ACCOUNTING NARRATIVES AND IMPRESSION MANAGEMENT IN CORPORATE REPORTING: A REVIEW

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Abstract: This paper explores impression management in corporate reporting through accounting narratives, by an in-depth analysis of the strategies and motives of impression management, disclosure media of impression management and the theoretical frameworks. Archival research design using systematic review of existing literature is adopted to achieve the research objectives. The study concludes that accounting narratives are used for impression management in corporate reporting. The study found that the main managerial motives for impression management in corporate reporting is either concealment or attribution. It was discovered that impression management strategies used in corporate reporting include reading ease manipulation, rhetorical manipulation, thematic manipulation, visual and structural manipulation, performance comparisons, attribution of organizational outcomes and choice of earnings number. While the media used to achieve impression management include the annual reports, letters to shareholders, Operating and financial reviews, management discussion/analyses, IPO prospectuse, Takeover documents, Press releases, Websites/Social Media and Conference calls. The study recommends that regulators/standards setting bodies should design a regulatory framework for narrative disclosure in corporate reporting, by limiting and selecting the language and tones of presenting narratives.

JEL classification: Z23, M16, M30

Key words: Information Assymmetry, Agency Theory, Behavioural Finance, Psychology

1. INTRODUCTION

Corporate reports are the main tools of accounting communication to different categories of users. The information is communicated through both quantitative and qualitative (Hard and Soft respectively), as each complementing the other. The soft, also known as narratives, which is largely qualitative in nature is found in financial reports to amplify quantitative accounting information (Merkl-Davies, Brennan, & Vourvachis, 2013). That is, accounting narratives gained their ways into corporate reporting to enhance the quality as well as the credibility of the information disclosed. This is because on one hand, narratives provide explanation to significant judgements

and estimate in the financial information, and on the other hand, they explain complex phenomena, transactions and events associated with financial reports.

While the inclusion of narratives in corporate reporting is rationally justified on many ground, they are found to be a unique venue for opportunistic practices. One of the reason behind the use of narratives for managerial opportunism is the fact that, narratives are not regulated and mostly found in the unaudited sections of financial reports. Moreover, there is substantial increase in the use of narratives in corporate reporting in recent times, which is also associated with the increase in impression management. Marek (2016) attributed the increse in narratives in corporate reporting to the increse in regulatory requirements (International Financial Reporting Standards (IFRS)). Since 2001 the International Accounting Standard Board (IASB) has issue many new standards and renewed numerous formerly issued standards. And, currently, the complete text of the IFRS has more than 3,500 pages and it will undoubtly grow in the future. And that IFRS have been requiring from entities more and more compulsory written disclosures in the notes to the financial statements (in order to present and explain accounting policies, judgements, and estimations).

Andersen (2000) states that narrative material occupies 57% of the annual report in 2000, as compared with 45% in 1996. While Smith and Taffler (2000) shown that narrative annual report sections provide almost twice the amount of information as do the basic financial statements. This according to them, have growing importance of descriptive sections in corporate documents to provide firms with the opportunity to overcome information asymmetries by presenting more detailed information and explanation, thereby increasing their decision-usefulness. However, narratives also offer an opportunity for presenting financial performance and prospects in the best possible light (impression management), thus having the opposite effect.

Impression management connotes opportunistic managerial discretionary disclosure behaviour, reporting bias, self-serving bias, symbolic management and cheap talk (Merkl-Davies & Brennan, 2013). The concept which has origin in social psychology combined theories from sociology, social psychology and critical perspectives, and they all considered impression management as a complex phenomenon aimed at shaping the perceptions of a wide range of outside parties. When applied to an economic entity, the impression management take the economic perspective (broad perspective) that uses agency theory to explain management opportunistic behaviour. In view of this, existing literature on behavioural finance argued that following the impression management instances in corporate reports in relation to qualitative information, an in-depth analysis of corporate narrative documents aimed at uncovering how impressions are constructed is necessary. In that, impression management is expected to lack credibility since it is indicativeof a lack of managerial forthcomingness (inaccurate, incomplete, and untimelydiscretionary disclosures).

Managers engage in impression management for different reasons, which include respond to the concerns of various stakeholder groups (satisfying stakeholders) or to conform to social rules and norms (secure legitimacy) (Ng & Tseng, 2008). Managers also engage in impression management to manage their reputation (symbolic managment). However, there is a growing stream of literature on the relationships between accounting narratives and impression management in corporate reporting. This paper is aimed to explore accounting narratives and impression management in terms of

the strategies and motives of impression management, disclosure media of impression management and the theoretical frameworks.

The study thereforeprovide researchers with a comprehensive review of accounting narratives and their role in impression management. Archival research design using a review of previous literature on narratives and impression management in corporate reporting is adopted to achieve the research objectives. The paper is structured in four parts; introduction, literature review, conclusion and discussions, and recommendations and areas for research.

2. OBJECTIVES

In this subsection, the concept of accounting narratives, and impression management are reviewed and presented.

