and business segments. We add chairman change and chairman gender (only for regression model from chairman's statement) as independent variables. The findings indicate that level of readability of chairman's statement and MD&A section are difficult to understand and the stiffening of regulations doesn't improve the level of readability. Flesch scores are all below 50 and don't significantly vary over time. Findings suggest that there is a significant relationship between financial performance and readability's proxy (Flesch scores and length) for MD&A section. However no evidence was found with reference to the readability of chairman's statement and financial performance. The paper also shows chairman doesn't apply regulations on the principles of readability and may opportunistically choosing the level of readability of statement to hide financial performance to investors. The paper extends the impression management literature by examining: (i) readability of financial disclosure in France; (ii) relationship between financial performance and readability of chairman's statement and MD&A of French listed companies; (iii) and relationship between readability of French listed companies and application of regulations on the principles of readability.

Keywords: Impression management, readability, French listed companies, financial performance

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Forms of bias: An examination of disclosures on employee health and safety

Abstract

Research scholars have examined how impression management tactics have been used to manage social and environmental disclosures. The works have included an examination into bias in tones. This study takes this research forward, albeit in a different setting and direction. The study focuses on employee health and safety disclosures by companies in the oil and gas industry. I identify and examine the different types of bias in disclosures on employee health and safety. I investigate how reporting bias affects the disclosure of information on employee health and safety

Key words: Bias, impression management and employee health and safety

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The Impact on Firms of Corporate Political Connectivity in Governance-Related Disclosures in Annual Reports: A Case Study of Pakistan

Fatima Yusuf (The Open University Business School)

Existing literature on corporate disclosure and reporting has predominantly focused on how the numbers in financial statements may be manipulated to present a particular view of the company and how they comply with governance codes. The corporate governance literature has overlooked the role of narratives in annual reports that are expected to provide richer insights from a governance perspective. Recent literature in the field recognises the use of various discursive strategies for distorting information and misleading readers through the management of presentation style, language used and dissemination of selective information. Furthermore, the literature suggests that firms might use narrative sections of the annual reports for opportunistic and selective disclosure of information regarding governance practices. However, the limited empirical literature in the area indicates that the underlying relationships are contradictory, with mixed findings which call for further empirical in-depth investigation. Thus the extant qualitative research in the area of corporate disclosures is scarce and limited in scope. Based on the theoretical premises of agency theory and rational choice institutionalism, this research proposes that politically connected firms exhibit poor quality of disclosures, in order to maximise their interests, resulting in distortion of information to the shareholders and investors. The research will make a significant methodological contribution through a comparative in-depth empirical investigation using qualitative content and discourse analysis to assess the quality of governance related disclosures by politically connected and non-connected firms in Pakistan. The research will also make a significant theoretical contribution through utilisation of the agency theory perspective in a real life context. Considering that the research is being carried out in Pakistan and also that corporate governance disclosure literature remains scarce in developing countries, this research has the potential also to identify the areas of concern for corporate governance policy makers and regulators in Pakistan. To the best of the researcher's knowledge, no research has studied the impact of political connectivity on narrative disclosures in annual reports in a developing economy.

Keywords: Corporate governance, annual reports, political connectivity, developing countries

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Sell-side analysts' incentives and linguistic features of their equity research reports

Nana Oiza Akubelem

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Abstract

The purpose of this study is to investigate whether sell-side analysts' incentive to issue optimistic recommendations and forecasts affects the linguistic features of their equity research reports. Given the increased motivation for investment banking and brokerage (IB) analysts to curry favour with corporate management and generate trading commissions, a paired sample research design is used to examine the difference in readability and tone of reports issued by IB and independent (IND) analysts following the same firm. Readability was measured using the 'Bog index', a recently developed proprietary readability measure. Tone was measured using context-specific dictionary developed by Loughran and McDonald (2011) and Henry (2008). Results reveal that: 1) IB analysts issue more complex reports than IND analysts and this is significant at the 1% level; 2) Both IND and IB reports are optimistic and the difference in tone is not statistically significant; 3) The difference between the tone of IB and IND reports vary across financial performance. Taken together, the evidence suggests that incentive to bias recommendations and forecasts is associated with strategic reporting. This provides an extension of prior study on analyst's bias by highlighting the role of narratives. Further, it provides an extension of impression management studies to the context of information intermediaries.

