

ORIGINAL
Review article

What is Impression Management within the narrative financial information that companies are required to present? *

¿En qué consiste el Impression Management dentro de la información financiera narrativa que están obligadas a presentar las empresas?

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Abstract

The research aims to analyze the theoretical bases on the use of Impression Management techniques in the presentation of narrative accounting information. By design, it is a qualitative and interpretative study, of documentary type, since it pursues to make a bibliographic review about the research background that exists on the theory of impression management in the field of psychology, where it was initially originated; and then the applications it has had within the accounting discipline. Partial results of the research are presented, separated into two thematic axes: narrative information and Impression Management. Regarding narrative information, it is used to complement or deepen explanations on quantified accounting facts, or not, and disclosed in the mandatory financial statements, generally called notes to the financial statements, but it can also be voluntary information (not legally required). Regarding Impression Management, also called impression management, it can be used by companies in the presentation of narrative information through concealment strategies and attribution strategies.

Keywords: Qualitative Information, Impression Management, Companies, Accounting

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Resumen

La investigación tiene por objetivo analizar las bases teóricas sobre la utilización de técnicas de *Impression Management* en la presentación de información contable narrativa. Por su diseño es un estudio cualitativo e interpretativo, de tipo documental, pues persigue hacer una revisión bibliográfica acerca de los antecedentes de investigación que existen sobre la teoría de gestión de las impresiones en el campo de la psicología, donde se originó inicialmente; y luego las aplicaciones que ha tenido dentro de la disciplina contable. Se presentan resultados parciales de la investigación, separados en dos ejes temáticos: la información narrativa y el *Impression Management*. Respecto a la información narrativa, se tiene que es aquella que se utiliza para complementar o profundizar explicaciones sobre los hechos contables cuantificados, o no, y revelados dentro de los estados financieros obligatorios, denominados generalmente notas a los estados contables, pero también puede ser información voluntaria (no exigida legalmente). sobre el *Impression Management*, también denominado gestión de las impresiones, se tiene puede ser utilizado por las empresas dentro de la presentación de información narrativa a través de estrategias de ocultación y estrategias de atribución.

Palabras Clave: Información Cualitativa, Impression Management, Empresas, Contabilidad

SUMMARY

INTRODUCTION. - RESOLUTION SCHEME. - I. Research problem. - II. Methodology. - III. Research results. - 1. On qualitative information. - 2. On Impression Management. - CONCLUSIONS. - REFERENCES.

Introduction

Impression Management is a line of work that is part of the field of psychology based on the theoretical foundations generated by Goffman (1959) and which has been extrapolated to the organizational world, in general. The accounting world, in particular, is given importance to companies in today's world of building, maintaining, consolidating, and/or repairing their corporate image.

The main purpose of the work is to study in depth the different practices of presentation of narrative information that some companies may adopt to favor the opinion of external users of this information, either by including, excluding, hierarchizing, emphasizing and/or making it difficult to understand the news, regardless of its orientation (favorable or unfavorable) in terms of measuring results for the entity. In other words, the research will analyze the different practices or strategies of presenting accounting information through the notes to the financial statements, which show opportunistic behavior on the part of corporate governance.

Resolution scheme

1. Research problem

What are the printing management techniques most frequently used by companies to present notes to the financial statements and supplementary and voluntary disclosures?

2. Methodology

The research has a qualitative and interpretative design of a documentary type, as it seeks to conduct a literature review on the research background that exists on the theory of impression

management in the field of psychology, where it initially originated, and then the applications it has had within the accounting discipline. Gómez et al. (2015), citing Galeano-Marín & Vélez-Restrepo, state that the state-of-the-art "is a documentary research on which the accumulated knowledge on a certain object of study is recovered and reflexively transcended" (p. 424); reason for which the type of research that will be carried out from the methodological point of view is supported.

The depth of the research will be exploratory because it constitutes a line of research that requires further development and dissemination, on the one hand, and analytical, in that not only will theoretical information be gathered, but the aim is to construct a coherent theoretical order that explains the existing meanings of print management (also known as Impression Management).

The documentary sample to be used for the bibliographic search will be made up of European countries relevant to research on this subject, mainly the United Kingdom and Spain. Then, research from Chile and Brazil will be explored in a more Latin American context.