Concept of Accounting Narratives

Production of qualitative financial information is the main objective of corporate reporting, as quality accounting information facilitate informed economic decisions and improve capital allocation and market efficiency. It is inline with meeting this objective that accounting narratives dominate corporate reporting to suppliment and/or compliment the quantitative information. Understanding the concept of accounting narratives require a look back at accounting itself and accounting communication. Marek (2016) sees accounting as a language of business that, enables communication between the preparers and users of accounting information. This reflected the view of Jain (1973) that distinguishes natural language from accounting as a language, where he stated that while natural language reflects phenomena in the real world, accounting reflects phenomena in the business world. To this end, Jack, Davison and Craig (2013) stated that accounting communication is a process of creating and sharing meaning. Thus, narratives are considered as a way of creating and sharing meaning about the economic activities of an entity. That is, these definitions traced the origin of narratives from accounting itself. MacGregor (2002) opine that narrative in verbal information use as language is an ideal medium for conveying emotion. Readers of corporate narrative documents may be influenced by emotionally charged language, particularly similes, metaphors and other rhetorical figures.

Additionally, while commenting on narratives in accounting, Masztalerz (2013) sees accounting as a tool for describing and constructing the image of an economic reality in whcih an entity operates. He therefore regarded narratives as another way of describing and constructing the image of an economic realities of an organization. In an article "Why Narratives in Accounting?" Marek (2016) defined accounting narratives as written descriptions and explanations of firm's performance and position that appears in annual reports, financial statements, management commentaries, social responsibility and sustainability reports, management accounting and performance reports. He added that, accounting narratives also appear in the national and international accounting standards and other regulations, principles and guidelines issued by professional accounting bodies. Young (2003) affirm that as a rhetorical devices, accounting standards are used to persuade readers of their worth or to silence alternative opinions and criticism.

In the same vein, Golding (2001) and Malamatnios (2014) while studying narratives from financial statements and sustainability reports state that narratives are used by managers to provide the "story in a box", which will be subjected to cross-

check with numbers in the financial statements. Omanson (1982) developed a structure which classified narratives contents into three categories; central content, supporting content and distracting content. Central content is the most important content of narrative than any other content (noncentral content), which is enhanced by supporting narrative , and impaired by distracting content. According to Omanson, supporting content is a subsidiary and secondary to central content of narratives that covers all the attributes that describes the main characteristics or the setting of central units. Any other content beyond central and supporting content in the narrative is a residual and is regarded as distracting content, which disrupt rather than enhancing decision usefulness (Omanson, 1982).

While studying narratives as impression management tool using environmental/sustainability reporting, Malamatenios (2014) adopted the Omanson's classification and modified it by sub-dividing distracting narratives as in Table 1;

Table 1: Narrative Elements Classified by Content Type and Sub-Category

Central Content	Definition: causal construction
Past	Past Memorable, active narratives describing past actions
Present	Present Memorable, active narratives describing present actions
Future	Future Memorable, active narratives describing intended future actions
Supportive Content	Definition: contributes to understanding the nature of commitment
Legitimacy	Legitimacy Narratives that support central narratives, describing or confirming a minimalist environmental strategy.
Competitive Advantage	Competitive Advantage Narratives that support central narratives, describing or confirming a strategy that attempts to improve the firm's economic position as a result of its environmental actions.
Enlightened Management	Enlightened Management Narratives that support central narratives, describing or confirming a strategy in which the firm is an ecologically sustaining entity; not merely an economic unit.
Distracting Content	Definition: disruptive rather than enhancing of decision-usefulness
Vague Statement	Vague Statement A statement of desire or general intent which is unspecific in terms of quality or extent, which by its nature cannot be used to commit the actor to following through.
Badge Collecting	Badge Collecting Claimed recognition by a named organisation, from which the reader is expected to infer a commitment to a virtuous cause.
Hollow Statement	Hollow Statement Usually a statement of fact, or a description of a state of being which does not connect with any intention, objective or past action.
Reflected Glory	Reflected Glory Often takes the form of a case study, in which a third party supplier is held up as a leader or innovator. In using the case study, the story-teller hopes that the reader will infer an association which may not exist.
Deflector	Deflector A statement which implies a meaning to a phenomenon or behaviour, which cannot be justified. Deflectors are of questionable relevance.
Immaterial	Immaterial A 'grand statement', or 'grand claim', which on further investigation is shown to have insignificant impact.

Source: Malamatenios (2014) adapted from Omanson (1982), and Dillard, Brown, and Marshall(2005)

Emanating from the conception of narratives by Omanson (1982), Dillard et al. (2005) and Malamatenios (2014), evidences have shown that accounting narratives provide an ample opportunities for impression management (especially through the distracting content). Although the function of accounting narratives in corporate reporting is to amplify quantified accounting information (Merkl-Davies & Brennan, 2013); accounting narratives in corporate reporting are usually not subjected to external audit, and this which makes it easier for managers to manipulate the information disclosed therein. They futher explain that, the scope of external auditors' assignment in statutory audit is limited to the financial statements and the notes therein, other narrative accounting disclosures are merely monitored by external auditors for consistency with the financial statements. Therefore, based on this, accounting narratives are categorized into two; discretionary and non-descretionary. Non-discretionary accounting narratives are those in audited financial statements, such as the notes to the financial statements. While, discretionary accounting narratives are those accounting narratives outside the scope of the audited financial statements, that is, narratives supporting numerical information in audited financial statements (Merkl-Davies & Brennan, 2013). Discretionary accounting narratives are subject to managerial opportunistic behaviour and are the main narratives use in impression management. Impression management practices in corporate reporting received prominent due to a substantial increase in narrative disclosures in recent years.

