

Impression management observation in chairman  
statements in JSE Top 40 listed companies

By

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## **Abstract**

The study examined whether impression management exists in the Top 40 Johannesburg Stock Exchange (JSE) listed companies based on narrative disclosure in chairman's statements. Based on market share, the JSE Top 40 listed companies represent more than 80% of the market share of all companies listed on the JSE, and the chairman's statement is regarded as one of the most read portions although it is not required by the International Financial Reporting Standards (IFRS). Content analysis was used to analyse integrated reports of the JSE Top 40 listed companies. The reports constituted the data of the study. Impression management was examined from the length of the chairman's statement, use of passive sentences, use of personal reference, and the sentiment shown in disclosure tone. The study shows that the JSE Top 40 listed companies partake in impression management. Furthermore, unprofitable companies used more personal references than profitable companies did, whereas profitable companies used more positive sentiments than unprofitable companies. The study provides insight on selective voluntary disclosure tactics used by management of the JSE Top 40 listed companies in the quest for legitimacy. The study also adds to the discourse on corporate reporting by public companies and to debates within the legitimacy theory.

**Keywords:** Impression Management; Annual/Integrated report; Chairman's statement; JSE Top 40 listed companies; Legitimacy theory

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## **List of abbreviations and Acronyms**

### **Abbreviations:**

IR- Integrated report

JSE: Johannesburg Stock Exchange

CEO: Chief Executive Officer

CFO: Chief Executive Officer

ACCA: Association of Certified Chartered Accountants

FTSE: Financial Times Stock Exchange

JSE: Johannesburg Stock Exchange

# **CHAPTER 1: INTRODUCTION AND BACKGROUND**

## **1.1 Introduction**

This chapter covers the background of the study, the construct (impression management), problem statement, research objectives, research hypothesis, the significance of the study, and research outline. Companies constantly try to impress society by adding value to get legitimacy. The obvious tool that companies use is voluntary narrative disclosure in their integrated report. Companies use disclosure to manage the impression of those who rely on it to make investment decisions and other stakeholders.

## **1.2 Background to the study**

Impression management is defined as a strategic process that organisational management uses to persuade stakeholders (Provis (2010, p. 235; Yasseen et al., 2017) and it can be viewed as the bias on emphasis reporting of positive outcomes (Brennan & Merkl-Davies, 2013). Impression management may be viewed as an optional line focusing on selective disclosure (Leung et al., 2015). Integrated reports contain narrative disclosures that impact the behaviours of stakeholders as there are potentially detrimental results through bad analyst reports, or credit rating (Merkl-Davies & Brennan, 2007, p. 2; Yasseen et al., 2017, p. 1). Thus, the information reported in integrated reports must be unambiguous in all respects.

This study is the replication of a study done by Yasseen et al. (2017), which determined whether South African companies participated in impression management practices in the chairman's statement. The current study was limited to the JSE Top 40 listed Companies because of the weight of those companies on JSE's All Share Index. JSE's top 40 listed companies are perceived as the most successful companies in JSE listing based on market capitalisation (Mamaro & Tjano, 2019). The JSE Top 40 listed companies are diverse, with different top companies from all industries (Barr et al., 2007; Padayachee, 2010). De Villiers and Middelberg (2013) note that changes that take place from the perspective of standard setters/the legislature affect all the companies listed on the JSE, especially the Top 40 listed companies. This is why the current study paid close attention to these companies. A very recent study done noted that the JSE Top 40 listed companies receive significant attention from stakeholders and

they are the centre of attention for analysts (van Zijl & Hewlett, 2021). Furthermore, the JSE Top 40 listed companies are liquid due to a lack of subjectivism to sensitivity (Holman et al., 2010).

Notably, JSE is one of the oldest, with more than 130 years, as well as one of the major stock exchanges in the world; it is the largest in Africa (Kotze, 2017, p. 3). JSE Top 40 companies is the list of companies representing 80% of the market share of total listed companies in the Johannesburg Stock Exchange based on real-time price and closing price (Baker et al., 2016; Barr et al., 2007; De Villiers and Middelberg, 2013; Kotze, 2017; Marx and Mohammadali-Haji, 2014, p. 9; Marx and Voogt, 2010; Pholohane et al., 2020; Russell, 2021, p. 3; van Zijl and Hewlett, 2021; Yasseen, 2011). According to Kotze (2017) and Russell (2021), these companies are managed by FTSE Russell, the company that is used by JSE to represent their South African top 40 performance measure assessing companies based on the different industry categories. This index was launched on 24 June 2002, taking over from JSE who previously managed the index from June 1995 to 1 June 2002.

The chairman's statement in the integrated report is regarded as a widely read statement and is highly considered by stakeholders in their decision making. This is evidenced by the findings that at least 40% of the information quoted by analysts is from narrative disclosure (Smith & Taffler, 2000). Yasseen et al. (2017, p. 2) and Wang (2016, p. 4) note that the phenomena of impression management gained significant attention from both researchers and users of financial and non-financial information. After all, impression management is a well-researched phenomenon on which focus has been over the years. It has origins in psychology, specifically in the study of human behaviour (Goffman, 1949; Wang, 2016; Yasseen et al., 2017), and it is regarded as one of the complex paradigms of the subject of human behaviour (Merkl-Davies & Brennan, 2011, p. 18). In another view, it is defined as the way in which others manage the impression of their counterparts (Brennan & Merkl-Davies, 2013; Clatworthy & Jones, 2006, p. 2; Hooghiemstra, 2000; Leary & Kowalski, 1990, p. 34; Yasseen et al., 2017, p. 4). From a reporting perception, it is defined as the effort to manipulate the perception reported to the users of financial accounting information (Bowen et al., 2005; Clatworthy and Jones, 2001, p.311; Merkl-Davies & Brennan, 2007). Likewise, Osma and Guillamón-Saorín (2011, p. 15) define impression management as a strategic complex reporting tactic.

To contextualise the study, legitimacy theory was used. Burlea and Popa (2013) define legitimacy as a general perception that an entity's actions are appropriate within particular

norms, values, and beliefs of the society. Therefore, organisations attempt to legitimise their existence through narrative disclosures by managing the impression of the users. The theory is discussed in more detail in Chapter 2.

### **1.3 Problem statement**

Misleading information in voluntary disclosure in a chairman's statement is problematic as users take decisions based on it (Yasseen et al., 2017, p. 3). This opportunistic behaviour brings ambiguity to the accuracy of narrative disclosure. Notably, Provis (2010, p. 2) states that impression management is negative. This concern on the accuracy of narrative information brings to the fore the question of: To what extent does the narrative disclosure in the chairman's statement contain impression management in profitable and unprofitable JSE Top 40 listed companies? The study considered four characteristics of impression management, and three of these were adopted from a study by Yasseen et al. (2017) and one additional characteristic which is disclosure tone.

### **1.4 Objectives of the study**

The study sought to achieve the following research objectives:

- Establish whether profitable and unprofitable companies partake in impression management through textual characteristics of the chairman's statement based on length;
- Examine the chairman's statements of JSE Top 40 listed companies to bring to light, and thus contribute to literature on patterns in the use of passive choices;
- Assess the use of personal references in the chairman's statement for the JSE Top 40 listed companies, and
- Assess the use of positive tone in the chairman's statement for JSE Top 40 listed companies through sentiments in the chairman's statement.

### **1.5 Research hypotheses**

The study was explanatory in nature and it therefore had hypotheses instead of research questions. The study is a replication of studies done by Clatworthy and Jones (2006) and Yasseen et al. (2017), which used hypotheses. In the the same way, the study had the following hypotheses:

H1.1: The chairman's statement will be the same length in profitable and in non-profitable companies;

H1.2: The chairman's statement will contain a similar percentage of passive voices in profitable as in unprofitable companies

H1.3 "The chairman's statement in profitable companies will contain a similar number of personal references as in and unprofitable companies, and

H1.4 Based on sentiment, the chairman's statement in profitable and unprofitable companies will contain a similar percentage of positive tone on disclosure.

## **1.6 Significance of the study**

The study potentially contributes to literature through empirical results on the impression management construct of JSE top 40 listed companies. Notably, there are many studies done on impression management all over the world; however, there are a few studies (Clatworthy & Jones, 2006, p. 8; Smith & Taffler, 1992) that have focused on the chairman's statement. This study therefore adds to literature in the discipline of impression management, with distinct focus on the chairman's statement. Clatworthy and Jones (2006) conducted a study on how profitable and non-profitable listed companies in the UK were participating in impression management. More than a decade later, Yasseen et al. (2017) replicated the study based on 100 JSE listed companies in the mainboard. Interestingly, the second study was done in the South African context. However, it was important that a study be done on the JSE Top 40 listed companies due to the distinctiveness of these groups of companies, necessitated by the nature of the JSE listing requirements. JSE Top 40 companies represent 80% of the market share of all the listed companies (Baker et al., 2016; Barr et al., 2007; De Villiers & Middelberg, 2013; Kotze, 2017; Marx & Mohammadali-Haji, 2014, p. 9; Marx & Voogt, 2010; Pholohane et al., 2020; Russell, 2021, p. 3; van Zijl & Hewlett, 2021; Yasseen, 2011). With no study in impression management done on this group of companies, this study fills an obvious and huge gap in literature by adding on the work of Clatworthy and Jones (2006) and Yasseen et al., (2017). This study further has an additional variable adopted from Bozzolan et al. (2015), which is the use of a positive tone. Therefore, this study is different from the above studies and therefore comes with new knowledge in the assessment of how profitable and non-profitable companies participate in impression management through the chairman's statement. Unprofitable company refers to a company that reported zero or less profit for the reporting period (Stubing, 2019, p. 12). The study further adds on the work of Aly et al. (2018, p. 9) on

examination of the chairman's statement from a developing country perspective in which there is still limited literature.

## **1.7 Organisation of the study**

This section outlines how this report is organised.

### **Chapter 1: Introduction and background**

This chapter provides a high-level overview of the research area and the field of study. The chapter also covers the justification of the study, research problem, research question, research objectives.

### **Chapter 2: Literature review**

This chapter reviews literature, focusing on the history of integrated reporting, chairman's statement, and impression management. A systematic literature review is followed.

### **Chapter 3: Research methodology and research design**

This chapter focuses on the research methodology of the study. The chapter further discusses data collection methods, extraction of integrated reports as secondary source of data. Furthermore, an in-depth explanation of how the collected data is analysed and interpreted is included.

### **Chapter 4: Data presentation and analysis**

Chapter 4 is dedicated to presentation and interpretation of results based on the data collected from the chairman's statements in integrated reports. The discussion provides a deeper understanding of the results and it answers the research questions.

### **Chapter 5: Summary, conclusion, and recommendations**

This chapter gives a conclusion based on the data discussion of findings. In this chapter the researcher also draws recommendations, limitations and suggests future studies based on gaps identified during the research.

## **1.8 Chapter Summary**

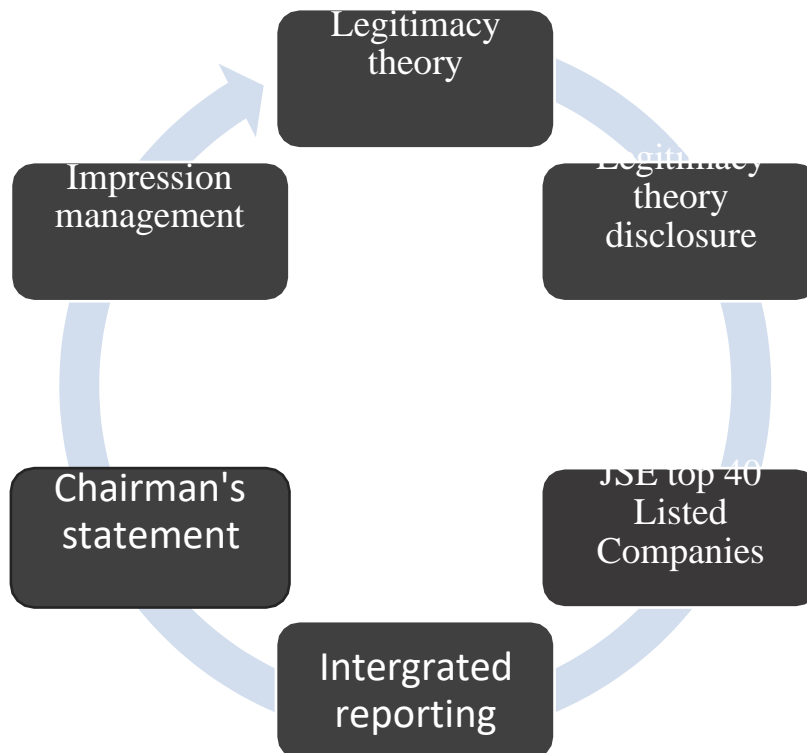
Impression management is demonstrated mostly in the chairman's statement and the objective is disclosure, which can be either good or bad. The careful narration in voluntary disclosure by board chairpersons in their chairman's statements is driven by different intentions, which may be to deceive the users of the information. The problem of narrative disclosure and accuracy in the chairman statements of JSE Top 40 listed companies is examined based on hypothesis.

The next chapter provides a review of existing literature on impression management. It particularly focuses on the legitimacy theory and impression management discourse.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

The purpose of this literature review is to navigate through the existing literature to find similar studies and identify the gaps in the literature. All studies from qualitative, quantitative, and mixed must be connected to the literature to support the need to conduct a particular study (Rocco & Plakhotnik, 2009). The literature review includes published and unpublished thesis papers, articles, and internet sources as well as books, all most recent unless a source's inclusion is crucial for background purposes. To ensure the review is done thematically, literature on legitimacy theory, the framework within which the study was conducted, is reviewed first, and this is followed by disclosure literature, and then literature on JSE top 40. Afterwards, literature on integrated reports is reviewed, followed by literature on chairman statements, and lastly literature on impression management. The gap in literature is discussed just before the summary of the chapter. The literature review flows in the manner presented in Figure 2.1 below:



**Figure 2.1: Literature flow**

*Source: Own formulation*

## **2.2 Theoretical literature**

The study was guided by the legitimacy theory. A review of the theory is done in the section below.