Keywords

Analysts, Analyst reports, Bias, Readability, Tone.

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Argumentative paths and rhetorical strategies in takeover documents.

Rudi Palmieri (USI-University of Lugano, Switzerland)

Abstract

During a takeover bid, both the bidding and the target firms publish numerous documents in which two main goals are simultaneously pursued. On the one hand, they must disclose enough information to enable shareholders to assess the offer on its merits and to make their decision accordingly. On the other hand, corporate leaders have the rhetorical exigence (see Bitzer 1968) of persuading shareholders to follow their prescription on the acceptability of the offer. As shown by Palmieri (2012), such a rhetorical exigence is evidently conditioned by the friendly/hostile nature of the offer: in friendly bids the two companies set a coordinated communication whereby the bidder limits itself to explain the transaction's rationale while entrusting the target board with the task of justifying the expediency of the offer for shareholders and possibly other stakeholders; in hostile bids, the bidder has to realize its rhetorical undertaking alone and overcome the opposition of the target directors, who seek convincing shareholders to reject the offer (see Brennan et al. 2010). The different rhetorical situations entailed by the two offers are reflected substantially at the level of the rhetorical strategies deployed by the bidder and the target directors, such as the choice of arguments, the stylistic devices, the uses of non-verbal signs (see Palmieri 2012, 2014).

In this paper, rhetorical strategies by bidding and target companies are analyzed by approaching the narrative content of takeover documents from the perspective of argumentation theory. In fact, both firms' boards attempt to achieve their rhetorical goal by means of argumentation: they commit themselves to persuade shareholders in a reasonable manner, by submitting the justification of their standpoint (i.e. that the offer is worthy of being accepted/rejected) to the critical scrutiny of shareholders. Moving from this approach, numerous interesting rhetorical strategies can be identified, reconstructed and assessed. By comparing real cases of friendly and hostile proposals in the UK context (see Palmieri 2010), I shall focus on one of the most prominent differences at the level of rhetorical strategies, which is bound to the disposition adopted by the writer to expound his/her line of reasoning. As Pinto (2001) nicely puts it, an argument is an "invitation to inference", since the addressee is invited to acknowledge an inferential connection between certain premises that, implicitly or explicitly, have been already agreed upon and the arguer's standpoint. In order to enhance rhetorical effectiveness, arguers may choose to convey an inference in different ways, inviting the reader to accomplish different argumentative paths.

The results of my analysis reveal that corporate directors tend to adopt a top-bottom path in hostile bids while a bottom-up approach prevails in friendly bids. The former proceeds from the standpoint to the last argument and consists in progressively putting forward the standpoint, the argument and its sub-arguments until a shared basis is found. From a dialectical point of view, this path mirrors a critical discussion in which the arguer reacts to the antagonist's expressions of doubts representable by the question "why?". The other path has the form of a quasi-geometrical demonstration in which, once the standpoint is advanced, a bottom-up discourse is unfolded: the arguer starts from a shared premise and shows how to derive the standpoint from it. Dialectically, each inferential passage answers the antagonist's questions' "so what?"

I propose to explain this difference by the specific challenge imposed by the rhetorical situation entailed by the two types of offer. In friendly bids, the main concern of the two firms' boards seems to be that of showing that the fiduciary duty expected by their shareholders have been honored. In hostile bids, the necessity to counter the opposition of the other side takes the foreground and entails the ability to anticipate possible critical reactions. The paper concludes with some general remarks about the role of argumentation in financial communication and by sketching some proposals for an integrated theory of narrative disclosure.