For instance, Marek (2016) posits that accounting had been heavily based primarily on "Hard" numbers, which corporate reporting equally provides, written descriptions and explanations were not common in practice then. However, during the last two decades, there has been a shift towards "Soft" and extensive narrative communication in accounting. This extensive shift towards narrative communication according to Beattie (20014), Merkl-Davies and Brennan (2013) posts a new research challenges. Moreover, contemporary accounting in its theoretical and practical dimensions has moved away from its technical and number-based discipline (Marek, 2016). This is because accounting has been developing in a rather "Soft" and text-based direction (Merkl-Davies & Brennan, 2013).

Therefore, the concept of accounting narratives in this study refers to any text-based information in corporate reporting, that is intended to users of financial statements, irrespective of the medium of communication used. It is important to note that, corporate reporting from impression management perspective does not necessarily mean financial statements, but press releases, performance reports and other corporate documents and medium intended for corporate stakeholders.

Why narratives are dominating corporate reporting? Existing financial reporting literature have documented several reasons why narratives have been giving considerable importance in corporate reporting. Marek (2016) have summarized the eight major factors that are responsible for dominance of narratives in corporate reporting; Incresing Complexity of Economic Events, Growing Needs of Accounting Information Users and Decision Makers, Progressive Development of Accounting Standards, Principles-Based Approach to Standards Setting, Professional Accounting Bodies Regulations, Growing Importance of Sustainability Reporting, Shift from Providing Information to Communicating Results, Image Creation and Impression Management.

In summary, accounting narratives are gaining importance because of the changes in some critical factors as highlighted in the forgoing paragraphs. Of interest, the author recognizes impression management as a factor in accounting narratives. And, it is clear that narratives is on increase in all aspects of corporate reporting. It is on this strenght that Marek (2016) argue that, accounting has considerably shifted from "accounting as the language of business" towards "language is used in accounting". He added that the shift is also recorded from "providing information" towards "communication of meaning". Thus, contemporary accounting is much more explanatory and "user-friendly" than before, but there is risk of manipulation (Marek 2016). One of the risks of manipulation is impression management.

3. Methodology

Concept of Impression Management

Accounting borrowed the concept of impression management from social psychology to accomodate behavioural finance. The concept was first defined in the social psychology in 1959 by Goffman, who refered impression management to the performance of self vis-a-vis an audience. That is, the concept applies to the way an individual or organization present self to others. Still from psychology, Hooghiemstra (2000) sees impression management as how individuals present themselves to others to be perceived favourably by others. These two definitions considered the concept of impression management as a behaviour, practice or attitude in which an individual or entity presents itself to others in such a manner that the performance of the individual or the entity could be favourably perceived by others.

In the corporate reporting context, impression management according to Merkl-Davies and Brennan (2013) is adopted to explain discretionary narrative disclosures. Discretionary in this regard connotes the premise that managers are assumed to strategically choose the information from corporate narrative documents to display and present, in such a manner that is intended to distort users' perceptions of the corporate performances (Godfrey, Mather & Ramsay, 2003). Although impression management in corporate reporting is difficult to define, efforts have been made by scholars to conceptualize it from different perspective

Clatworthy and Jones (2001) and Yuthas, Rogers, and Dillard (2002) defined impression management as a process of controlling and manipulating the impression presented to accounting information users. Which according to Merkl-Davies and Brennan (2007) is aimed at strategically manipulating the perceptions and decisions of information users. Focusing on investors, impression management ususally assumes a weak form of market efficiency (in which investors do not have adequate information to assess managerial bias in the short-term). This condition according to Adelberg (1979), Rutherford (2003), Courtis (2004) Merkl-Davies and Brennan (2007) gives a room for managers to engage in impression management to influence the firm's share price, which can result in misallocation of capital and increase managerial compensation.

Impression Management Strategies and Motives

Discussing impression management strategies is best understood with the impression management motives. Hence, the managers' (as preparers) motives for impression management is classified into concealment and attribution. This section is

discussed with special reference to the taxonomy created by Merkl-Davies and Brennan (2007), in which they argue that both verbal and numerical information are affected by the seven impression management strategies. According to them, six strategies are used for concealment (reading ease manipulation, rhetorical manipulation, thematic manipulation, visual and structural manipulation, performance comparisons, and choice of earnings number); two of these obfuscate bad news (by either reading ease manipulation, or rhetorical manipulation). Four strategies emphasize good news (by thematic manipulation, visual and structural manipulation, performance comparisons, and choice of earnings number).The seventh impression management strategy is the attribution of organizational outcomes.