### **2.2.1 Legitimacy theory**

Legitimacy in general and legitimacy theory in particular are well-researched paradigms. For years, scholars have invested in a lot of research into these two constructs. Notably, different definitions have come up over the years. Burlea and Popa (2013) define legitimacy as a general perception that an entity's actions are appropriate within particular norms, values, and beliefs. Zyznarska-Dworczak (2018, p. 196) agrees with this definition and further states that legitimacy is a directive to act. Interestingly, another study focused on the pre-condition for legitimacy and it states that, "Consensus, impartiality, objectivity, and consonance are necessary conditions of legitimacy" (Zelditch, 2018, p. 1). Mobus (2005) states that ensuring legitimacy is an ongoing process. There seems to be consensus on what legitimacy is, which raises an interesting question of, what then is legitimacy theory?

Legitimacy theory is a general belief based on norms and values that entities influence the society in which they operate, just as they are equally influenced by the societies (Tilling, 2004; Zyznarska-Dworczak, 2018, p. 197). It is also defined as the expansion of different views of the nature of legitimate influence (Zelditch, 2018), concerned with the relationship of both the organisations and society, needing to ensure that there is no breach, all which ensure a state of legitimacy (Fernando & Lawrence, 2014). Mobus (2005) emphasises, from the decision-making perspective, that there is a positive impact that can be caused by trustworthy financial accounting disclosure on the decision making of the society regards the organisation. Mobus (2005) also states that disclosure will provide more benefits as the society will take all the decisions based on public knowledge.

Scholars such as Deegan (2019) determined how the media affects the way society views the organisation through environmental issues. Deegan (2019) emphasises the power that the media has to legitimise the company. Furthermore, every company should respond to the media to legitimise the organisation (Deegan, 2019). The organisation has the obligation, as the legitimacy theory insists, to take its space and identify itself through the society as it does not operate in a vacuum. Perhaps, the media has extreme power in the legitimisation of entities.

There are different implications for organisation that do not comply with the values, norms and standards of society. Society may enact laws and regulations on the organisation; for example, environmental laws that protect the society at large.

### **2.2.2 Legitimacy disclosure**

Mobus (2005) conducted a study on mandatory disclosure in a legitimacy theory and found that there was no positive correlation between environmental legal sanction and regulatory violation as the management of organisations ensure compliance with the laws and regulations to avoid obvious penalties, negative reputation and to ensure legitimacy.

Some scholars are of the view that environmental disclosure in the annual report predicts the power of the legitimacy theory. In contrast, Deegan (2019) states that management response through disclosure can repair the legitimacy of the organisation, which is most likely to be determined by how significant the event is. Some events with none or potentially no impact on the organisation are less likely to result in disclosure. Equally, these environmental disclosures are made to project the organisations in a positive light and they have been proven to add value (Deegan, 2019). The scholar further argues that as much as these disclosures are good, they are not made to show any form of accountability; rather, their purpose is to project a positive impact, which is not always successful.

Notably, Bebbington et al. (2008) note that some companies confuse Corporate Social Reporting as the only form in which they can legitimise themselves in society. They further argue that Corporate Social Reporting is considered “too early for theoretical closure”. However, Ogden and Clarke (2005) insist that managements of organisations use impression management to achieve legitimacy.

There is abundant evidence that organisations use impression management to achieve and retain legitimacy. This technique made it relevant to base this study on legitimacy theory. Legitimacy is explored in the chairman statements within the context of voluntary disclosure. There is a link between acts of impression management and legitimacy as firms are in complete fear and feel pressure for legitimacy (Wang, 2016, p. 1).

### **2.3 JSE Top 40 listed companies**

The JSE Top 40 listed companies are perceived as the most successful companies in the JSE listing, and this assertion is based on market capitalisation (Clatworthy & Jones, 2001, p. 311; De Villiers & Middelberg, 2013; Mamaro & Tjano, 2019, p. 1; Marx & Voogt, 2010, p. 8; Merkl-Davies & Brennan, 2007; Pholohane et al., 2020, p. 2; Voogt, 2010, p. 7). The list changes from time to time (Barr et al., 2007, p. 3). On the list are companies considered most successful, consisting of 86,39% of total listed companies as of 28 November 2007, and 87,64% in 2008 (Marx & Voogt, 2010, p. 8), 82,9% as of 26 March 2008 (Voogt, 2010, p. 7), major based on JSE index (Baker et al., 2016, p. 4; Viljoen et al., 2016, p. 14), from the fair value of share price (van Zijl & Hewlett, 2021, p. 1). The top 40 listed companies are diverse and consist of different companies from all industries (Barr et al., 2007, p. 2; Padayachee, 2010, p. 41).

JSE Top 40 listed companies represent at least 80% of the market share of all listed companies (Kotze, 2017, p. 2; Mamaro and Tjano (2019, p. 1; van Zijl & Hewlett, 2021, p. 9), which implies that almost 90% representation of the companies on JSE were considered in the study (Marx & Voogt, 2010, p. 9; Voogt, 2010, p. 7). De Villiers and Middelberg (2013, p. 13). All JSE listed companies are required to prepare annual/integrated reports and, most importantly, they include the chairman's report, which is a voluntary disclosure.

## **2.4 Integrated report**

The integrated report is a document where the organisation narrates a story about short-term, medium-term, and long-term objectives of the organisation, and about the historical and future performance of the organisation (Abeysekera, 2013, p. 17). Abeysekera (2013, p. 17) concludes that integrated reporting should make answerability and execution clear, with well-explained assumptions behind the disclosures. Furthermore, auditors should attest whether those disclosures are relevant to the users (Abeysekera, 2013, p. 17). De Villiers et al. (2014) conclude that as much as integrated reporting covers much, it still ignores the element of forcing accountability. Surty et al. (2018, p. 15) studied integrated reporting of state-owned enterprises and concluded that from 2013-2014 the quality improved. Integrated reporting hugely relies on main management, which might give management more and more pressure and may not focus on what needs their attention the most (Vitolla & Raimo, 2018, p. 12).

Integrated reporting assists with both financial and non-financial information that presents the performance of the firm in both positive and negative perspectives. Furthermore, integrated

reporting is backed up by the KING III code, which advocates good governance. Since integrated reporting reports on particular things, it meets the KING III requirements (Surty et al., 2018, p. 7). According to Cheng et al. (2014, p. 4), the purpose of integrated reporting is to allow better communication of the strategy of the company. De Villiers et al. (2014) note that integrated reporting advances sustainable goals, and that gives opportunity to study different aspects of the development of accounting, to explain how the organisation is creating value to the users of financial statements (Dumay et al., 2016), to assess the company's ability to make sustainable value (Owen, 2013), and to bring "financial, intellectual capital, social capital, and environmental capital" into a common platform (Abeysekera, 2013, p. 7). Integrated report covers

Another clear benefit is the use of corporate reporting in the integrated report other than just use as a compliance legal document, which feeds directly into stakeholders' needs (Simnett & Huggins, 2015, p. 16). In addition, another key benefit is holistic thinking, which is experienced by the reader of an integrated report, as information is highly integrated with both financial and non-financial information disclosed and it is better used for decision-making purposes. Dumay et al. (2016) suggest that research about the benefits of integrated reporting bridges the gap between literature and practice. Surty et al. (2018, p. 19) call for the need for future research on whether there is any positive effect on economic value by integrated reporting of state-owned entities. Furthermore, integrated reporting is regarded as the evolution of reporting to the next level and as bringing integrated thinking (de Villiers et al., 2014, p. 14). Through integrated reporting, companies get the opportunity to present to the shareholders qualitative and non-qualitative information of high quality that may affect every important stakeholder, including employees and suppliers (James, 2014).

The following section discusses the chairman statements and their importance. Equally, the section reviews literature on how managers use chairman statements to report biased information.

## **2.5 Chairman's statement**

This is the statement in annual/integrated reports that includes both internal and external information about the organisation; in it, management expresses how the company performed and it highlights possible future forecasts in the form of narrative disclosure (Smith & Taffler,

2000, p. 2). The chairman's report receives more attention than other statements that are not overseen by IFRS (Clatworthy & Jones, 2006, p. 14; Stainbank & Peebles, 2006; Yasseen et al. 2017, p. 4). The obvious reason behind the focus on the chairman's report is the impact it has on users' decision-making based on share price (Abrahamson & Amir, 1996; Clatworthy & Jones, 2001; Merkl-Davies & Brennan, 2007; Yasseen et al., 2017). Even though the chairman's statement is not audited by auditors, it is still regarded as crucial as it does not limit the narrative disclosure (Moreno et al., 2019, p. 22; Yasseen et al., 2017, p. 5). Smith and Taffler (1992, p. 15) describe the chairman's report as one of the key documents of the annual report. Despite the chairman statement being one of the crucial statements that are used to communicate qualitative information, there is significant evidence that impression management exists in the information disclosed in this qualitative disclosure (Wang, 2016, p. 3). Because this statement is voluntary, it appears that management may use it for different motives.

From another interesting point of view, impression management does play a role in individuals' decision making based on future performance (Clatworthy & Jones, 2006, p. 14). Those charged with management can potentially influence the users significantly in such a way that the user may disregard the actual performance and be highly influenced by this statement, as it is indeed ranked the top read statement of them all. This means management can use the chairman's statement and have the ability to project the future performance of the company; in narrative disclosure, they have incentives to do so as they know that this information is not subject to audit. They can fairly persuade a user to be convinced about the prospects of the company, making users invest based on inaccurate information (Clatworthy & Jones, 2006, p. 14). It appears that lack of audit of the chairman's statements makes it easy for chairpersons to perpetrate bias.

Another important factor that contributes to the importance of the chairman's statement is that it presents past, present and future information of organisational strategy both quantitatively and qualitatively. Surprisingly, this statement is not regulated and management discloses any discretionary information on it, and the narrative disclosure information is currently not audited in South Africa (Abrahamson & Amir, 1996; Yasseen et al., 2017). Smith and Taffler (2000) note that even though the chairman's statement is not audited, it is important as it discloses crucial information for the users. The importance of the chairman's statement is further demonstrated in the study done by Stainbank and Peebles (2006), in which they note that on

rankings the chairman's statement number 10, but the first voluntary disclosure statement was not prescribed by the International Reporting Standard. It appears that there is consensus from scholars about the importance of the chairman's statement. It is important to explore the literature to find out whether management uses the chairman's statement to manage the impression of the users.

An interesting study done by Merkl-Davies & Koller (2012, p. 15) states that to some extent, how the chairman's statement is organised does play a role in how the message is received, and how the stakeholders receive and analyse the message. Financial information is supported in this statement and this may be due to opportunistic behaviour. In addition, because this statement represents views of the board of directors, this statement influences the share price of the company. Those charged with management use the chairman's statement for personalisation and to influence and get legitimacy from the users of this statement.

From a discretionary narrative disclosure perspective, Smith and Taffler (2000) did a study using content analysis, and it was based specifically on the association of content statement and failure of the organisation. They also found that, in many ways, there is an obvious association between how the company performs and how the chairman's statement is delivered to the users. Impressing users is achieved more by the opening statement of the chairman's statement based on "Tone or wording", which is done through voluntary narrative disclosure by the company (Smith and Taffler, 2000). Lastly, Smith and Taffler concluded that there is so much impression management that is exercised in unaudited information in the chairman statements, which information may include both negative and positive information that may influence the users anyway.

In the same line of thought, a study was done from Malaysia based on the chairman statements and found that there is also an obvious relationship between the language used in the chairman's statement and how the company would have performed in the particular period reported on by the company (Smith et al., 2006, p. 13). For secondary data, information was drawn from annual reports; specifically the chairman statements were extracted as a focus area. The findings indicated that companies that performed well were most likely to have elements of impression management in the chairman statements. This means management sees the opportunity to lure prospective investors when the company has performed well in the reporting period.

Another study on use of language revealed that the use of complex language is highly practiced in the integrated reports and it is perceived to measure the quality of the report itself, but the most unfortunate part of it is that fewer companies find such readable. The conclusion reached was that at least someone should have tertiary qualifications to be able to read a report, which, therefore, means that to some extent the readability is used as a tool for impression management (Du Toit, 2017, p. 17). Language barrier appears to be problematic in the integrated report. Not surprising, chairpersons use that as another tactic for impression management.

In addition, an interesting study was done in the banking sector in Bangladesh using content study of chairman statements and it found that management focused their strengths and personal abilities on any positive performance when reporting in chairman statements. The study also found that exaggeration of management competence and abilities when things were going right and complete shifting of blame to surrounding circumstances when things went wrong is a form of impression management. Furthermore, management tends to avoid negative, and some companies tend to not focus much on profitability, which is quantitative, when things go bad. The conclusion reached was that companies focused much on the narrative disclosures as a form of managing perceptions of the users of financial statements (Ahmed & Salat, 2019). Competencies of management seem to be one tactic that management shields itself with and they end up partaking in impression management. The following section dwells on impression management from theoretical and empirical viewpoints.

## **2.6 *Impression Management***

Over the past few decades, the phenomena of impression management has been explored, and it has origins in psychology, specifically in the field of human behaviour (Goffman, 1949; Wang, 2016; Yasseen et al., 2017; Merkl-Davies & Brennan, 2011, p. 18). It is the way that others manage the impression patterns of their counterparts (Brennan & Merkl-Davies, 2013; Clatworthy & Jones, 2006, p. 2; Hooghiemstra, 2000; Leary & Kowalski, 1990, p. 34; Yasseen et al., 2017, p. 4). From a reporting perspective, impression management is defined as the effort to manipulate the perception reported to the users of financial accounting information (Bowen et al., 2005; Clatworthy and Jones, 2001, p. 311; Merkl-Davies & Brennan, 2007) while Osma and Guillamón-Saorín (2011, p. 15) define impression management as a strategic complex

reporting tactic. Based on literature, there is general consensus on the definition of impression management.