3. Research results

3.1 On qualitative information

Qualitative financial information refers to narrative information communicated by the organization to elaborate on quantified or unquantified accounting facts disclosed in the statutory financial statements or other reports required from the company by different stakeholders. This need for additional information arises from the complexity of the business environment, the emergence of a wider range of stakeholders about the economic and social role of the company, the need for timely forward-looking information, and the limitations of accounting to reflect, in a quantitative way, the totality of events and circumstances in the business environment. In the case of qualitative financial information that is included in the statutory financial statements, there are the notes which, according to International Accounting Standard No. 1, paragraph 114, must contain:

- a statement of compliance with IFRSs(...)
- a summary of significant accounting policies applied (...)
- supporting information for items presented in the statements of financial position and comprehensive income, in the separate income statement (when presented), and in the statements of changes in equity and cash flows, in the order in which each statement and item is presented; and (d) other disclosures, including contingent liabilities (...) unrecognized contractual commitments, and disclosures of non-financial information, for example -financial risk management objectives and policies (IFRSs, p. A416-A417).

In Argentina, professional technical regulations govern the presentation of supplementary information, a term that can be assimilated to the notes to the financial statements. This regulation is established in chapter VII of Technical Resolution No. 8 (general accounting disclosure standards), which defines supplementary information as: -(...) an integral part of the basic statements and must contain all the data that, being necessary for the proper understanding of the equity situation and the results of the entity, are not disclosed in the body of such statements (FACPCE, p.14).

The supplementary information, according to this technical resolution, may be presented in notes or tables and, as a minimum, must include identification of the financial statements, identification of the closing currency, identification of the entity; capacity of the entity, operations of the entity, of the entities over which it exercises control, joint control or significant influence and the joint ventures in which it participates; comparability; a unit of measurement; accounting measurement criteria for assets and liabilities; composition or evolution of items; restricted assets; encumbrances on assets; contingencies; restrictions on profit sharing; modification of prior years' information; forward-looking events; interests in joint ventures; labor cost liabilities; information on the application of the equity method and information on the cash flow statement.

The above also incorporates specific regulations on the supplementary information that commercial, industrial, and service entities must disclose in Technical Resolution No. 9 (FACPCE), which details in Chapter VI the need to include in such supplementary information the composition and evolution of the following items as a minimum: term deposits, credits, investments in debt securities and debts; exchange goods; goods for use; permanent investments; assets of restricted availability; intangible assets; provisions; unpaid cumulative dividends; cost of goods sold and services rendered; ratio of different activities; other ordinary results; extraordinary results; composition of the items of the cash flow statement; unification of interests and key of business.

It also establishes (RT 9) that the accounting measurement criteria for assets and liabilities must be reported, in addition to other matters such as segment reporting; financial instruments; leases; securitization or repurchase agreements of financial assets; business combinations; discontinued or discontinued operations; income tax; earnings per share; revaluation of property, plant, and equipment. From the above, it is evident that there is qualitative financial information that is mandatory due to the existence of professional standards.

In addition, there are also other requirements in Argentina's legal regulations, such as the requirement to present, in addition to the financial statements, an annual report by the General Companies Act or the additional information requirements that the National Securities Commission (Comisión Nacional de Valores) requires of listed companies. It is important to note that there is also the case of companies that present additional or voluntary (not legally required) qualitative financial information either by custom or because management wishes/needs to disclose more information, as is the case with the chairman's letter that in many cases accompanies the financial statements in the annual report, supplementary letters, prospectuses, news releases, forecasts, management plans or expectations, analysts' reports, press releases, economic statistics, sustainability reports describing the social and environmental impact of an organization, among others (Kieso & Weygandt, 2003).

There is an abundance of research that focuses on qualitative information, giving it different perspectives such as, for example, the significant increase that it has experienced in recent times (Smith and Taffler, 1995), the strategic role that voluntary qualitative information plays in building and projecting a favorable image of the company (Stanton and Stanton, 2002), the use of voluntary qualitative information to show the environmental management of organizations in the framework of legitimacy theory (Domench & Dallo, 2001), qualitative financial reporting as a means to explain, even partially, share price change to external users (Lev & Zarowin, 1999), the increased usefulness of voluntary qualitative information as evidenced by the fact that in some countries the management report is the most widely read part of the annual report (Bartlett & Chandler, 1997).

Another aspect investigated in qualitative financial reporting is the possibility of reducing the asymmetry in handling information held by company managers that is available to investors and third parties interested in the results (Botosan, 1997). This asymmetry is one of the main drivers of opportunistic behavior stemming from the conflicting interests enunciated by Jensen and Meckling (1976) in agency theory.

Currently, narrative information transcends the limitations of the traditional accounting model when reflecting events generated in a society where knowledge predominates as a source of power. Thus, the large number of intangibles with economic value that sometimes cannot be quantified, as they escape the financial dimension due to their immateriality, are included in the notes to the financial statements and other mandatory documents because they are required by a regulatory body, or voluntarily because the company considers it relevant to provide such information. These intangibles include applied experience, organizational technology, possession of knowledge, professional skills, customer relationships, and intellectual property (Steward, 1997). Finally, qualitative financial information is relevant in its own right and as an aid to add value and comprehensibility to quantitative financial information.