In addition, Merkl-Davies and Brennan (2007) further explain that the seven impression management strategies are carried out by; disclosure choices and/or the presentation of information bymeans of bias, and/or selectivity. They defined bias in the context of impression management as conveying information in a verypositive light (or occasionally in a very negative light), and selectivity as omitting or including certain items of information.

Readability/Reading Ease Manipulation

This is one of the strategies use by managers to alter perceptions of users of accounting information through narratives.According to Courtis (2004a) reading difficulty is astrategy use by managers in obfuscation, whichis defined as a narrative writingtechnique that obscures the intended message, or confuses, distracts or perplexesreaders, leaving them bewildered or muddled. Rutherford (2003) added that, this isbased on the presumption that managers manipulate transparency by reducing claritywhen they wish to disclose less about their underlying circumstances. Reading ease manipulation is therefore intended to manipulate outside parties'perceptions of firm performance by rendering corporate narrative documents difficultto read. This is usually achieved through syntactical complexity, which makes texts more difficult to read and this is regarded as a proxy for obfuscation, that normally leave readers confused and to put them off probing further (Merkl-Davies & Brennan, 2007).

Rhetorical Manipulation

Rhetorical manipulation is a strategy applied to accounting narratives for obfuscation by using persuasive language in the narrative. Pennebaker et al., (2003) argued that under impression management, managers conceal negative organizational outcomes using rhetorical devices, such as pronouns and the passive voice. They added that, impression management based on this strategy does not focus on "what firms say," but rather on "how they say it".

Thematic Manipulation

This strategy is used by managers in corporate reporting to conceal bad news by not reporting it, or by not reporting it to the same extent as good news. This phenomenon according to Hildebrandt and Snyder (1981) is referred to as the "Pollyanna principle" (Pollyanna being an eternal optimist).That is, managers areassumed to present themselves and financial performance in the best possible light; this manifests itself in the prevalence of positive rather than negative words/themes.

Visual and Structural Manipulation

Under this impression management strategy, perceptions of firm performance and prospects is manipulated by theway information is presented in corporate documents. This can be through four means;occurance of repetition (when an item is repeated more than once, as it either enhance the understandibility or add noise to the reporting processCourtis, 1996); reinforcement, which occurswhen a piece of information is emphasized by using a qualifier (Guillamon-Saorin,2006); visual emphasis, which occurs when firms use a number of visual effects to makea piece of information more obvious to readers (example, emphasis byhighlighting, font style and size, bullet points, bold text, color, etc.) (Courtis, 2004b;Guillamon-Saorin, 2006); ordering or physical location of information is used todirect readers' attention to or away from specific items of information (Elliott, 2006; Guillamon-Saorin, 2006; Kelton, 2006).

Performance Comparisons

This strategy focuses on bias that manifests itself in numerical disclosures, and it is based on the assumption that firms introduce positive biasby choosing performance comparisons that enable them to portray their currentperformance in the best possible light (Merkl-Davies & Brennan, 2007). They identified two types of performance comparisons; benchmark earnings number (choosing the lowest prior-periodcomparative benchmark earnings number in order to report the highest year-on-year increase in earnings); and performance referents (comparing performanceindicators against reference points, either time-series (past performance) or crosssectional (industry averages and competitors).

Choice of Earnings Number

This impression management strategy is concerned with the numerical disclosures;specifically the earnings number. It involves selectivity in terms of choosing specific earnings numbers and omitting others (Merkl-Davies & Brennan, 2007). Selectivity is defined by Guillamon-Saorin (2006) as the choice of an earnings amount for inclusion in press releases from the whole range of earnings figures available in the underlying financial statements. For example, Pro forma earnings which are earnings numbers other thanthose calculated under GAAP. Proforma earnings can be computed in manydifferent ways. Fox (1998) defined pro forma earning as "earnings excluding all the bad stuff". Pro forma earnings have two possible explanations according to Bowen, Davis, and Matsumoto (2005); managers are motivated to provide users with moreaccurate useful information or managers are making the firm look more profitable. If the latter motivation is the case, then the use of pro forma earnings fits the definition of impression management in the sense that pro forma earnings introducepositive bias into corporate narratives.

Performance Attribution

This strategy considers accounting narratives as a tool of the attribution of organizational outcomes and the strategy focuseson performance explanations. Here, managers are assumed to act in a self-serving manner,attributing positive organizational outcomes to internal factors (entitlements) andnegative organizational outcomes to external factors (excuses). For instance, Aerts (1994) lamented that by attribution

managers usually explain negative organizational outcomes using accounting terminology, whereas positive organizational outcomes are explained by clear cause-effect statements. Similarly, firms' managers with both improving and declining performance attribute positive organizational outcomes to internal factors and negative organizational outcomes to external circumstances, which is regarded as self-serving behavior (Clatworthy & Jones, 2003).

Disclosure Media of Impression Management in Corporate Reporting

Corporate reporting is in recent times achieved through different means and venues. Understanding the disclosure media for impression management is critical because, Davis and Tama-Sweet (2012) provide evidence that the news content/tone varies depending on the disclosure vehicle. For example, disclosures in earnings press releases are less pessimistic than in management discussion and analysis documents. With regard accounting narratives aspect Merkl-Davies and Brennan (2013) argued that it usually appear in the unregulated sections of corporatedocuments to support and expand upon the regulated accounting disclosures in the auditedfinancial statements. According to them, the term 'corporate reports' is in broad sense to include a wide variety of disclosure vehicles or media containing accounting narratives.