Different studies have been done on impression management and narrative disclosure. Examples include one-way management use to sustain trust is impression management (Neu, 1991, p. 291), chairman's statement disclosure to manage impression (Smith and Taffler, 1992; Smith, and Taffler, 2000) and use of content analysis of narrative disclosure in chairman statements (Ogden and Clarke, 2005).

Furthermore, studies have been done on use of impression management to get the legitimacy of customers (Merkl-Davies and Brennan, 2007), use of discretionary disclosure to manage the impression of stakeholders (Osma and Guillamón-Saorín, 2011), press releases on corporate governance to manage impression and use of graphs as an impression management tactic (Cho et al., 2012). Moreover, Brennan and Merkl-Davies (2013) did a study on accounting disclosure to manage impression, Brennan and Merkl-Davies (2013) on a framework used for impression management, Melloni et al. (2016) on the tone used on narrative disclosure, Wang (2016) on literature review on narrative disclosure on impression management, and Yasseen et al. (2017) on impression management using content analysis of JSE's main board listed companies.

Research revealed that different reasons lead to impression management. Some companies use impression management as a strategic manipulation of views and judgment of the users (Merkl-Davies & Brennan, 2007, p. 116; Yuthas et al., 2002, p. 142). Understandably, organisations are bound to maintain trust between them and the users of the integrated reports. This is a tactic to influence the targeted audience, yet its ethical stand is questionable, and it is usually demonstrated by the biased reporting behaviour of management (Provis, 2010, p. 200). This selectivity in reporting to create impression may be in the form of minimal disclosure in annual reports (Leung et al., 2015, p. 278; Merkl-Davies & Brennan, 2007, p. 127).

Another empirical study was done by Smith and Taffler (2000) on narrative disclosure in chairman statements, through exploration of "keywords and phrases" related to companies performance results. This study had interesting findings on how opening statements on the chairman's report manipulated tone. The study further confirmed that there is no direct association of impression management with bad news. Interesting to note is that the intention of the author on impression management is not relevant. The study concluded that irrespective of the status of the narrative information disclosure, this information is important and can be used as a form of impression management.

Bowen et al. (2005) and Osma and Guillamón-Saorín (2011, p. 15) have concluded that management may use disclosures to intentionally mislead the users for self-interest benefits; however, those charged with management dwell much on positive disclosures when results are good than when they are bad, further suggesting that biased disclosure can be limited by stronger corporate governance structures of the company. It appears that companies with strong corporate governance appear to be reporting negative information.

Ogden and Clarke (2005, p. 29) note increased use of images on the integrated report by management to manage the impression of the readers. They further note that management does all this to ensure legitimacy. However, the use of narrative disclosure as an impression management tactic might have a negative impact in long run (Ogden and Clarke, 2005).

A different perspective of impression management is that it is used for a legitimacy quest, voluntary disclosure in annual reports is used to persuade customers. Ogden and Clarke (2005) conducted a study using content analysis to examine how impression management is used in the annual report. Their fascinating findings indicated that corporate reporting is most convenient for every company to partake in impression management. They further indicated that companies successfully persuaded the users through opportunistic behaviours. This demonstrates how companies seek legitimacy by all means, most importantly by the use of the annual report, which opportunistic behaviour by those charged with management is an impression management technique.

From a UK perspective, a study was done using textual characteristics and focusing on annual reports to examine how the use of “profit before tax, number of pages, the total number of words, quantitative reference”. It found that there is impression management practices, but there is no correlation between profitable companies reporting performance for the particular period. Furthermore, further impression management exists through textual characteristics (Clatworthy & Jones, 2006). Another interesting point is that management should rather specifically state that there might be reporting differences from different stakeholders, which would assist the users in any way to ensure that they know exactly the differences in reporting patterns that would take place. An audit should happen on these narrative reports, and users need to be extremely careful and aware of the impression management (Clatworthy & Jones, 2006).

Another empirical study done by Merkl-Davies and Brennan (2007, p. 41) concluded that the use of positive narrative is consistent when results are negative. The financial performance reporting based on narrative disclosure appears to be used to manage impressions when results are positive.

Another study examined impression management from retrospective “sense-making” using the content analysis research method used annual reports of chairman statements of 93 UK listed companies and found that those charged with management focused much on the past in the voluntary disclosure due to negative circumstances or financial results at the time of reporting (Merkl-Davies et al., 2011). The size of the company is associated with how much the company partakes in impression management; the biggest and more successful companies seem to be more consistent on the annual report, from the chairman statements to overall annual reports than small companies with financial crisis are (Merkl-Davies et al., 2011, p. 22).

Research on social media impression management participation was done by Rosenberg and Egbert (2011). The study was based on Facebook and it was on how the persuasive language, which may not be true, was used in chairman statements just to impress others. The study also concluded that due to their latest popularity, social networks can play a role in impression management.

A study conducted from intellectual capital disclosure perspective (Melloni, 2015) investigated how companies partook in impression management to create value. The study was a content analysis of information extracted from websites in the form of annual reports. The study found that the use of tone does play a role in impression management. Through intellectual corporate disclosure, companies take advantage of particular benefits that management stands to benefit. The study concluded that there is a strong association between intellectual disclosure and impression management.

Leung et al. (2015) conducted a study on the use of minimal disclosure narratives using annual reports through content analysis. Their interesting results noted that comprehensive analysis of narrative disclosure needs to be done. They further noted that there is limited literature on the association of impression management with narrative disclosure. Companies may partake in impression management through disclosure in many ways, and one way is minimising the disclosure itself by careful consideration of what is disclosed and saying the least for particular reasons. To be precise, their study concludes that on this minimal disclosure risk and financial movements of the company, there is less if any information is disclosed about the community

and employees of the company. Furthermore, firms with complete financial difficulties partake much in these impression management strategies. The study then suggests that the current voluntary disclosure should be regulated and should at least tell what exactly needs to be disclosed and to what extent. Suggested future research is on benefits of disclosing limited information on voluntary disclosure and the negatives of disclosing more information. Furthermore, such strategies should be evaluated from a timing perspective, to establish whether they are done futuristically or retrospectively (Leung et al., 2015, p. 13).

Wang (2016, p. 5) conducted a literature review of impression management literature for both financial and non-financial disclosure and found that language and paragraph use functioned to manage the impression of the readers. Therefore, there is a psychological impact of impression management on the reader. Wang (2016, p. 5) further suggests that there is need to practice caution on the readers when they receive financial information. Finally, suggest regulation when it comes to voluntary disclosure to protect the accuracy of the information reported.

Cho et al. (2012) note that impression management is used as the tool to manage the positive relationship between the management and the stakeholders through corporate narratives. Melloni (2015, p. 21) concludes that the use of a positive tone appears to be the technique that managers use to manage the impression of the users. Cho et al. (2012, p. 26) submit that the use of graphs on narrative disclosure leads to manipulation and lack of transparency in reporting. Yasseen et al. (2017) conclude that unprofitable companies participate much on passive voices and a few personal references than non-profitable companies, whilst Clatworthy and Jones (2006, p. 14) conclude that the use of impression management as a tactic in narrative disclosure may, or may not be intentional in contributing significantly as the influences investing decision of the reader.

There is a consensus about how narrative disclosure can be biased in its nature to manage the impression of the users. The chairman's statement in particular can have elements of impression management. With these studies, the obvious gap on analysis of impression management on chairman statements in the JSE top 40 is identified and this study close this obvious gap.

From a disclosure tone perspective, Aly et al. (2018) from Egypt, which is a developing country, used content analysis to analyse annual reports and they found that there is indeed an association between financial performance and tone disclosure. This is emphasised in in their

conclusion that in fact firms that performed well in the reporting period tend to show more positive words and persuasive statements in their narrative disclosure than the opposite. In fact even in negative circumstances, management finds a way to be subjective in nature of narrative disclosure, but this happens more in positive circumstances than in negative ones.

Yasseen et al. (2017), using the arbitration theory perspective, did a preliminary study on impression management on annual reports, and they considered the top 100 companies in JSE listed main board. This was the replication of the study done by Clatworthy and Jones (2006) from the South African perspective. The study was done using attribution theory and interesting findings were that there was no difference in length of the chairman statements of profitable and unprofitable companies. From another variable, significant use of passive words, on companies that were not doing well in performance than companies doing well in performance, high performing companies did not demonstrate credit claim to themselves than their counterparts. However, there is no correlation between the use of personal preferences on both kinds of companies; rather, well-performing companies' use of personal preference is limited compared to their counterparts. An interesting conclusion is that well-performing companies partake less in impression management based on the use of personal preference than the not well-performing companies. The study suggested more research to focus on how companies partake in impression management in other parts of narrative disclosure in the chairman's statement.

From a stakeholder perspective, empirical research was done through a semi-structured interview method by Diouf and Boiral (2017), and it took into account different stakeholders. The purpose of the study was to examine the quality of sustainable reports from their perspective. The study found that companies partake in impression management through disclosure of their corporate social responsibilities. In another recent analysis from a public university perspective, a study was done in Malaysia using an analytical framework and it found that companies use "content and linguistics" as tools to manage the impression of different users of financial statements (Man et al., 2019, p. 9).

Interesting findings on how management uses cooperate social responsibility as a tool to partake in impression management are reported in a study done in Canada through semi-structured interviews by Diouf and Boiral (2017). It that management always associates their positive CSR results with their success and persuade users to believe that the company is doing

well. In fact, CSR is one of the strategies used for impression management (Diouf & Boiral, 2017, p. 20).

From an audit committee perspective, Al-Sayani et al. (2020) conducted a study in Malaysia pointing out how audit committees get used in the chairman's statement. The study was based on listed companies in the Malaysian capital markets, using agency theory and extracted data sampled companies randomly and used impression management as the dependent variable and "financial expert, frequency of meetings and size of AC" as dependent variables. The study was conducted using mixed research methods and found that there is a relationship between how the audit committee in the chairman's statement is structured and impression management, concluded that there was no relationship between the size of the audit committee and impression management. In the same line of thought, a study conducted by Crabtree and Pillow (2018) found that Facebook disclosure is voluntarily and depends exactly on what the user wants the friends to see, and the information disclosed cannot be truly trusted fully due to the nature of behaviours used in a form on impression management.

An interesting literature review paper was done by Wang (2016), who visited literature from two perspectives, "qualitative and quantitative". The study found that companies use different forms to partake in impression management, and these include the use of graphs, and other forms to influence different users of financial statements about financial information. Furthermore, a non-financial perspective, found that impression management is used to influence share prices through self-proclamation of Chief Executive Officers, which is done through corporate social reports and other non-quantitative reports. In contrast, company management focuses much on their financial information when they seek to get attention and good analysis from the users, conveniently so when the company has performed well. Wang (2016, p. 4) further concludes that language, graphs, and images are forms of impression management, and these have a direct and indirect impact on how investors view the business. Wang suggests that policy setters should regulate the disclosure of qualitative information to project the users who are subjected to these opportunistic behaviours.

In the same line of thought, a study done from a governance and press release perspective showed that companies get the convenient opportunity through the press to realise annual results (Osma & Guillamón-Saorín, 2011). This is opportunity does not only give those charged with management the opportunity to deceive the public, but also to emphasise what is entailed in the annual report. Amongst proper lines of defence for the users, are the governance

structures that can be used effectively to reduce impression management done by those charged with management. Governance structures can both qualitatively and quantitatively reduce impression management if the structure poses strong governance quality. They conclude that complex language, more especially in the annual press release of the results, shows evidence that companies with negative results and strong governance are not likely to use opportunistic behaviours to deceive the users than companies with positive financial results and weak governance structure (Osma & Guillamón-Saorín, 2011, p. 15).

Cho et al. (2012) conducted a study through graphs, images examined, and the correlation between the use of these techniques on social and environmental reporting with impression management and in quest of legitimacy. The study shows that there is obvious bias demonstrated on the use of graphs, how they are carefully selected, and how they are designed to make sure that they grasp the attention and deceive the user. More impression management is evidenced in companies with rather negative reports on both the social and environmental sides on annual reports. The study then concluded that indeed the use of graphs is another technique used to partake in impression management. A notable limitation of this study was the extent to which the use of graphs influences the user.

The above studies are in line with the exact conclusions reached more than 4 decades ago by Felson (1978, p. 8). Felson supplied evidence of impression management as “interpersonal conflict” that is demonstrated purely for particular reasons. Impression management is not a new topic in literature and the use of different techniques always surfaced. This opportunistic behaviour comes with a lot of incentives for those responsible, directly or indirectly.

Another study done on social media focused on the company's use of Twitter partake in forms of impression management. Companies public relations have an opportunity to deceive everyone on their social media platforms, since every company has direct control and full access on their social media handle, and what is posted and not posted depends what the company wants to post, and most likely these are always positive news, ownership of content and how it gets communicated and timing are hugely dependent on the management of the company. Yang and Liu (2017) conducted a study on the use of Twitter by companies as accounting narratives, and the data was extracted from Twitter using two companies. Noteworthy, they found that companies limited negative information on disclosure; rather, they focused much on positive results, and on the release of financial accounting information. The interactions are rather dominant when the company has positive results than when it has

negative results. Their study concluded that social media, Twitter to be specific, was one of the tools companies used to partake in impression management. Use of hashtags and other means is part of modern ways of opportunistic behaviours. More sample and the extent of use of social media for this form of manipulation are suggested for future research and limitation due to the number of companies selected for the study.