Keywords: Argumentation, inference paths, rhetorical strategy, friendly and hostile takeover bids

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Rituals of verification: Impression management and the auditing profession

Neil J. Dunne

Trinity College Dublin

Abstract

The recent financial crisis has increased stakeholder attention on the external auditor. Nonetheless, auditors continue to enjoy privileges provided to them by society and status afforded to them via their standing as a profession. This research will study impression management in auditing. Current concerns regarding the auditing profession are being addressed through increased regulation and legislation. However, impression management is a subtle and sophisticated process, and may be sufficiently resilient to evade regulatory capture. The question addressed by this research, which is at a very early stage, is whether the auditing profession uses impression management techniques to confer trust and status upon them. The study will use a mixed methods approach in the form of (i) content analysis and discourse analysis of the use of language by auditors, (ii) surveys and (iii) interviews, as well as the application of a composite impression management score to informants' responses. This study considers a relatively under-researched issue (impression management in the audit profession), and has implications for how we view the work of the auditor, as well as possible future regulatory action.

Keywords: Impression management, auditing profession, content analysis, discourse analysis

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Investigating investors' susceptibility to impression management in annual results press releases – a mixed methods study

Kate Cullen (University College Dublin, Ireland)

Abstract

I investigate whether investors are influenced by repetition in the annual results press release and explore the relationship between susceptibility to repetition and investors' expertise and experience levels. In addition, I explore investors' acquisition of information within the press release by investigating their attention to the different areas of the document, as well as the document as a whole when making investment decisions. Prior research has predominantly focused on the preparer of corporate communications and has found evidence of management repeating positive information in different locations within press releases (the headline, narrative etc.). While findings in psychology and marketing research show users believe repeated statements are more valid and subsequently place greater weight on repeated rather than non-repeated statements, its effectiveness at influencing investors in the annual results press release has not yet been investigated. Using a controlled experiment I find less experienced investors are influenced when a positive statement is repeated twice throughout the press release. Repeating a statement just once does not affect investors' perceptions of the firm's current performance. Complimenting those findings, when employing eye-tracking technology, less experienced investors were shown to pay greater attention to the press release as a whole versus the financial statements provided, and specifically to the narrative sections of the press release, than more experienced investors. These results highlight the importance of annual results press releases in shaping investors' judgements and shows that a simple tactic such as repeating a positive statement within the annual results press release can be effective at influencing less experienced investors' judgements.

Key words: Repetition, investing experience, attention, press release

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Content Analysis and Discourse Analysis in Corporate Narrative Reporting Research: A Methodological Guide

Doris M. Merkl-Davies, Bangor University

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Abstract

This paper provides (1) a typology of text analysis approaches in corporate narrative reporting research, (2) methodological guidance on their application to the analysis of corporate narrative documents, and (3) criteria for evaluating the quality of such research. We regard text analysis approaches to be characterised by specific philosophical positions and theoretical assumptions regarding the research aims associated with each approach. We identify three types of text analysis approaches: (1) form-oriented content analysis (quantitative), (2) meaning-oriented content analysis (qualitative), and (3) discourse analysis (qualitative). Form-oriented content analysis, which constitutes the dominant approach, is based on agreed-upon procedures and quality criteria. We increase the awareness of methodological principles and quality criteria underlying qualitative text analysis approaches to increase the legitimacy and quality of corporate narrative reporting research. Methodological ‘soundness’ involves demonstrating that the analysis has been carried out thoroughly and systematically by being as transparent as possible about all decisions taken during the research process. In discourse analysis, researcher biases need to be acknowledged to reflect the view of the constructed nature of knowledge. In critical discourse analysis, research also needs to demonstrate how it questions the *status quo* and enables change.

Keywords: Text analysis, Content analysis, Discourse analysis, Corporate narrative reporting, Methodological quality criteria.

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Visual Rhetoric and the Case of Intellectual Capital

Jane E. Davison, Royal Holloway

Abstract

Visual images abound in accounting-related media and are powerful tools for communicating messages regarding all aspects of organizations. This is particularly important in the case of intellectual capital, where a deficient accounting framework for intangibles leads stakeholders to seek enlightenment beyond the financial statements. The central contribution of the work presented here is the development of theory to guide the interpretation of visual rhetoric in pictures and photographs. Within an over-arching framework of Barthesian visual semiotics, a model of visual rhetoric and repetition is developed by reference to the work of Durand and others. Different types of visual repetition are identified. In the light of this model, illustrative visual images from annual reports are analysed to indicate how visual rhetoric contributes to the communication of intellectual capital.

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