Merkl-Davies and Brennan (2013) summarized impression management media to include; annual reports, particularly chairmen's statements (as in Smith & Taffler 1992a, 2000), CEO letters to shareholders (Amernic, Craig & Tourish 2007; Craig & Amernic 2008;Hooghiemstra 2010), Operating and financial reviews (Rutherford 2003),management discussion and analyses (Feldman, Govindaraj, Livnat, & Segal 2010), Initial public offering prospectuses (Aerts & Cheng 2011), Takeover documents (Brennan,Guillamon-Saorin, & Pierce, 2010), Press releases (Bowen *et al.*, 2005; Davis,Piger, & Sedor., 2012), Websites/Social Media (Campbell & Beck 2004) andConference calls (Matsumoto, Pronk, & Roelofsen 2011).

4. ANALYSES

Before the analysis of the theoretical underpin of impression management from accounting narratives, it is important to say that the theories are systematically classified according to; one, the two competing school of thoughts (impression management and incremental information); and two the focus of a study (users' perspective or preparers' perspective). Moreover, the perspective adopted in this study is economic perspective, which considered accounting narratives as managerial opportunistic behaviour (impression management), rather than incremental information. Therefore, according to Merkl-Davies and Brennan (2007) there are five underpinning theories for researchers focusing on preparers; agency theory, signalling theory, stakeholders theory, institutional theory and legitimacy theory.

Agency theory is the main theory which applies to both competing schools ofthought and served as the bases for economic-based researches. Baginski, Hassell, & Hillison (2000) stated that incremental information schoolof thought presumes that managers provide discretionary narrative information to overcomeinformation asymmetries between firm insiders and outsiders to lower the cost ofcapital, and enhance market price, and also increas managerialcompensation. On the other hand, impression management school of thought presumes managerialdiscretionary disclosure strategies as opportunistic and regards information providedby management as driven

by self-interest (Courtis,2004a, 2004b; Hooghiemstra, 2000, 2001; Godfrey et al., 2003;Rutherford, 2003; Aerts, 2005; Li, 2006). Aerts (2005) added that, since poor firm performance give rise to conflicts of interest between managersand shareholders, managers are prompted to manipulate outsiders' perceptions of anddecisions on financial performance and prospects. This opportunistic managerial behavior according to Courtis (1998) has given rise tothe so-called obfuscation hypothesis (that is, managers hide failures and emphasize successes). This agency theory and obfuscation hypothesis assume managers are not neutral in presenting accounting narratives (Sydserff & Weetman, 1999).

Signalling theory with regards accounting narratives is use within the purview of obfuscation hypothesis, and the theory focuses on the behaviour of managers of well performing firms who signal this superiority with greater transparency in their disclosure and presentation of information (Smith & Taffler, 1992a; Rutherford, 2003). Legitimacy theory also explain the behaviour of managers in corporate reportingpractices, especially social and environmental disclosures. These disclosures under ligitimacy are hypothesized to alter perceptions about the legitimacy of theorganization. Hooghiemstra (2000) argued that corporate social disclosures are regarded as a response to public pressure and increased media attention. That is, corporate existence is dependent on operating within the boundaries of societal norms. Therefore, impression management in this regard is used as an explanatory framework to analyze the reactions of firms facing legitimacy threats.

According to Merkl-Davies and Brennan (2007), stakeholder theory is similar to legitimacy theory in the context of impression management. That is, stakeholders theory regards firms'corporate reporting as a response to the demands and expectations of various stakeholders, such as employees, customers, government agencies, lobby groups, etc.Under this theory, firms are assumed to engage in impression management to manipulate the perceptions of a particular stakeholder group. In contrast, institutional theory assumes that firms will conform to institutional expectations by adopting institutional norms. Under institutional theory, firms reduce inspection by internal and external constituents, whereby managers are assumed to respond to institutional pressures in their corporate reports (Merkl-Davies & Brennan, 2007).

However, theories from users perspective are usually behavioural finance theories and some aspects of economic-based theories. Users perspective of accounting narratives based on economics theories such as expected utility theory and incomplete revelation hypothesis. Expected utility theory maintain that users reaction to accounting narratives is assumed to be driven by their perceived informativeness/value relevance, rather than impression management (Baginski et al., 2000,2004; Davis et al., 2007). This theory is underlying by strong form of market efficiency, and therefore investors are assumed not to be susceptible toimpression management.Incomplete revelation hypothesis on the other hand states that information that are more costly to extract from publicly available data are less completely reflected in market prices. And that the easier information is to extract the more it is impounded into share prices. As such investors are affected by impression management and thus be misled by managers opportunistically.

Behavioral finance theoriessuggest that investors are not a fixed group,"but instead consist of an ever-changing pool of investors, who as they become olderand are replaced by a new investors who could easily bemisled emotionally (Huang, 2005).