Remarkable on use of tone is that companies may partake in impression management as a model on their reporting through integrated reports. This is evidenced by the study done by (Melloni et al., 2016), using content analysis, use of integrated reports extracted from company websites. The study found that the type of business model used by the organisation influences how the company partakes in impression management. The tone of disclosure used is crucial in manipulation of the users of financial reports, as selectivity in the use of tone on disclosure tends to be through direct interventions to deceive the users. Another perspective is the use of tone by governance structures and size. In fact, their study further confirmed that the weaker the governance structure the more use of positive tone on disclosure companies with negative financial results focuses much on positive news in terms of reporting than firms with positive financial information. Notably, future research on the companies that adopted integrated reports and those that did not was suggested.

Merkel-Davies and Brennan (2011) designed a framework for impression management considering “psychology, sociology, and critical perspectives”. The study was conducted using text analysis and it designed the conceptual framework for impression management, which is more complex than just a simple phenomenon. Furthermore, the study notes different consistency in impression management from three perspectives, namely the economic viewpoint - investors rely on management to increase the share price, but disregard agency theory that can be used against them by managers in quest for their enrichment, rather state that little positive voluntary disclosure is considered by shareholders unless there is obvious and legitimate external verifier with reliable information. On “Behavioural finance” shareholders are perceived to disregard information due to personal behaviours that are subject to the bias of the performance and over the trust of the company in which they invest. This behaviour is influenced more by how information is presented, and further “unintentional cognitive biases” suggest that some investors lack skills and attributes to understand the information presented, let alone how it is presented, which may be confusing on its own. In addition, management skills, experience and reputation also contribute to how shareholders view information as impression management. In Sociology, legitimacy is used by those charged with management

to persuade an audience that is always based completely on environmental performance, when the company seems to be more supportive based on norms and values acceptable on that particular environment. On “critical perspective” Merkl-Davies and Brennan (2011) found that companies rather focused much on past information and, thus, limit the forecast more especially when the company performed well, this is done using accounting information to make shareholders disregard impression management. Their study concluded that these are all angles on which future research should be based. This is an important framework and it serves as the guideline for future researchers for many years to come.

Bozzolan et al. (2015) conducted a study using a case study method on the FIAT group, on examination of how disclosure by those charged with management in FIAT group through disclosure influences the perception of the users using “local press, the international press, and the financial analysts,” using the longitudinal method, a study focuses on a 6 year period, extracting all the information from local, international press releases and financial analysts when financial results were reported. Through content analysis, disclosure tone used by management on their press releases showed that different audiences were taken into account separately based on their respective perception and expectation from the company. The study concluded that disclosure tone is used by management to partake in impression management.

Particularly, a study conducted on the use of tone on Chief Executive Officers shows that a position of power has a direct influence on financial reporting, irrespective of this information disclosed on Chief Executive Officers reports . Using the text analysis method, it was found that Chief Executive Officers’ use of tone may mean so much about the risk the company is subjected to. The study further concluded that any study on a quest to find more information about how the company is run should focus on how management sets the tone and acts daily, as this may demonstrate so much about the company. Further information communicated through annual reports pose an exact analysis of how Chief Executive Officers use particular persuasive measures to deceive the users of financial statements. The tone used by Chief Executive Officers may fall within the context of impression management. The study then suggests more emphasis by auditors and other users relevant for narrative disclosures (Amernic et al., 2010).

Most recently Jones et al. (2020) conducted a study on how management responds to previous reports and partakes in impression management techniques, a study based on banks listed in the European stock exchange. They found that companies react to the crisis by omitting information previously reported to manage future intentions of the users. The study found that there is no relationship between impression management and use of past information by companies; however, there is obvious use of impression management in fact “omission, over misrepresentation”. To be specific, banks limit negative information to provide a positive side of the company and create a different impression. Wider selection of banks in the future is suggested for future research.

Talbot and Boiral (2018) conducted a study on the energy sector, and it was about how companies’ limit on disclosure on environmental performance in their sustainable reports. The study used content analysis and found that non-compliance with the Global Reporting Initiative was intentionally done by companies to limit particular information for the users, especially negative information. There are three main impression management techniques used, and these are “non-compliance disclosure”, in which there is complete inconsistency on expectation of what is reported than what is reported which is a limited information disclosed. Secondly “legitimation of negative results” companies during the times of crisis, and negative results focus much on positive prospects pledge than and other appealing justifications, and lastly “confusion of negative aspects and enhancement of positive aspects” the minimisation of information through particular strategies such as inconsistency in reporting, omitting particular information for another reporting period and adding it back when convenient for the company. Talbot and Boiral (2018) suggest future studies through quantitative methods.

Roman et al. (2019) conducted a study on disclosure styles used in integrated reporting. Integrated reporting is a new framework used to ensure the quality of reporting considering both financial and non-financial data in one report. This study is done through legitimacy theory on how companies in quest of legitimacy. Roman et al. (2019) found that more successful companies least participate in impression management than least successful companies, as these least successful companies use disclosure tone to persuade the users about a particular belief. IFRS is believed to provide more reliable information. On the contrary, the study found that companies that adopted IFRS produced reports that are vague and ambiguous. Furthermore, the non-regulation of narrative disclosures encourages companies to partake in impression management. Future research is suggested for the South African context comparing

IFRS adopters with other companies all over the world that should also adopt IFRS compulsory to test the extent of impression management in the integrated report, which indirectly compromises the quality of the integrated report.

From risk disclosure on annual reports in pharmaceutical companies, Mazumder and Hossain (2019) conducted a study using discourse analysis and they noted that risk is the most significant part of narrative disclosure. Even though narrative disclosure is not regulated yet, risk based information reported is regarded as important by the users of financial information. This is because of the recent prominence of qualitative disclosure. The study found that impression management strategies are used by companies through the selective nature of what is reported and what is not reported on based on risk. A conclusion is reached that this limitation on disclosures is encouraged by impression management opportunistic behaviours. The study suggested future research on a holistic point of view, on how companies around the world report on risks in their annual reports.

Jaworska and Bucior (2020) conducted an empirical study where management comments were used to examine impression management in financial reporting. The study used case study research to conduct the study, literature was examined and it focused on both qualitative and non-qualitative information reported by companies. It was determined that indeed companies participate in impression management through letters to the shareholders. Furthermore, quantitative studies are suggested to bring to light how particular techniques are used “generally” to manage the perception of the users. The use of the case study method was a limitation as a case study is based on the particular entity which is different in nature.

Ianniello and Galloppo (2020) conducted an empirical study on voluntary disclosure from an Italian perspective, the study was done on firms who had low and high performance in the market. It was conducted using content analysis. Extracting information from annual reports, websites, analysis was done about the company’s performance and interesting findings were that there is indeed biased on how companies with positive stock performance discloses a lot of narrative information than companies with negative stock performance, and this is done to perceive the impression of the users.

Bitterly and Schweitzer (2019) examined how self-disclosure can be used to partake in

impression management. The empirical study was based on several participants who undertook a study. The study found that individuals use self-disclosure in the form of humour and portray a positive image of themselves. This may be done with the only intention of perception management.

From a sustainable reporting perspective, a study was done by García-Sánchez et al. (2019), using gender mix inboard. It focused on impression management by companies when reporting in the sustainable report. Regression analysis was done for 2006 to 2014 years. The involvement of female directors in management may, to some extent, influence how decisions are made. Boards with more women tend to receive more positive support from stakeholders. Furthermore, information is considered more reliable by stakeholders; There is also less impression management strategies when women are on board, an association when it comes to sustainable reporting is positive to countries with more legal requirements than others. The study suggests that a gender mix on the board of directors is crucial and can assist a lot to influence positive reporting.

From a governance perspective, Shan (2019) conducted a study that found that some parts in annual reports are used mostly for impression management than other parts. This is demonstrated in the findings, where it is shown that there is indeed a relationship between disclosure tone and voluntary disclosure.

Many tools are used as an attempt to direct the perception of the users. On the use of images, graphs, and other related tools, Kanbaty et al. (2020) conducted a study on how infographics are used by companies for quest for impression management through sustainable reporting. The study used content analysis, and through the extraction of data from sustainable reports of 147 companies based in the USA, the data analysed was based on the use of images, graphs, and other factors to enhance reporting in a sustainable report. Companies use these forms of reporting in a quest for legitimacy. The study was conducted through quantitative data analysis and it found that there is a relationship between the use of images, graphs, and other forms and impression management, especially on narrative information disclosed for environmental and social issues. This is evidenced through reporting related to Corporate Social Responsibility reporting, and these images are used to portray rather positive results than negative results. Graphs and images are used just to persuade the user. The study's limitations are that it was conducted with data from one country, it lacked quality examination of CSR, and studied only annual reports, did not integrated reports and use of other forms of voices and sounds for reporting.

In a study conducted by Moreno et al. (2019) about Guinness' textual characteristics, a longitudinal study and content analysis were used. The study was done based on the period

1948 – 1994 exploring impression management for the longest time. Particular words, positive words and negative words were used in the study that examined future references, and words related to the macro environment, these words were extracted from the chairman statements. The study found that indeed the companies in Guinness use textual analysis for a different reason to enhance impression management. The study concluded that there is no relationship between the use of positive words and impression management. It further submitted that there was no evidence that the use of both favourable and unfavourable words correlated with profits; these were merely used to distort the impression of users. Furthermore, referral to the macro environment seems more when performance was negative. Another interesting finding was how the title of the chairman's statement changed from year to year. Therefore, impression management was demonstrated more in the qualitative format than in the quantitative, further length of chairman's statement reduction and also language was a form of impression management (Moreno et al., 2019). The study suggests that auditors need to do more work on narrative disclosure to reduce impression management to some extent.

A study done by Corazza et al. (2020) after a disaster in Costa Concordia content analysis and interesting results were that due to legitimacy, companies feel compelled to report positive news to keep society on their side. It also found that the use of images and positive text distorted the user's attention on focusing on disaster and cautioned users about the reactive language and use of images and other forms of positive communication after a negative or disaster. Future studies were suggested alongside whether it is appropriate for an organisation to report on disaster in their annual reports.

In another study in the UK from a finance perspective Edgar et al. (2018) that companies partake much in impression management during disputes and they carefully select strategies to meet stakeholders' demands, and they chose to limit disclosure when it is against stakeholders expectations.

Ahmad and Hossain (2019) conducted another study on climate change and the use of impression management from developing countries' perspectives. The study was conducted using both content and discourse analysis and qualitative research method and found that companies are selective on disclosure of climate change, and this is done deliberately to manage the impression of the readers of annual reports, all done to buy legitimacy. Furthermore, language appears to be the main tool used in a form of bias. The study's results are limited to the method used on selection, which is purposive. The research concluded that

there are limited studies done on developing countries, meaning this is the area of interest that researchers may focus on. The use of semi-structured interviews was suggested for future research on the examination of impression management.

Nyahas et al. (2018) investigated how the users influence voluntary disclosure. The study was done in the context of stakeholder theory. It was done in a developing country, namely Nigeria, and content analysis was used to extract data from financial statements to get findings and reach conclusions. They found that financial institutions are primary influencers of voluntary disclosure; employees are secondary and customers as tertiary. Voluntary disclosure gets prioritised over mandatory disclosure, especially when the above-ranked users need such to be done. A further positive relationship is conformed between stakeholders and voluntary disclosure. This appears to be the strategic direction by management to give the users what they want. The Stakeholders size of the reporting company influences the extent of voluntary disclosure by management and this opportunistic behaviour is a form of impression management.

Demaline (2020) conducted a study from a readability perspective, and it used quantitative analysis, and use t-test to test the variable. The study found that there was a relationship between language and style used for reporting and impression management negativities in business are communicated with the least ambiguity. The limitation of the study was the companies selected were not comparable, and future study focus areas suggested were focused on how companies are in quest of legitimacy through selective communication techniques.

Beretta et al. (2019) explored the factors influencing disclosure tone, amongst others is environmental, social, and governance company performance reported in the integrated report. Content analysis was used to extract data from integrated reports of companies listed in Europe. The results of the empirical research showed that the use of a positive tone is common, especially when negative results are reported. The difference in this study is that it focused on the whole integrated report, and not on a particular section like other studies. The study suggested that future research be done on different aspects of the integrated report and based on different markets, to explore the reason behind limitations on qualitative disclosure.

Fialho et al. (2020) conducted a study on strategies used by the Carbon Disclosure Project and focused on voluntary disclosure and used mixed research methods and content analysis through the extraction of information from reports of companies. The study found that companies used different methods such as justifications- through voluntary disclosure companies were finding

a way to justify their wrongdoing and use persuasive language to do that. Furthermore, management used impression management tactics such as “self-promotion” rather than an actual commitment to improving responsibilities towards the environment (Fialho et al., 2020).

Yan et al. (2019) conducted a study on how CEOs use particular styles in their letters and how this was a form of partaking in impression management. The study was done using textual analysis on sampled CEO letters, three observations which were based on “assertive acclaiming, cautious plausibility-based framing and logic-based rationalizing”. The study found that indeed rhetorical mechanisms are used, this is done using narrative disclosures that have additional information and this is encouraged by the willingness to partake in impression management at all costs. They sampled 526 CEO letters from US firms, and these explored evidence of this behaviour, tone, personal references, and words carefully considered; the use of these words can influence the perception of the market forecast by analysts. This information is influential due to the nature of it being sensitive and the use of positive words, and statements on CEO letters may influence the extent that analysts assess the risk of the organisation going forward. As the study was based on the effect on analysts only, other users such as investors are suggested for future studies.

From China, within a perspective of media coverage, incorporating social reporting was conducted by Zhang and Chen (2019). The researcher was more concerned about how companies partake in impression management through corporate social responsibility reports. The concern was based on the quality rather than quantity of these reports in China. The study used a regression model through media reports and had interesting findings that pressure from the market is the main course of management partaking in impression management. There is therefore a positive relationship between media coverage by firms and the extent of impression management participation. Popular companies get more pressure from different parties that have different expectations, such as analysts, investors, etc. This pressure comes with an obligation to not fail and the quest to always impress these parties. These acts go as far as means of earnings management and impression management through narrative disclosure, voluntarily in nature and mandatory. This study concluded that management partakes in impression management in their corporate social responsibilities, with the limitation which disregarded the use of online information, future research is suggested in this regard.