3.2 On Impression Management

Impression management refers to the manipulation of narrative information, the basis of which is to be found in the work of Goffman (1959), who, in the field of psychology, addressed the process by which individuals try to influence/control the image that others have of them, in order to transform it into something beneficial or positive for themselves (Leary & Kowalski, 1990). This theory, extrapolated to the accounting area, implies that in the production and communication of qualitative (narrative) financial information, an attempt is made to alter or modify some of its attributes to favor the impression or perception of the company in users. In this sense, Suárez (2013) states:

Opportunistic behavior can have effects and/or be developed through actions that refer to the neutrality of the document, i.e., its objectivity and reliability. For the information to be neutral, introducing bias must be avoided, treating positive and negative news that has affected - or may affect - the company's situation similarly (p. 35).

According to Merkl-Davies & Brennan (2011), the strategies or techniques for introducing bias or opportunistic behavior in narrative information are classified as follows:

- Concealment strategies aim to hide information about negative aspects or aspects that may generate an unfavorable impression regarding the organization or its management. On other occasions, concealment may refer to the use of high-flown or egotistical linguistic elements that will highlight the most positive aspects of the performance and overshadow those that are negative.
- Attribution strategies are linked to assuming positive results as management's own. At the same time, if there is a gap between what was expected and what happened that is unfavorable to the company, it is attributed to uncontrollable variables or variables external to management.

There is another classification of impression management practices, summarising them as syntactic manipulation, argumentative or rhetorical manipulation, thematic manipulation using attributional biases, thematic manipulation by form, selective manipulation, and visual manipulation. This classification was presented by Guillamon & García (2008), whose work will serve to make the corresponding conceptualization.

Syntactic manipulation refers to the discretionary use of language with a high level of abstraction that is difficult to understand to refer to negative results, findings, or projections. In contrast, simple language is used when the result is favorable. Carneiro (2010) conducted a study of listed companies in Brazil. He concluded that a positive relationship exists between the size or size of companies, continuous growth, and improved comprehensibility of financial information.

Argumentative or rhetorical manipulation is a technique in which the user of narrative information containing unfavorable results for the company is persuaded using persuasion. Aerts (2005) conducted a study on companies in the United States, Canada, Australia, and Great Britain, where he found that those organizations with negative results globally try to make a substitution for favorable results of a strategic business unit or segment.

Thematic manipulation using attributional biases uses cause-effect reasoning to explain the company's outcome or performance. Generally, favorable performance is attributed to factors internal to the organization and the management team, while when the opposite occurs, the environment is blamed. It was empirically demonstrated in Clatworthy & Jones' (2003) study of the CEO narratives of the top 50 and bottom 50 UK companies, using the percentage change in pre-tax profit as the basis for the ranking.

Thematic manipulation by form consists of reviewing the frequency with which positive expressions/phrases/words are used and repeating this procedure with negative themes. Guillamon & García (2005) addressed, among other techniques, thematic manipulation in the form of press releases of Spanish-listed companies. As a result of their research, they found that about 95% of the emphases refer to good news and are given centrality.

The selection of information is related to the opportunistic presentation of favorable information for the company in graphs, tables, and elements that attract the reader's attention. Cassar (2000) studied the phenomenon of graphics to favor the presentation of positive results by companies.

Presentation and visual effects are linked to three ways of emphasizing the information to be highlighted or favored. The first is visual, which occurs when companies use techniques to make information more visible to readers. The second is repetition, and the third is reinforcement using adverbs to emphasize the idea to be communicated. Bowen, Davis, and Matsumoto (2005) found in research conducted in EEU companies evidence that the positioning of pro-forma information has a greater impact than that of compliant, year-end financial statements.

Manipulation using performance benchmarks consists of internal or external benchmarking with carefully selected figures that show a positive evolution of the company. Schrand and Walther (2000) studied this type of manipulation and concluded that managers seek lower figures from previous periods when compared with current figures to show a better performance.

Conclusions

Accounting has limitations in showing prospective information and quantitative information of facts that are not easy to measure, which increases the demand of different interest groups to know the notes to the financial statements and other official documents that contain additional and narrative information on the business model, the differentiation strategy, intangible assets, the impact generated by the company in the immediate and medium term and future expectations.

The management of impressions is a modality that has always been used in formal and informal reporting in different areas. However, to the extent that the reputation of the company and its brand have become so important for the market, it has become necessary to transfer this concept to the generation of financial information, especially narrative information, which is where opportunistic behavior can be intentionally generated.

Impression management can be carried out through strategies of concealment or attribution or through manipulation: syntactic, argumentative, or rhetorical; thematic using attributive biases; thematic by form, selective, and visual.

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