Moroever, Shleifer (2000) posits that less experienced investorsare able to influence market prices; while Mullainathan and Shleifer (2005) are of the view that even experiencedprofessional investors are susceptible to systematic biases in their cognitiveprocessing of information resulting from specific presentation formats.Therefore, share price reaction studies rely on theories from behavioural finance that are based on cognitive and social psychology to explain user susceptibility to impression management, under uncertainty (based on market inefficiency). That is, users do not make decision based on rationality, but on bounded rationality, which leads to huristic-driven (rule of thumb) decisions (Merkl-Davies & Brennan, 2007).Similarly, uncertaintymakes individuals take into account not only the substance, but also the form, ofthe risky alternatives they face. This means that they consider the framing of choices(i.e. the terms in which expected outcomes are expressed), regardless of whether suchframes are economically relevant or not. This behavior under uncertainty results in market inefficiency, where inefficiency is defined as the systematic departure of prices from fundamental values (Shefrin, 2002). Hence, susceptibility to impression management may be a result of either heuristic-driven bias or framing effects.

Therefore, theories of impression management via user perspective can be explained using three explanatory frameworks; biases relating to decision making and belief, social biases, and framing effects. Biases relating to decision making and belief are due to cognitive limitations. It usually applies in an environment where information is manipulated, which mostly analyzed using; the belief-adjustment model, the functional fixation hypothesis and cognitive limitations (Merkl-Davies & Brennan, 2007). Social biases are mainly attribution biases concerning the way we assign responsibility for an event. Accounting narratives from social biases maintain that dscretionary disclosures are only effective in managing impressions by altering user perceptions if they are perceived to be credible. Framing is the way information is worded, formulated or presented. Framing is linked with prospect theory, which describes how people make choices when faced with choosing between different risky alternatives and is an alternative to expected utility theory. Tversky and Kahneman (1986) show that individuals' judgments areinfluenced by the terms in which risky alternatives are expressed-what they call"framing effects". Prospect theory predicts that people's choices differ depending onthe way risky alternatives are framed, for example, in positive rather than negative terms. Thus, prospect theory shows that the way information is presented (information format) influences the way it is processed.

Review of Empirical Studies

Hooghiemstra (2000) uses an impression management approach from stakeholders theory to investigate Shell's handling of public controversy when in 1995 it announced its plans to sink the Brent Spar in the Atlantic. Hooghiemstra shows how Shell, after abandoning its plans to sink the Brent Spar in the Atlantic, engaged in a dialogue with its key stakeholder groups to change their perceptions.Bansal and Clelland (2004)use institutional theory to the disclosure of environmental liabilities and expressions of commitment to the environment. They find that by adopting impression management tactics firms gain legitimacy which, in turn, lowers their unsystematic stock risk.

Using reading difficulty, Courtis (1995) questions "whether writing which is difficult to read is executed deliberately to mask some unfavourable aspect of corporate

behavior, or is performed unwittingly out of ignorance. He shown that, reading difficulty represents a deliberate effort by managers to mislead users and thus constitutes impression management. Several empirical studies (Courtis, 1986; Smith & Taffler, 1992b; Courtis, 2004a) applied different aspect of reading difficulty and generally found annual report narratives to be difficult to read. Specifically, they indicated that users of the greatest sophistication have difficulty in fully comprehending financial narratives. In another study by Merkl-Davies (2007) found firm's size, but not financial performance, to be the determining factor in reading difficulty. However, the study found negative financial performance to be directly related to reading difficulty, but, this association is no longer significant when financial performance is interacted with firm size.

A trend of empirical studies (Adelberg, 1979; Courtis, 1998, 2004a; Li, 2006) based on the obfuscation hypothesis have shown that managers have a tendency to manipulate or arrange prose to mask 'bad news' (negative organizational outcomes) with more difficult writing.Although findings from Courtis (1986, 1995), Smith and Taffler (1992a), Clatworthy and Jones (2001), Rutherford (2003) found no such relation.Findings of research based on this impression management strategy are also provided evidence of using narratives impression management. For instance, Thomas (1997)shown that managers' messages to stockholders differ between profitable and unprofitable years. She finds negative organizational outcomes associated with rhetorical devices aimed at blaming performance on circumstances outside managers' control. Her overall conclusion is that "managers' letters suggest and imply, but they do not lie". In contrast, Jameson (2000) found shareholders' reports of mixed-return mutual funds to be significantly less direct than those of top-performing mutual funds. However, the relative indirectness of reports on mixed-return funds compared with top-return funds could be interpreted not as impression management, but as the increased complexity of the subject. This is similar to the argument that larger firms have more complex operations that lead to increased reading difficulty.

Sydserff and Weetman (2002) examine the association between verbal tone and financial performance. They find some limited evidence of impression management, but they conclude that management is even-handed in presenting narrative information.Yuthas et al. (2002) find that firms with positive and negative earnings surprises exhibit a higher level of rhetorical features associated with Habermas' principles of communicative action (i.e. suggesting clarity, truthfulness, sincerity, and legitimacy) than firms without earnings surprises. This seems to suggest that managers of firms with earnings surprises use the narrative sections not for impression management purposes, but to emphasize their honesty and trustworthiness.