From an Oil and Gas perspective on how impression management is used in sustainable reporting, Săndulescu (2021) conducted a study using the case study method. That management seeks to legitimise their actions through impression management is examined using sustainable reports and media releases from KPMGI in 2015 and 2026. Manual content analysis was used in annual reports and KPMGI reports. A study was done to assess the time when a company went through disaster due to occupational safety. The study found that after an incident companies started using different means to shape the attitude of the users, which was done through performance comparisons in the period before, during, and after occupational safety disaster. Further evaluations and repetitions were used to manage the impression of the users. The study concluded that companies partake in impression management only to ensure legitimacy.

Impression management is expressed in many ways (Martínez-Ferrero et al., 2019). Their study was conducted on 273 sampled companies from 2007 to 2014, using corporate social responsibility reports. The study used content analysis and came up with interesting results. The nature of social, corporate responsibility reports is that they lack accurate, verifiable, and reliable information. There appears to be more evidence that over-emphasis of the management on performance is the act of impression management. This is done solely to influence the perception of the users and to protect their reputation. Management also partakes in these actions to buy users into the vision of the company. The study suggests that for the information reported in corporate social responsibility, there is need to stop participation in impression management. Furthermore, it is the duty of the governance structure, namely the board of directors, to reduce the agency problem and ensure they bring back the hope to the shareholders, which will reduce the use of impression management techniques, thus improving the quality of the reports.

García-Sánchez and Araújo-Bernardo (2020) did an interesting study from a different perspective, examining the colour used in corporate social responsibility reports to manage the impression of the users. The study was on based Spain's 105 companies. The study used content analysis to extract data from the reports. The study found that even though the use of graphics, such as images assisted in message articulation, their purpose or reason for use should not influence the perception of the users. It is evident from this study that graphic use is used by management to portray positive results about environmental performance. These graphs

were selected carefully to influence the users. Furthermore, on the use of photographs, the study showed a strong association between use of photographs and impression management. The use of photographs therefore can be selective in nature due to the extent of selectivity to include come and exclude some information. It was found that when the financial information is negative, companies tend to use photographs to cover up for the negative data in financials. In colour, the study found that the size and colours of images also have the potential to change the perception of the user.

Proudfoot et al. (2018) used a Social Exchange Theory and sampled about 244 Facebook users. The study found that the use of Facebook disclosure is an impression management tactic. This can be done through the privacy of the users. The study concluded that users partook in social media by using a particular language. The research was limited to individual students.

Another study was one on how graphics are used to report economics, social and environmental issues (Cüre et al., 2020). This study was done through qualitative analysis and information was extracted from annual reports where 49 companies were sampled from Borsa Istanbul Index. The study confirmed that companies include information about economic, social, and environmental issues, but the use of graphs appeared to be used for purposes of influencing users' perception about the company. The use of "bar and line graphs" was found to be the most used graphs and was based on the way these could outline the data in a particular way to present revenues and profits. There is a relationship between the use of graphs and positive performance reporting. The use of graphs appeared to be popular in different sectors and industries. The study concluded that the use of graphs results in impression management. The study was limited to the use of a single year as a period. Therefore, future studies based on the longitudinal study were recommended. Furthermore, other factors were not considered as it is only graphs were considered; future research could be based on the use of another format such as "number of photos, tables, and photographs", also research based on information extracted from websites will be crucial for future research.

Four characteristics of chairman's statements are considered as follows:

#### *Length of chairman's statement*

Length of chairman's statement is examined by number of words and number of pages contained in characterises of impression management (Yasseen et al., 2017).

#### *Use of passive voice*

Use of passive voice is a selective use of sentences in passive form as opposed to active voices, resulting in lot of ambiguity to the reader. This ambiguity appears to be intentional so as to influence the reader. Using this characteristic, a relationship between profitable and unprofitable companies is ascertained as alluded to by (Yasseen et al., 2017).

#### *Use of personal reference*

Use of personal reference: Literature suggests that chairman statements use personal reference. Furthermore, there is no difference between profitable and unprofitable companies (Cen & Cai, 2013; Clatworthy & Jones, 2006). In contrast (Yasseen et al., 2017) found extremely profitable companies to use fewer personal references than unprofitable companies. Use of personal reference includes use of: “I”, “me”, “my”, “our”, “us”, and “we”

#### *Use of positive disclosure tone*

Use of positive tone and selective language are tactics used by management for impression management. Language selection is viewed as opportunistic behaviour (Du Toit, 2017, p. 17). Bozzolan et al. (2015) examined use of positive tone on longitudinal study on FIAT case study and found it to be another tactic to manage impression.

The surveyed literature provides mixed findings on impression management by publicly listed firms. The use of chairman statements is mainly as a tool to manage the users of integrated reports. This study assesses the use of a positive tone in the chairman’s statement for JSE Top 40 listed companies through sentiment in the chairman’s statement.

## **2.7 Gaps in literature**

There is a demonstration of impression management from different industries and different studies that have been done, ranging from social media, integrated reports, letters of CEOs, colours used in integrated reports, to graphical perspectives, regression media reports, self-promotion, and other means of self-bias. As much as there are a lot of studies done on impression management, there is still an obvious gap in the literature as there is no study that has been done specifically on JSE Top 40 listed companies. Furthermore, the current study covered sentiments demonstrated in the chairman’s statement, and no study has covered the four characteristics, which are length of chairman’s statement, use of passive voice, use of personal reference and use of positive tone sentiment. In addition, the study was conducted

within the context of legitimacy theory, which is unique for a replicated study. This study closes the obvious gap and in literature and casts a light.

## **2.8 Chapter summary**

Literature shows rich knowledge from theoretical and empirical research on legitimacy, legitimacy theory, JSE top 40 listed companies, integrated report, chairman's statement, and impression management as the overarching phenomena. There are two possible studies that focused on the examination of impression management on the chairman's report through content analysis of narrative disclosure, and these studies of Clatworthy and Jones (2006) and Yasseen et al. (2017), and this study replicates. It has been some time since these studies were done; therefore it is worth exploring whether such impression management is still evidenced in the chairman's statement. Interestingly, even the two studies had inconsistencies. Furthermore, this study adds on a fourth variable, namely disclosure tone, which is adopted from Bozzolan et al. (2015), and there is no study, to the knowledge of the researcher, that has these four variables.

The next chapter will cover the data collection methods, sample, and data analysis tool.

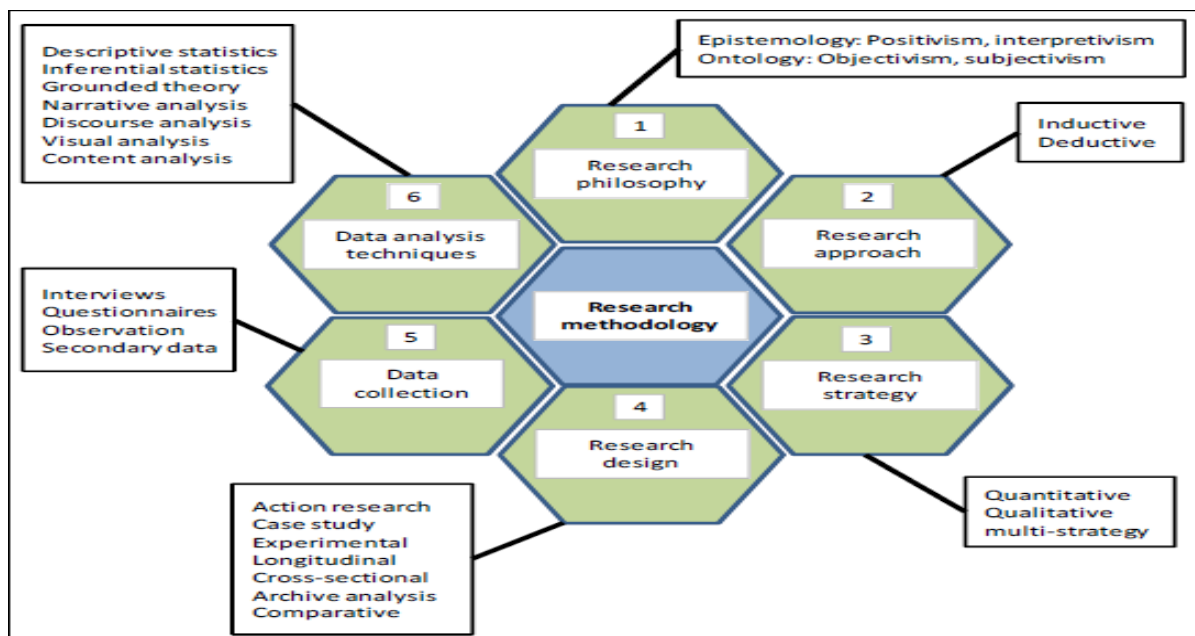
## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Introduction

The research method entails necessary steps that have to be followed to collect data, and it includes research design, method of sampling, nature of data collection, and any other steps involved in completing the research (Bell et al., 2018). This chapter articulates the research method that was followed in conducting this study, the methods selected, the strategy, design, population, model specification, and data validity. The Honeycomb framework is used to illustrate research components.

### 3.2 Honeycomb model of research components

Wilson (2014, p. 30) introduced the honeycomb model to differentiate between research methodology and research design. Research designs are plans or frameworks for the collection and analysis of data whilst research methods are the ways of collecting data. There are six elements of research as indicated in Figure 4 below, namely (1) research philosophy, (2) research approach, (3) research strategy, (4) research design, (5) data collection, and (6) data analysis techniques (Wilson, 2014, p. 31).



**Figure 2: Adapted from Wilson 2014:32**

#### 3.2.1 Research philosophy

Research philosophy is linked with the researcher's view on knowledge development; what researchers think constitutes knowledge and it impacts the way they carry out the research (Wilson, 2014, p. 32). Ontology is concerned with reality, "a theory of being and reality" (Bell

et al., 2018, p. 742). There is objectivism and subjectivism; objectivism believes that there is not

more than one reality that can be measured, whilst subjectivism believes that reality is relative (Bell et al., 2018, p. 742; Hudson & Ozanne, 1988). The study of social reality is called positivism (Bell et al., 2018, p. 56). The research used the positivism philosophy, which is based on reality, and is proven statistically. Furthermore, the research was based on the objectivism ontology, where the research will be based on statistical results. The researcher's feelings and ideas did not influence the results of the study, as these are based on statistics.

There are two methods of reasoning, namely the inductive and deductive approaches. Law-based arguments are regarded as deductive whilst experience-based ones are regarded as inductive. Inductive research is where the researcher starts from the bottom up using participants' views to generate a theory, whilst deductive researchers work from the theory to hypothesise to or contradict theory (Bell et al., 2018, p. 60). The deductive method of reasoning is linked with the quantitative approach and the inductive is linked with the qualitative approach (Bell et al., 2018, p. 54). The study was conducted alongside the deductive method of reasoning, which is consistent with the method used by Yasseen et al. (2017) in a replicated study. The researcher's conclusions are based on specific data collected, a specific sample to prove observation of impression management in chairman statements in the JSE Top 40 listed companies.

Research can be conducted using different types of methods such as qualitative, quantitative, and mixed methods (Bell et al., 2018). These methods are discussed in the next section.

### **3.2.2 Research design**

Wilson (2014, p. 132) defines research design as a systematic process that a researcher follows and which gives detailed steps from start to the end and increases the chances of finalising their research. To conduct this process, a particular method of data collection must be used, such as qualitative, quantitative, and mixed methods. Bell et al. (2018) and Bhat et al. (2020, p. 11) give insights on methods, and states that quantitative research is a structured way of collecting data and analysing it to draw conclusions. This method uses statistics to analyse the data collected. The qualitative research method is a process that is about inquiry and it assists in creating an in-depth understanding of the problem or issue in their natural settings. It is non-statistical. Lastly, the mixed methods approach is related to the combination of quantitative and qualitative data within a single investigation or sustained program of inquiry (Bell et al., 2018, p. 110; Clark & Creswell, 2008, p. 376). In a recent and replicated study on impression management in 100 companies listed in the JSE main board, Yasseen et al. (2017) used a

quantitative method. Consistent with replicated study, this study used quantitative method and further considered qualitative method to differentiate the study. This allow the researcher to analyse data from statistical and non-statistical perspectives.

The content analysis technique was used on secondary data. Bell et al. (2018, p. 289), Smith & Taffler (2000, p. 16) and White and Marsh (2006, p. 2) define content analysis as the scrutiny of records to measure content based on particular kinds of orderly and reproducible methods. This is the famous method used in sustainable reporting, and it is in line with other studies that used this method, such as Diouf and Boiral (2017, p. 19), Melloni et al. (2016, p. 3), Moreno et al. (2019) and Talbot and Boiral (2018). Using this method on secondary data extracted from integrated reports, content analysis was employed to ascertain whether there is a methodological difference in documented features in the chairman statements of profitable and non-profitable companies on the JSE Top 40 listed companies. (Yasseen et al., 2017, p. 9). Computer-assisted data methods were used to determine this. Below is the model specification and justification of the model of data collection.

### 3.3 Model specification

#### Theoretical model:

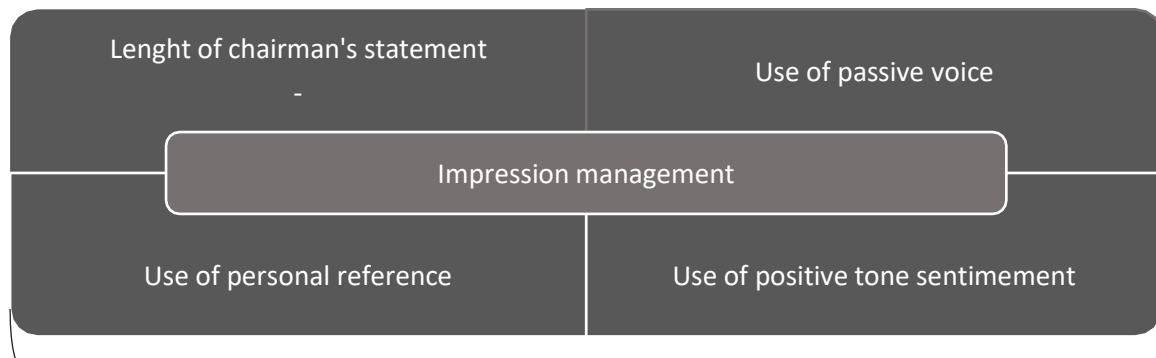


Figure 3: Theoretical model demonstration

*Source: Source: Own presentation*

#### *Legitimacy theory disclosure*

Literature shows that companies partake in impression management in quest of, and in fear and pressure of legitimacy (Wang, 2016, p. 1). To contextualise the study, legitimacy theory was used, and impression management characteristics through voluntary disclosure were examined,

including length of chairman's statement, use of passive voice, use of a personal reference (Yasseen et al., 2017), use of positive tone (Bozzolan et al., 2015), and use of positive tone.

The examination was done based on profitable and non-profitable companies in JSE's top 40 listing. To determine the profitable and non-profitable companies, the model used by Yasseen et al. (2017), which utilises use of "highest increase" in profit before tax from 2019 to 2020 financial year and companies with the highest decrease in profit before tax, was used. Information was extracted from integrated reports, particularly from the statement of financial performance. As used on replication studies, Mann-Whitney was used to determine the difference between profitable and non-profitable companies. The next section dwells more on the variables and how data for each variable were collected and measured.

### 3.3.1 Quantitative research model

The study was based on a few hypotheses, based on profitable and non-profitable companies in the JSE Top 40. The following hypotheses and null hypotheses were adopted from a study replicated by Yasseen et al. (2017).

***H1: There is no systematic difference in the textual characteristics in the chairman's statement of profitable and unprofitable companies on Top 40 JSE listed companies.***

To test the characteristics, three hypotheses were adopted from the replicated study (Yasseen et al., 2017) and one additional hypothesis was derived from disclosure tone (Bozzolan et al., 2015).

- **Length of chairman's statement:** H1.1 - The chairman's statements of profitable and unprofitable companies will be similar in length.
- **Use of passive voice:** H1.2 - The chairman's statement of profitable and non-profitable companies will contain the similar percentage of passive voices.
- **Use of personal reference:** H.1.3 - The chairman's statement of profitable and non-profitable companies will contain the similar number of personal references.
- **Use of positive disclosure tone:** H.1.4 - The chairman's statement of profitable and non-profitable companies will contain a similar percentage of positive sentiment on disclosure.

The following formula represents the above null hypothesis and sub-hypotheses:

$$\mathbf{H1 = h1.1 + h1.2 + h1.3 + h1.4}$$

The section below shows how each sub-hypothesis was tested, with formulas in the form of a quantitative model.

### 3.4 Justification of variables

The study is a replication study, and the variables, therefore, were adopted from Yasseen et al. (2017). Furthermore, to differentiate the study, one variable was adopted from a study by Bozzolan et al. (2015). These variables examine the existence of impression management in chairman statements.

- **H.1.1: Length of chairman's statement** - The chairman's statements of profitable and unprofitable companies will be similar in length
- Hypothesis displayed in formula format:

$$P0: = P1: (x + a)$$

P0 = profitable companies

P1= non-profitable

x = number of words

a = number of pages

The number of pages and the number of words were used to assess the length of the chairman's statement. Word count dictionary on Microsoft Word was used and page numbers were determined as absolute numbers.

- **H.1.2: Use of passive voice** - The chairman's statement of profitable and non-profitable companies will contain the similar percentage of passive voices

Hypothesis displayed in formula format:

$$P0 : (P\%) = P1: (P\%)$$

P0 = profitable companies

P1= non-profitable

P% = Percentage of passive sentences

The percentage of passive sentences was analysed to examine the percentage of passive sentences as a percentage of total sentences in the chairman's statement. The Microsoft word proofing tool was used to determine the percentage.

- **H.1.3 Use of personal preferences** - The chairman’s statement of profitable and non-profitable companies will contain the similar number of personal references.

Hypothesis displayed in formula format:

$$P0 : (Pr) = P1: (Pr)$$

P0 = profitable companies

P1= non-profitable

Pr = Personal reference

Microsoft word was used for frequency of predefined personal preferences and frequency of occurrences of words such as “I”, “me”, “my”, “our”, “us”, and “we” was recorded. Furthermore, the qualitative approach was employed by creating themes based on the personal reference words, and word cloud was determined and analysed. The NVivo research tool was used to generate word cloud through word query to determine word frequency. Sub-themes were generated based on the use of personal reference words, and nodes were coded as “I”, “me”, “my”, “our”, “us”, and “we”. The association of these were determined, with the most central word in the centre and bigger; further words were grouped as ‘stemmed words’ to ensure appropriate broad grouping (Nxumalo, 2020, p. 64).

- **H.1.4: Measurement of disclosure tones** – The chairman’s statement of profitable and non-profitable companies will contain a similar percentage of positive sentiment on disclosure.

Hypothesis displayed in formula format:

$$P0: (Ps) = P1: (Ps)$$

P0 = profitable companies

P1= non-profitable=

Ps = positive sentiment

In the chairman’s statement, positive and negative sentiments were determined. The Azure Machine Learning tool from Microsoft excel was used to determine the sentiment on each of the chairman statements. Each sentiment (positive or negative) was presented as a percentage of sentiment in total. The sentiment for both profitable and non-profitable was presented.

The difference is in the examination of the positive tone, which were done through sentiment. The study by Bozzolan et al. (2015, p. 8) took into account positive words over total words, and negative words over total words and deducted negative on positive sentiment to determine the net sentiment. It also took into account the time after which the information was realised, which was not taken into account in this study, since the study was not longitudinal, in which case it would have taken into account different times at which information was realised. This was not the case in this study, as it was only done considering one financial year's integrated report, namely 2020 financial year. To test normality, the Mann-Whitney test was used to test the relationship (Yasseen et al., 2017, p. 10), and this is consistent with the replicated study.

### **3.5 Data types and sources**

Secondary data was used; the researcher used information already available (Bell et al., 2018, p. 72), and these are integrated reports from company websites. The chairman statements for the 2020 financial year and the statement of financial performance for 2019 and 2020 financial years were extracted to determine profitable and non-profitable companies.

### **3.6 Research population**

The study was based on the top 40 listed companies in the JSE. JSE Top 40 listed companies represent 80% of the market share of all listed companies in Johannesburg Stock Exchange based on the real-time share price and closing price (Baker et al., 2016; Barr et al., 2007; De Villiers and Middelberg, 2013; Kotze, 2017; Marx and Mohammadali-Haji, 2014, p. 9; Marx and Voogt, 2010; Pholohane et al., 2020; Russell, 2021, p. 3; van Zijl and Hewlett, 2021; Yasseen, 2011). These companies represent a significant portion of JSE listed companies and based on the literature, no study has been done on this group of companies before. Although Yasseen et al. (2017) conducted a study on the top 100 companies listed on JSE mainboard, a study just the top 40 was relevant, as it would be specific to the majority of listed companies.

### **3.7 Research sample**

The sample is a predetermined sample, which is called quota sampling (Bell et al., 2018, p. 235; Viljoen et al., 2016, p. 14). The 40 companies from the Top 40 companies listed on JSE were selected, which is consistent with previous studies done in the JSE Top 40 listed companies (De Villiers & Middelberg, 2013; Malola & Maroun, 2019; Marx & Mohammadali-Haji, 2014; van Zijl & Hewlett, 2021; Van Zijl et al., 2017; Willows & van der Linde, 2016;

Yasseen et al., 2017). This is the Top 40 as of 23 July 2021, which is the date on which data was extracted from the sites.

### **3.8 Data collection methods and instruments**

Websites of the JSE Top 40 listed companies were accessed on 23 July 2021 and audited and signed integrated reports were extracted in pdf formats. Data was collected by the researcher and was saved in electronic format by the researcher on his laptop and further on a separate hard drive for the period prescribed by the University of KwaZulu-Natal. The analysis to determine the profitable and non-profitable companies was done by adopting the method that was used by Yasseen et al. (2017, p. 9), which is uses profit before taxes. Profit before tax for all JSE Top 40 listed companies was extracted for 2019 and 2020. The change in profit before tax was calculated. The positive change was identified as profitable and negative as non-profitable. At the first round, all top 40 companies were analysed and it was found that only 16 out of 40 companies had positive change and 24 had negative change.

A second round was done to analyse the least negative change and 4 more companies were added as profitable companies. Therefore, 20 profitable and 20 non-profitable companies were identified. Further analysis on most profitable companies was done and 10 out of 20 profitable companies were identified by identifying the most profitable based on bigger change in profit before tax. The same analysis was done for non-profitable companies, and 10 most non-profitable companies were identified.

The following variables were tested using specific instruments:

#### **1. Length of chairman's statement-**

The number of pages- chairman statements were extracted from the integrated report and converted to Microsoft Word.

**Number of words:** Proofreading tool in Microsoft word was used to get the word count on each of the chairman statements.

#### **2. Passive voice-** A readability statistics tool from Microsoft word was used to get the percentage of passive voice sentences in the chairman statements.

#### **3. Use of personal preferences -** Microsoft word for frequency of predefined personal preferences was used, and frequency of occurrences were recorded, including words such as "I", "me", "my", "our", "us", and "we".

**4. Measurement of disclosure tones:** Chairman statements were imported to excel spreadsheet. The Azure Machine Learning was used to examine the sentiments in each statement. “Positive” and “Negative” results were found. Percentage of total “positive and negative” was used to calculate total positive and total negative sentiment percentages.

### **3.9 Data validity and reliability**

The data is considered valid as it is secondary data extracted from official company websites. Signed integrated reports were used, extracted from websites, and further extracts, both the audited annual financial statements and chairman’s statement, were done.

### **3.10 Data presentation and analysis procedure**

Data is presented based on all four variables as follows:

**Length of chairman’s statement:** statistical analysis is used to determine the number of words and length of the chairman statements. The number of words analysis also includes mean, standard deviation, minimum, and maximum. The tabular format is used to present the data. The analysis is done based on whether the chairman’s statements of profitable and non-profitable companies are comparable in length. The Mann Whitney non-parametric test is done to test similarities in length.

**Use of passive voice:** The percentage of passive sentences and statistical analysis are done and data is presented in tabular format, where The Mann-Whitney non-parametric is done to determine the use of passive voices. The data is presented as the number of passive voices, mean raking and sum ranking for profitable and non-profitable companies.

**Use of personal references:** Statistical analysis is done to determine the number of personal references, to determine whether there is a difference between profitable and non-profitable companies’ use of passive voices on chairman statements. The Mann-Whitney test is used to determine this.

**The use disclosure tone:** As both positive and negative sentiment were identified, the results are presented with a comparison of highly profitable and non-profitable companies. This is done in the tabular format.

### **3.11 Ethical considerations**

The researcher obtained ethical clearance before the collection of data to ensure that the research is done more responsibly and ethically. This also ensured that there was no harm to anyone directly or indirectly.

### **3.12 Summary**

This chapter covered study population, sample, data collection methods, model and model specification. It also discussed data presentation and data analysis procedures. The mixed-methods approach was used in the form of statistical and non-statistical methods, and different variables were discussed alongside hypotheses and sub-hypotheses formulation and testing procedure.

The next chapter present results and analysis based on data collected. The data is presented and analysed considering research objectives and study hypotheses.

## CHAPTER 4: DATA PRESENTATION AND ANALYSIS

### 4.1 Introduction

This chapter presents the results of the study. It also has a section on discussion of findings. The analysis focused on the chairman statements in the integrated reports of 40 companies identified as top 40 companies listed on the JSE. These 40 companies were grouped into 20 profitable and 20 non-profitable companies. Furthermore, of the 20 profitable ones, 10 extremely profitable companies were identified. This process was also followed for extremely non-profitable companies. Profit before tax for 2019 and 2020 was extracted from the statement of comprehensive income for all 40 companies. The change from 2019 to 2020 profit before tax was calculated to determine the difference. The profitable companies were identified by how big the change from the 2019 to 2020 financial year was. In the initial stage, only 16 profitable and 24 non-profitable companies were identified. To get 20 companies, a second round of the least non-profitable companies was assessed, considering the extent of their losses, ranging from lower non-profitable to more non-profitable. Four additional companies were then added to the list of profitable companies to make 20 profitable and 20 non-profitable companies.

A further analysis was done within the profitable group of companies to identify 10 extremely profitable ones, and this was based on the change of their profit before tax, from biggest to lowest change in percentage. This was also done in non-profitable companies to determine 10 extremely non-profitable companies. Data was analysed based on the following research objectives:

- Establish whether profitable and unprofitable companies partake in impression management through textual characteristics of the chairman's statement based on length;
- Examine the chairman's statements of JSE Top 40 listed companies to bring to light, and thus contribute to literature on patterns in the use of passive choices;
- Assess the use of personal references in the chairman's statement for the JSE Top 40 listed companies, and
- Assess the use of positive tone in the chairman's statement for JSE Top 40 listed companies through sentiments in the chairman's statement.

## 1.2 Results presentation and analysis

### *Length of chairman's statement*

Based on Table 1 below, profitable companies had an average of 1 480 words and had 2.55 pages in length. Unprofitable companies had an average of 1 773 words and 3.55 pages length. Unprofitable companies had 16,52% more words on average than profitable companies. Unprofitable companies had 28,17% more pages on average than profitable companies.