From attribution hypothesis, Baginski et al. (2000, 2004) conclusion do not regard performance attributions as constituting impression management. Rather, consistent with the incremental information school, performance attributions are regarded as a disclosure strategy for overcoming information asymmetries by providing additional explanations, which aid investors in the interpretation of management forecasts by confirming known relationships between attribution and profitability or by identifying additional causes that investors should consider when forecasting earnings. However, their finding is limited as they do not examine self-serving attributions as such. They simply classify them into internal and external attributions (which they refer to as "causal attributions") without linking them to positive or negative organizational

outcomes.In contrast, Aerts (1994, 2001) and Clatworthy and Jones (2003) found firms to be more likely to attribute success to firm-internal than firm-external factors. In a cross cultural study of US and Japanese firms, Hooghiemstra (2001) found that managers of both profitable and unprofitable US firms attribute positive organizational outcomes to internal factors and negative organizational outcomes to external factors (they engage in self-serving behavior). However, regardless of financial performance, Japanese managers attribute negative organizational outcomes to external circumstances, but they do not show any self-serving tendencies by attributing positive organizational outcomes to internal factors.

Some studies (Smith & Taffler, 2000; Rutherford, 2005; Guillamon-Saorin, 2006) on the other hand, found that firms tend to emphasize positive organizational outcomes, regardless of their financial performance.While others (like Abrahamson & Park, 1994; Clatworthy & Jones, 2003; Davis et al., 2007; Matsumoto et al., 2006) found no evidence of biased themes based on financial performance. Lang and Lundholm (2000) investigate positive bias in a different context of new equity public offerings. Theyfound that managers engage in impression management before equity offerings to increase the firm's share price.The selective use of a benchmark, to highlight positive changes in earnings, has been investigated by Lewellen et al. (1996), Schrand and Walther (2000). Lewellen, Park, and Ro (1996) fonnd that share price performance benchmarks disclosed in corporate proxy statements are biased downwards; this has the effect of allowing managers to overstate relative share return performance. Schrand and Walther (2000) found that managers are more likely to select the lowest prior-period comparative benchmark earnings number that enables them to report the highest year-on-year increase in earnings. Guillamon-Saorin (2006) takes a different approach. She treats the use of performance comparisons of quantitative disclosures in press releases as emphasis in the form of reinforcement. Of the 1,109 quantitative amounts (from 172 press releases) to which a performance comparison was applied, 1,020 (92 percent) were applied to positive amounts.

Short and Palmer (2003) investigate the way CEOs monitor and interpret organizational performance using internal and external performance references. They found that CEOs of large and highly performing firms use more external performance referents in their performance explanations than CEOs of small and poorly performing firms. Johnson and Schwartz (2005) found support for opportunistic behavior in that managers go far beyond just excluding non-recurring items from pro forma earnings, by including other unspecified adjustments. Guillamon-Saorin (2006) found that firms select the highest earnings number suggests that firms portray their performance in a positive light. This indicates an impression management motivation.

Baird and Zellin (2000) use Einhorn and Hogarth's (1981) belief-adjustment model to explain whether users' perceptions of firm performance and prospects are influenced by the ordering of positive and negative information. The results indicate that investors rely most on the information presented first (primacy effect) when assessing a firm's past and future performance. Godfrey, Marther and Ramsay (2003), tested a sample of 63 Australian firms for earnings and impression management surrounding a change in CEO. They developed hypotheses on the view that new CEOs have incentives to engage in earnings and impression management such that they attribute poor performance to their predecessors and claim to be a better manager. For impression management relating to selectivity in the inclusion of graphs there was no

support for the hypothesis that unfavourable selectivity occurred in the year of CEO change, while there was strong support for the hypothesis that favourable selectivity existed in the year subsequent to the change of CEO.

In their analysis of 2001 Southwest Airlines' Letter to Shareholders, Amernic and Craig (2004) highlight how management appropriates symbolic representations to show their company in a positive light. They demonstrate the use of language in corporate narrative documents to be political.Courtis (2004b) examines the effect of colour in annual reports and finds that some colours are associated with more (or less) favourable perceptions and investment judgements.

Bowen et al. (2005) use the incomplete revelation hypothesis to explain investor reactions to impression management in the form of emphasising income-increasing pro-forma earnings numbers. They find that firms with low value relevance of earnings and greater media exposure place less emphasis on GAAP earnings and greater relative emphasis on pro forma earnings (i.e., they visually direct readers' attention to the earnings number which shows financial performance in the best possible light). Li (2008) also invokes the incomplete revelation hypothesis to explain why managers may choose to manipulate syntactic features to render the annual reports of poorly performing firms difficult to read in order to increase the time and effort for investors to extract information.

Applying institutional theory, Bansal and Clelland (2004) investigate shareholder responses to corporate environmental legitimacy and impression management relating to environmental performance. They find that firms which adopt institutional norms gain legitimacy which lowers their unsystematic stock market risk. Berrone et al. (2009) investigate organisational audiences' perceptions of corporate environmental legitimacy. They find that symbolic management does not have the same impact on environmental legitimacy compared to substantive management. They conclude that symbolic management is not unimportant in the sense that symbolic and substantive management are complementary rather than supplementary.Solomon, Solomon, Joseph, and Norton (2009) interview 20 institutional investors in relation to impression management and private social and environmental reporting. They found evidence of impression management, which is of concern.