**Hypothesis:** H1.1 - The chairman's statements of profitable and non-profitable companies will be similar in length.

**Table 4.1: Profitable and non-profitable companies' length of chairman statements in words and number of pages**

		N	Mean	Standard deviation	CV	Minimum	Maximum
Length of chairman's statement in words	Profitable	20	1480	731	0,493737	476	3788
	Unprofitable	20	1773	717	0,436354	733	3158
	<b>Total</b>	<b>40</b>	<b>3253</b>	<b>1 448</b>	<b>0,930091</b>	<b>1 209</b>	<b>6 946</b>
Length of chairman's statement on pages	Profitable	20	2.55	1,10	0,430997	1	5
	Non-profitable	20	3,55	1,35	0,449496	2	6
	<b>Total</b>	<b>40</b>	<b>6,1</b>	<b>2,45</b>	<b>0,880457</b>	<b>3</b>	<b>11</b>

Mann-Whitney test in table 3 shows the mean rank of profitable companies as 18.08, which is less than unprofitable companies, which is 22.93. The difference is 21,15%. The sum rank of profitable (361.50) is also less than that of non-profitable (458.50) companies.  $U = 151.500$ ,  $Z = -1.312$ , and  $P = 0.2$  of which  $p > 0.05$ , which shows no significant difference between these two groups of companies. The hypothesis is accepted. These results are consistent with those of Yassen et al. (2017, p. 11), which found no significant difference between profitable and unprofitable companies.

Table 4.2 below provides an analysis of extremely profitable and extremely unprofitable companies and length in words and number of pages.

**Table 2: Extremely profitable and extremely unprofitable companies and length in words and number of pages for chairman statements**

	5	N	Mean	Standard deviation	CV	Minimum	Maximum
Length of chairman's statement in words	Profitable	10	1651,5	939	0,568619	476	3788
	Unprofitable	10	1294,5	682	0,527019	733	2609
	<b>Total</b>	<b>20</b>	<b>2 946</b>	<b>1 621</b>	<b>1,095638</b>	<b>1 209</b>	<b>6 397</b>
Length of chairman's statement in pages	Profitable	10	2,5	1,08	0,432049	1	5
	Non-profitable	10	2,5	1,032796	0,413118	2	5
	<b>Total</b>	<b>20</b>	<b>5</b>	<b>2,112796</b>	<b>0,845167</b>	<b>3</b>	<b>10</b>

Extremely profitable companies had an average of 1 652 words and an average of 2.5 pages in length, while extremely unprofitable companies had an average of 1 295 words and an average length of 2,5 pages. Extremely profitable companies reported a higher average of 21,62% than extremely unprofitable companies, with a 0% difference in the number of pages. The hypothesis is accepted. This is consistent with the findings of Yasseen et al. (2017, p. 12) and Clatworthy & Jones (2006, p. 9).

The Mann-Whitney test in Table 4.3 below shows the mean rank of extremely profitable companies as 21.15, which is more than that of unprofitable companies which is 19.85, with the difference of 6.14%. The sum rank of extremely profitable companies was 423, which is also more than that of unprofitable which is 397. The Mann-Whitney U tests results, U=187.000, Z= -352 and P= 0.7.,  $p > 0.05$ , shows no significant difference. These results are inconsistent with those of Yasseen et al. (2017, p. 12) and Clatworthy and Jones (2006, p. 9), which reported a significant difference in length of the chairman statements in terms of pages.

**Table 4.3: Profitable, unprofitable, extremely profitable, and extremely unprofitable Mann-Whitney test**

		N	Mean Rank	Sum Rank
Length of chairman's statement in words	Profitable	20	18.08	361.50
	Non-profitable	20	22.93	458.50
	Mann- Whitney	<b>Wilcoxon W</b>	<b>Z</b>	<b>Asymp Sib. (2-tailed)</b>
	151.500	<b>361.500</b>	<b>-1.312</b>	<b>.190</b>
Length of chairman's statement in number of pages	Extremely profitable	10	21.15	423
	Extremely unprofitable	10	19.85	397
	Mann- Whitney	<b>Wilcoxon W</b>	<b>Z</b>	<b>Asymp Sib. (2-tailed)</b>
	187.000	<b>397.000</b>	<b>-352</b>	<b>.725</b>

*Use of passive voice*

**Hypothesis:** H1.2 - The chairman's statement of profitable and unprofitable companies will contain the similar percentage of passive voices.

**Table 4.4: Use of passive voice in percentages for profitable and unprofitable companies**

		N	Mean	Standard deviation	CV	Minimum	Maximum
Length of chairman's statement in words	Profitable	20	14%	10	0,694272	0%	31,2%
	Unprofitable	20	14,1%	6,420319%	0,455342	0%	21,9%
	Total	<b>40</b>	<b>28,1%</b>	<b>16,420319</b>	<b>1,149614</b>	<b>1 209</b>	<b>6 946</b>

On average, 14% of profitable companies used the passive voice and unprofitable companies had 14%,1%. Profitable companies had a maximum of 31,2% higher than unprofitable which is 21,9% however there is an insignificant difference in the use of passive sentences in profitable and unprofitable companies shown by Mann-Whitney test. The hypothesis is accepted.

**Table 4.5: Profitable, unprofitable Mann-Whitney test**

		<b>N</b>	<b>Mean Rank</b>	<b>Sum Rank</b>
Passive words sentences in percentages	Profitable	20	21.15	423.00
	Unprofitable	20	19.85	397.00
	<b>Total</b>	<b>40</b>		
	Mann-Whitney	<b>Wilcoxon W</b>	<b>Z</b>	<b>Asymp Sib. (2-tailed)</b>
Passive words sentences in percentages	187.000	397.000	-.352	.725

Mann-Whitney test shows mean rank of profitable companies as 21.15, which is more than unprofitable which is 19,85, with a difference of 6,15%. The sum rank of profitable companies was 432, more than unprofitable companies, which is 397. Mann-Whitney U test results, U= 187, Z= -352 and P= 0.725,  $p > 0.05$ , show no significant difference. The hypothesis that profitable and unprofitable companies contain a similar percentage of passive voice sentences is accepted. This is consistent with the results of Yasseen et al. (2017, p. 14) which showed that no there was no significant difference in use of passivevoice between profitable and unprofitable companies.

**Table 4.6: Extremely profitable and extremely unprofitable use of passive voice percentage Mann-Whitney u test**

		<b>N</b>	<b>Mean Rank</b>	<b>Sum Rank</b>
Use of Passive words in chairman's statements	Extremely Profitable	10	11.60	116.00
	Extremely Unprofitable	10	9.40	94.00

	Total	20		
	Mann- Whitney	<b>Wilcoxon</b>	<b>Z</b>	<b>Asymp Sib.(2</b>
		<b>W</b>		<b>tailed)</b>
Passive words sentences in percentages	39.000	94.000	-.833	.405

On average 14% profitable companies used passive voice, which was more than unprofitable companies that had 141%. Profitable companies had a maximum of 31,2%, which was higher than the unprofitable, which had 21,9%. There is insignificant difference in use of passive words in profitable and unprofitable companies. The hypothesis is accepted.

Mann-Whitney test found the mean rank of extremely profitable companies to be 11.60, which is more than the extremely unprofitable companies, which had 9.40, with 19% difference. The sum rank of profitable companies is 116, more than unprofitable companies which is 94. Mann-Whitney test shows:  $U=39$ ,  $Z=-.833$  and  $P=0.4$ ,  $p>0.05$  shows no significant difference. The hypothesis is accepted. Results are inconsistent with those of Yasseen et al. (2017, p. 14) which suggested a significant difference. However, they are consistent with those of Clatworthy and Jones (2006, p. 9).

#### *Use of personal reference*

**Hypothesis:** H.1.3 - The chairman's statement of profitable and unprofitable companies will contain similar number of personal references.

**Table 4.7: Profitable and unprofitable companies' use of personal reference**

		<b>N</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>
Length of chairman's statement in words	<b>Profitable</b>	20	20	32	0,54	15	116
	<b>Unprofitable</b>	20	65	33,61	0,52	5	153
	<b>Total</b>	<b>40</b>	<b>85</b>	<b>65,61</b>	<b>1,053</b>	<b>20</b>	<b>269</b>

Unprofitable companies showed a 65 average on use of personal reference while profitable companies showed 20. There is a significant difference of 69%. The minimum number of personal references of unprofitable companies is 153 more than profitable companies, which is 116. These results are

inconsistent with those of Yasseen et al. (2017, p. 15) which suggested that profitable companies used more personal references than unprofitable companies did.

Mann-Whitney in table 8 ranks the mean of profitable and unprofitable companies. Mean of profitable companies is 19.25 less than unprofitable companies which 21.27 with a difference of 11.3%. Sum rank of unprofitable is 438, more than profitable companies which is 385. Mann-Whitney on tale above 8 shows:  $U = 175$ ,  $Z = -677$ ,  $P = 5$ ,  $p > 0,05$  shows no significant difference. The hypothesis is accepted.

**Table 4.8: Profitable and unprofitable use of personal reference, Mann-Whitney u test**

		<b>N</b>	<b>Mean Rank</b>	<b>Sum Rank</b>
Passive words sentences in percentages	<b>Profitable</b>	20	19.25	385.00
	<b>Unprofitable</b>	20	21.75	435.00
	<b>Total</b>	<b>40</b>		
	<b>Mann-Whitney</b>	<b>Wilcoxon W</b>	<b>Z</b>	<b>Asymp Sib. (2 tailed)</b>
Passive words sentences in percentages	175.000	385.000	-.677	.499

Further analysis of extremely profitable and extremely unprofitable companies is shown in Table: 9 below:

**Table 4.9: Extremely profitable and extremely unprofitable use of personal reference**

		<b>N</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>CV</b>	<b>Minimum</b>	<b>Maximum</b>
Length of chairman's statement in words	Extremely Profitable	10	57	35	0,611	15	116
	Extremely Unprofitable	10	52	33	0,64	5	102
	<b>Total</b>	<b>20</b>	<b>109</b>	<b>70</b>	<b>1,053</b>	<b>20</b>	<b>218</b>

Results show that extremely profitable companies use more personal reference than extremely unprofitable companies. Extremely profitable companies used an average of 57 words, a few more than 52 words used by extremely unprofitable companies. Extremely profitable companies used a minimum of 15 words and a maximum of 116 words than compared to unprofitable companies with a minimum of 5 and a maximum of 102 words. Extremely profitable companies used more personal references than extremely unprofitable companies. This is inconsistent with the findings of Yasseen et al. (2017, p. 15) that extremely unprofitable companies used more personal references than extremely profitable companies.

Mann-Whitney in Table 4.10 shows that extremely profitable companies had a mean of 11,1, which is more than the extremely unprofitable companies which had 9.90, with a percentage difference of 10,8%. The sum rank of 111 for extremely profitable and 99 for extremely unprofitable, had a 10.8% difference. Extremely profitable companies used more personal references than extremely unprofitable companies. Mann-Whitney test results:  $U=44$ ,  $Z= -454$ , and  $p=7. \cdot 10^{-8}$ ,  $p < 0.05$  shows no significant difference. The hypothesis is accepted. Results are inconsistent with those of Clatworthy and Jones (2006, p. 9) and Yasseen et al. (2017, p. 16) who found that profitable companies used more personal references than unprofitable companies, but they are consistent with those of Cen and Cai (2013), which found no significant differences.

**Table 4.10: Extremely profitable and extremely unprofitable companies' use of personal reference Mann-Whitney u test**

		<b>N</b>	<b>Mean Rank</b>	<b>Sum Rank</b>
Personal reference words in chairman's statements	<b>Profitable</b>	10	11.10	111.00
	<b>Unprofitable</b>	10	9.90	99.00
	<b>Total</b>	<b>20</b>		
	<b>Mann-Whitney</b>	<b>Wilcoxon W</b>	<b>Z</b>	<b>Asymp Sib. (2 tailed)</b>
	44.000	99.000	-.454	.650

## World Cloud

Nvivo was used to identify nodes and these were coded based on the personal reference, “I”, “me”, “my”, “our”, “us”, and “we”. Frequency in word use was considered. The following table shows the extent to which each personal reference was used. It appears that “Our” in the chairman statements was used mostly referring to the sub-theme “Board and Business”. Chairpersons referred to personal reference more in the collective, demonstrated by 42% use of “our” and 37% use of “we”. This is characterised by the cloud word theme, which is “Board”. They referred to themselves 12% ,“I” which is significant considering total.

**Table 4.11: Nodes analysis**

CODE/NODES	Files	References	Percentage
I	37	162	12%
ME	1	2	0%
MY	25	58	4%
OUR	40	558	42%
US	22	48	4%
WE	38	486	37%
<b>TOTAL</b>	<b>163</b>	<b>1314</b>	<b>100%</b>

In overall, chairpersons believed much in the board and showed positive outcomes on the board, followed by the company. Use of personal reference, especially use of “our” as they are from perspective of claiming as well as “we” are showing the confidence they demonstrated in their reporting. This use of personal reference demonstrates the extent of connection between the writer and theme (Yasseen et al., 2017). This personal reference could be a tactic for impression management. The frequent use of “we” and our” is consistent with the results of the study replicated by Yasseen et al. (2017), which found “we” and ‘our” to be the most frequently used personal reference than others.

### *Use of positive disclosure tone*

Hypothesis: H.1.4 - The chairman statements of profitable and unprofitable companies will contain a similar percentage of positive tone on disclosure based on sentiment.

To test positive sentiment, the Azure machine learning was used to test the total sentiment in the chairman’s statement. Below are the results for profitable and unprofitable companies.