Rahman (2012) explores the key factors that influence disclosure credibility of corporate managers and found that investors, while determining the credibility of a management disclosure, examine four basic factors-the situational incentives at the time of the disclosure, management's trustworthiness and competence, the degree of assurance for the message from internal and external sources, and several characteristics of the disclosure such as its precision, venue of release and time horizon. The study concludes that when the management has greater incentives to mislead, or are not very reputable and trustworthy, or when there is a lack of adequate assurance from internal or external sources, disclosures are deemed to be less credible.

Merkl-Davies and Brennan (2013) develop a conceptual framework, based on the concepts of rationality and motivation, which uses theories and empirical research from psychology/behavioural finance, sociology and critical accounting to systematise, advance and challenge research on impression management. Using alternative rationality assumptions, such as bounded rationality, irrationality, substantive rationality and the notion of rationality as a social construct, they conceptualise

impression management in alternative ways as self-serving bias, symbolic management and accounting rhetoric.

Wang (2016) conducted a literature reviews on the impression management in the corporate disclosure. This paper makes a review form the two aspects: Impression management in the financial information disclosure and impression management in the non-financial information aspect. The study find that the previous studies based on the psychology theory and using the self-severing attribution to discuss the corporate behaviors on impression management. They also find that managers apply impression management through the languages they used in narratives and the graphs they used in information release. The study also find that the impression management in the corporate information release deed has impact on the readers' psychology. The impression management in the corporate information disclosure has impact on the investors' evaluation on the corporate performance and also has effect on the corporate stock price.

Yang and liu (2017) examine the defensive and assertive impression management strategies and the impact of firm performance on accounting narratives by investigating the earnings disclosures of FTSE 100 companies on Twitter. Social media has become the prevailing venue for organisational self-presentation because it provides firms with more control over the image they intend to establish and maintain through the communication and content they deliver online. Their findings show that firms minimise the disclosures of negative information but employ various patterns and dissemination techniques to emphasise positive information. Specifically, improving performers are more willing to post and disseminate earnings-related tweets to achieve a higher degree of stakeholder engagement than declining performers. Based on these findings, they conclude that firms present themselves on social media opportunistically to construct a positive public image.

5. Conclusions

Emanating from existing litereature, the study concludes that accounting narratives are used for opportunistic discretionary disclosure practices (impression management) in corporate reporting. The study also conclude that the main managerial motives for impression management in corporate reporting is either concealmentor attribution.Impression management from economic perspective is conceptualized as rational purpose-driven behaviour of managers who aim to maximise their utility. And, it entails managers introducing reporting bias into corporate narrative documents by manipulating the presentation and disclosure of information.

The study also found that the main incentives for impression management in corporate reporting includes symbolic management, reputation/risk management, and ligitimacy. Moroever, the findings indicated that previous empirical studies mostly applied economic-based theory (agency), stakeholders theory, legitimacy theory, signalling theory and institutional theory. The study discovered seven impression management strategies used in corporate reporting (reading ease manipulation, rhetorical manipulation, thematic manipulation, visual and structural manipulation, performance comparisons, attribution of organizational outcomes and choice of earnings number).

The study concludes that the media used to achieved impression management include the annual reports (particularly chairmen's statements), CEO letters to shareholders, Operating and financial reviews, management discussion and analyses, Initial public offering prospectuses, Takeover documents, Press releases, Websites/Social Media and Conference calls. Lastly, the study contribute to the existing body of knowledge, by analyzing concepts which can be used by researchers as a conceptual and theoretical framework to inform their interactions with information users in their future studies of accounting narratives and impression management.

Recommendations and Area of Researches

The study recommends that regulators/standards setting bodies should design a regulatory framework for narrative disclosure in corporate reporting, by limiting and selecting the language and tones of presenting narratives. The study also recommends and suggests that researchers should conduct and in-depth study of the phenomena (impression management) in corporate reporting, with special reference to its determinants, and individual impression managment strategy. Specifically, the following areas are recommended for further research:

i. An in-depth study of corporate narrative documents aimed at uncovering how impressions are constructed in developing countries. And which strategies are used to manage the impression of users of accounting information.
ii. In both developed and developing economies, relatively little is known about the influence of the content and presentation of corporate narrative documents on organisational audiences. Therefore, there is a need for an in-depth study of corporate report readers by profiling them in terms of their sophistication (sophisticated and unsophisticated) and their information acquisition strategies.
iii. The study also recommend some research on the drivers of disclosures in the narrative documents of various organisations and sectors of the Nigerian economy. Because, different disclosure positions may co-exist in one firm and that disclosure positions may differ across different corporate narrative documents. This means that impression management may be more prevalent in specific types of corporate narrative documents.
iv. Lastly, the study recommends studies using different methodological approaches, which could provide opportunities to address new research questions dealing with preparer and user perspectives.

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