**Table 412: Profitable and unprofitable use of positive and negative sentiment in chairman’s statement.**

	N	Positive sentiments in %	Negative sentiment in %

Sentiment on chairman's statements	<b>Profitable</b>	20	33%	67%
	<b>Unprofitable</b>	20	25%	75%
	<b>Total</b>	<b>40</b>	<b>58%</b>	<b>142%</b>

The top 40 companies showed negative sentiment in the chairman's statement, profitable and unprofitable companies showing more than 50% negative sentiment. More scrutiny shows that profitable companies showed more positive sentiments than unprofitable companies, with a difference of  $(33\% - 25\%) = 8\%$ . In contrast, more negative sentiment was shown more by unprofitable companies than profitable companies, with same percentage difference  $(75\% - 67\%) = 8\%$ . This shows that profitable companies used a more positive tone than unprofitable companies. The hypothesis is rejected.

**Table 13: Extremely profitable companies and extremely unprofitable companies use positive and negative sentiment in the chairman's statement**

		N	Positive sentiments in %	Negative sentiment in %
Sentiment on chairman's statements	Profitable	10	10%	90%
	Unprofitable	10	0%	100%
	Total	<b>20</b>	<b>10%</b>	<b>190%</b>

The most profitable companies showed more positive sentiment than extremely unprofitable companies. Most unprofitable companies showed 100% negative sentiments on the chairman's statement. Profitable and unprofitable companies expressed negative sentiments with extremely unprofitable companies expressing negative sentiments. Results are consistent with those of Aly et al. (2018) that showed evidence of the use of a positive tone in disclosure in developing countries.

Though hypotheses is accepted in use of personal reference for extremely profitable and extremely unprofitable companies, these results are contrary to two studies done in the UK and SA by Clatworthy and Jones (2006) and Yasseen et al. (2017). These results are consistent with those of a study done in China by Cen and Cai (2013). The above results are in line with the conclusion by Yan et al. (2019) that the use of personal reference is one mechanism for

impression management. Finally, profitable and unprofitable companies do not use much positive sentiment in their chairman's statement. However, profitable and extremely profitable companies used more positive tones than unprofitable and extremely unprofitable companies. This is consistent with the conclusion by Bozzolan et al. (2015) that positive tone can be used to influence the way in which users of information react towards a particular organisation that is in the quest for legitimacy (Beelitz & Merkl-Davies, 2012). The use of positive tone may suggest impression management (Melloni, 2015, p. 21; Shan, 2019). Overall, there is no significant difference between profitable and unprofitable companies based on voluntary disclosure in chairman statements.

### **4.3 Summary**

Overall, profitable and non-profitable companies were confirmed to be participating in impression management using length of chairman's statement, use of passive voice, personal reference, and use of positive tone in disclosure. It is evident from above that profitable and non-profitable companies have similarities in the use of length in the chairman's statement. Mann-Whitney showed no significant difference results resulting in acceptance of the null hypothesis that there is similarity in length for profitable and non-profitable companies. Furthermore, for use of passive voice and personal reference, Mann-Whitney showed no significant differences, resulting in both hypotheses being accepted. This means that both profitable and non-profitable companies use passive voice and personal reference in chairman statements. Interesting to note is that even though the hypothesis was accepted in use of personal reference for extremely profitable and extremely unprofitable companies, these results are contrary to the two studies done in the UK and SA by Clatworthy and Jones (2006, p. 9) and Yasseen et al. (2017, p. 16) Rather, the findings showed the same results as the study done in China by Cen and Cai (2013). The above results may be in line with the conclusion by Yan et al. (2019) that the use of personal reference is one mechanism for impression management.

On the use of positive tone, generally, both profitable and non-profitable companies were confirmed to have not used much positive sentiment in their chairman's statement. However profitable and extremely profitable companies used more positive tones than non-profitable and extremely non-profitable companies. This is consistent with the conclusion of Bozzolan et al. (2015, p. 20) that tone can be used to influence the way users of information react towards the particular organisation is in the quest for legitimacy (Beelitz & Merkl-Davies, 2012).

Furthermore, the use of this positive tone may suggest impression management (Melloni, 2015, p. 21; Shan, 2019). Overall, there is no significant difference between profitable and non-profitable companies based on voluntary disclosure in the chairman’s statement.

. The following table shows a brief summary and link between findings and literature.

**Table 14:**Relation between findings and literature

No	Research findings	Reference to literature
1.	Length of chairman’s statement is one of the tactics used for impression management. Further there is no difference in use of length in words and page numbers in chairman’s statement.	(Yasseen et al., 2017), Clatworthy and Jones (2006, p. 9),
2	Passive voice is one of the tactics used for impression management, however there is no significant difference in use of passive voice between profitable and non profitable companies.	Yasseen et al. (2017, p. 14), Clatworthy and Jones (2006, p. 9).
3	Use of personal reference is one of the tactics used in impression management, however there is no significant difference on use of personal reference between profitable and non profitable companies.	(Yasseen et al., 2017), Clatworthy and Jones (2006), Yan et al. (2019)
4	Positive tone is one of the tactics used in impression management	Aly et al. (2018), Bozzolan et al. (2015), Melloni (2015, p. 21), (Melloni et al., 2016), Beretta et al. (2019), (Melloni, 2015, p. 21; Shan, 2019).
5	The study was conducted using legitimacy theory, there is obvious evident that management uses impression management in quest of legitimacy.	(Beelitz & Merkl-Davies, 2012), Ogden and Clarke (2005), Deegan (2019), (Wang, 2016, p. 1), (Merkl-Davies and Brennan, 2007), Cho et al. (2012), Corazza et al. (2020)

The study was done as a replication of (Yasseen et al., 2017)'s study that focused on top 100 JSE listed companies on main board. His interesting study was the replication of original study on impression management in top 100 UK Listed companies by Clatworthy and Jones (2006), .More than a decade (Yasseen et al., 2017) confirmed that length, use of passive voices, use of personal references are still used as tactics for impression management. This study attest that companies still partake in impression management using same tactics, further demonstrated the use positive disclosure tone .Notwithstanding companies partake in impression management in constant quest of legitimacy. This study adds to the developing literature on how opportunistic behaviours are used in chairman's statement to manage impression of the users, in addition, it adds to the body of literature through findings on disclosure tone.

The next chapter focuses on summary and conclusions of the study, limitations, recommendations and proposed areas of future studies.

## **CHAPTER 5: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter concludes the study on impression management based on length, use of passive voice, personal reference, and tone on voluntary disclosure. Overall, the link from chapters 1 to chapter 4 is made, considering all four objectives of the study. Conclusions are drawn based on the results. Lastly, areas of future studies are suggested based on the limitations of this study. The study also offers some recommendations based on the conclusions of the study.

### **5.2 Summary of the study**

**Research objective 1:** Establish whether profitable and unprofitable companies partake in impression management through textual characteristics of the chairman's statement based on length;

Results show that both profitable and non-profitable companies partake in impression management based on number of words and number of pages. Profitable companies had more words and pages than non-profitable companies. Furthermore, extremely profitable companies had more words than extremely non-profitable companies, with no difference in number of pages.

The Mann-Whitney test showed that there is no significant difference in length of chairman statements of profitable and of non-profitable companies. Therefore, a conclusion is reached and the sub-hypothesis is accepted that length of chairman's statement of profitable and non-profitable is similar.

**Research objective 2:** Examine the chairman's statements of JSE Top 40 listed companies to bring to light, and thus contribute to literature on patterns in the use of passive choices.

Results showed that both profitable and non-profitable companies use passive voices in chairman statements. Profitable companies used more passive words than non-profitable companies, consistent with that of extremely profitable and extremely non-profitable companies. However, there is no significant differences identified between the profitable and non-profitable companies. The conclusion is reached and hypothesis is accepted that chairman's statement of profitable and non-profitable companies contains similar percentage of passive voices.

**Research objective 3:** Assess the use of personal references in the chairman’s statement for the JSE Top 40 listed companies.

Results showed that profitable and non-profitable companies used personal reference in chairman statements, with non-profitable companies using more personal reference than profitable companies. In contrast, extremely profitable companies use more personal reference than extremely non-profitable companies. Both results are inconsistent with those of Yasseen et al. (2017). However, the findings are consistent with those of Cen and Cai (2013) which showed no significant difference between profitable and non-profitable companies’ use of personal reference. The decision is reached and hypothesis accepted that the chairman statements of profitable and non-profitable companies contain similar number of personal references.

Form the qualitative point of view, use of the collective in chairman statements is significant, with “our” and “we” featuring more than other words. On analysis of word cloud, “Board” followed by “Business” appears to be most frequently used and shows that chairpersons used collective words refereeing to board and business. The word “I” is the third highest used personal reference, meaning chairs referred mostly to themselves in their reporting. This may personal attribution of positive results might be used for impression management.

**Research objective 4:** Assess the use of positive tone in the chairman’s statement for JSE Top 40 listed companies through sentiments in the chairman’s statement

Results showed that profitable companies show more positive sentiments in chairman statements than non-profitable companies do. Both profitable and extremely profitable companies showed positive sentiment compared to both unprofitable and extremely non-profitable companies. This suggests that profitable companies show more positive tone in voluntary disclosure than do non-profitable companies. The hypothesis that profitable companies contain more percentage of positive sentiment than non-profitable companies is rejected. This is consistent with the study by Bozzolan et al. (2015) which showed that companies partake in impression management through use of positive tone.

The chairman’s statement of profitable and non-profitable companies will contain a similar percentage of positive tone sentiment on disclosure. The obvious reason for companies to

partake in impression management is to seek legitimacy (Beelitz & Merkl-Davies, 2012). Consequently, different tactics are used to influence the perception of the user. It has been proven that JSE Top 40 listed companies partake in impression management through textual characteristics. With voluntary disclosure currently not subject to audit, management, through opportunistic behaviours, disclose inaccurate information which may be disclosed uniquely to persuade the perception of the user (Clatworthy & Jones, 2006, p. 14). Different techniques are therefore employed in the chairman's statement to deceive users purposefully. Previous two studies performed in UK developed economies (Clatworthy & Jones, 2006) and later in South Africa which is the developing economy by Yasseen et al. (2017) suggested length, passive voice, and personal references as characteristics used to manage impression of the user. Overall, impression management is viewed from the perspective of legitimacy; companies might be partaking in impression management on a mission to get legitimacy, which is consistent with Ogden and Clarke (2005). Narrative disclosure is prepared for the users, which management inherently and constantly needs legitimacy from; thus, use of selective and opportunistic behaviour might be encouraged by desire to get legitimacy.

### **5.3 Conclusion**

Profitable and unprofitable companies have similarities in length in chairman statements. As the Mann-Whitney showed no significant difference, the null hypothesis that there is similarity in length for profitable and unprofitable companies is accepted. On use of passive voice and personal reference, the Mann-Whitney showed no significant differences, resulting in both sub-hypotheses being accepted. Both profitable and unprofitable companies use passive voice and personal reference in the chairman statements. JSE Top 40 listed profitable companies show optimism based on financial results. On the contrary, unprofitable companies appeared to show pessimism based on financial performance. As suggested by literature, more use of a positive tone by profitable companies than by unprofitable companies suggests the relationship between narrated positive sentiments and positive results.

### **5.4 Recommendations**

It is recommended that policy and standard setters consider and develop standards for auditing of narrative voluntary disclosure, as this would at least limit the intentional and careful selection of biased methods to deceive users of information. This is especially important for those statements that are considered important, such as chairman statements.

### **5.5 Limitations of the study**

The obvious limitation of the study is the nature of sampling, which is JSE Top 40 listed companies. Furthermore, the study was done during the Covid-19 pandemic, and the profit before tax which was used to differentiate profitable and non-profitable companies for 2019 and 2020 differ significantly different due to a lot of companies recording lower profits in the 2020 financial year, due to lockdown and corona virus pandemic.

### **5.6 Suggested future research**

This study was a replication of a study done by Yasseen et al. (2017), which used the length of chairman's statement, use of passive voice, and use of personal reference in profitable, non-profitable, extremely profitable, and non-profitable companies. To differentiate the study, an additional variable was added, namely the use of a positive tone in the chairman statements. The study found that there is inconsistency with the findings of the replicated study in one textual characteristic that profitable companies use more personal references than non-profitable companies. This inconsistency needs to be investigated further to determine whether it is due to the nature of the sample or the timing in which two studies were carried out (4 years difference). Another study suggested for the future should consider the use of positive tone as the fourth variable, to examine whether results will be consistent with those of this study.

This study contributes to the literature in many ways, first by assessing whether there are changes in results from 4 years ago and adding a new variable, namely disclosure tone. To the knowledge of the researcher, this study is the only study to have examined length use of passive sentences, personal reference, and use of tone in the chairman statements. Further studies may be done with these four variables in other parts of the integrated report. The concern over accuracy of this unaudited statement dates back more than two decades ago when Smith and Taffler (2000) noted significant impression management on voluntary disclosure. Further studies may focus on developing an auditing framework for narrative voluntary disclosure.



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**7. Appendix**

## 8. Ethical clearance



11 October 2021

Mr Masibulele Phesa (219078238)  
School Of Acc Economics&Fin  
Westville

Dear Mr Masibulele Phesa,

**Original application number:** 00013385

**Project title:** Impression management observation in chairmans statement in top 40 JSE listed companies.

### Exemption from Ethics Review

In response to your application received on 3 Oct 2021, your school has indicated that the protocol has been granted **EXEMPTION FROM ETHICS REVIEW**.

Any alteration/s to the exempted research protocol, e.g., Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through an amendment/modification prior to its implementation. The original exemption number must be cited.

For any changes that could result in potential risk, an ethics application including the proposed amendments must be submitted to the relevant UKZN Research Ethics Committee. The original exemption number must be cited.

In case you have further queries, please quote the above reference number.

#### PLEASE NOTE:

Research data should be securely stored in the discipline/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours sincerely,



Prof Josue Mbonigaba  
Academic Leader Research  
School Of Acc Economics&Fin

## 9. Turnitin Report

### Impression Management examination in chairman's statement in top 40 JSE Listed Companies

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