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Impression Management in Different Economic Political Contexts

- A study in the usage of accounts in the CEO letter of Swedish-, UK- and German-based companies -

Authors
Anna Eriksson
Nellie Mårtensson

Supervisor
Johan Dergård

Acknowledgments

This thesis is our master's degree project in accounting and finance at Lund University. The research approach used for conducting this essay has forced us into a new field of knowledge, which has resulted in a study that has been both educational and highly interesting for us to perform. However, we would not have succeeded in meeting our ambitious ideas without the great support we have received from our supervisor. Therefore, we would like to express our deepest gratitude to Johan Dergård for his continuous assistance and constructive criticism that has provided us with important guidance in the research process.

Anna Eriksson Nellie Mårtensson

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Abstract

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Authors: Anna Eriksson and Nellie Mårtensson

Advisor: Johan Dergård

Key words: Impression management, accounts, attributional patterns, Varieties of Capitalism and CEO letters.

Purpose: By studying different sets of data divided by type of economic political context, this thesis investigates if the usage of accounts differs between countries. In more specific, the purpose of this thesis is to investigate if the use of accounts in the CEO letters of Swedish-, UK- and German-based companies differ as a result of having businesses in different political economies.

Theoretical perspectives: The theoretical frame of references is based on the Varieties of Capitalism approach and the theory of accounts. By combining these two theoretical frameworks, a solid foundation for understanding the empirical findings is provided.

Methodology: The purpose of this thesis was investigated by conducting a content analysis of 90 CEO letters of companies based in Sweden, UK and Germany. More specifically, 30 listed companies represented each country. Initially, the data was accumulated from the CEO letters by using a predetermined coding manual (see Appendix A). After coding the data in NVivo, the information was transferred and processed in SPSS where ANOVA tests were performed to investigate the two research questions for this thesis.

Empirical foundation: The empirical foundation consists of data that is retrieved from the companies included in the sample, more specifically their annual reports available on the companies' websites. The empirical information is collected by manually and automatically analyzing the content of the CEO letters.

Conclusions: The authors of this thesis conclude that there is no significant difference in the frequency of accounts employed in CEO letters for Swedish-, UK- and German-based companies. Additionally, the result displays that there is no significant difference in the type of accounts employed between companies based in Sweden, UK and Germany. However, one exception is that Entitlement is employed significantly different between companies originating from the UK and Germany. Overall, the results from this thesis indicate that firms operating in different economic political contexts employ accounts similarly.

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1. Introduction

1.1 Background

An annual report is not only informative and summarizes the company's performances for the fiscal year to which the report refers. Vogel (2019) explains that the annual report provides companies with an opportunity to present themselves in a way that can increase their credibility. To increase credibility, linguistic devices can be used in the annual report to portray certain images of the organization's operations to persuade the recipients that the company is trustworthy and a legitimate market player (Vogel, 2019). Moreover, research in psychology highlights that individuals who face social pressure attempts to portray themselves in the best possible light (Riess, Rosenfeld, Melburg & Tedeschi, 1981; Tetlock & Manstead, 1985; Revsine, 1991). In line with this, Clatworthy and Jones (2003) states that company managers perform impression management in annual reports for the same reasons individuals respond to pressure from society. In addition, Costa, Oliviera, Rodrigues and Craig (2013) describe that a growing number of firms publish Chief Executive Officer (CEO) letters as a way of summarizing the content of the annual reports. Furthermore, an increasing number of CEO letters has raised concern for regulatory authorities regarding if the content of the CEO letter should be audited or not (Costa et al. 2013). At present, there is no regulation that demands that the CEO letter should be audited (IFRS 2007; Costa et al. 2013).

As accounting narratives in financial reports remain unaudited and the auditors have no responsibility to examine if they are stated properly, the techniques of impression management in annual reports are made possible (Clatworthy and Jones, 2003). In particular, Aerts (1994) describes that impression management is the process where an actor influences, or attempts to influence, the perception of others about oneself. This in turn gives managers and CEOs opportunities to strategically explain their financial performance in an effort to manage the impressions of their recipients' largely untroubled by regulatory constraints (Clatworthy & Jones, 2003; Hooghiemstra, 2010). Furthermore, individuals' opportunities to explain situations often result in an attribution pattern where people credit success to themselves but deny responsibility for failed operations (Leary & Kowalski, 1990; Clatworthy & Jones, 2003). Moreover, attributions in financial reports follow a pattern where good news receives emphasis and bad news are concealed (Neu, Warsame, & Pedwell, 1998; Merkl-Davies & Brennan, 2007; Cho, Roberts, & Patten, 2010). One specific type of linguistic device is accounts that are employed to verbally overcome differences between expectations and outcome (Scott & Lyman, 1968). In this thesis the employment of different types of accounts are emphasized by putting its use in a new context to broaden the current state of knowledge in this area of research.

Previous studies in the area of accounts demonstrate its usage as linguistic devices and rhetorical tactics in annual reports (Scott & Lyman, 1968; Schönbach, 1980; McLaughlin, O'Hair & Cody, 1983; Sandell & Svensson, 2016; Sandell & Svensson, 2017). The theory of accounts discerns how financial reports are constructed by means of which impressions are managed, legitimacy maintained and communication between firms and their stakeholders is sustained (Sandell & Svensson, 2016). Moreover, Sandell and Svensson's (2016) study conveys that organizations apply accounts in annual reports as a response to financial failures. Additionally, Sandell and Svensson (2016) argue that accounts in financial reports are used to respond to external evaluations, questionings and critique as a result of failure in meeting the expectations that experts and analysts in the society have defined. Furthermore, Brühl and Kury (2019) present that accounts are used as linguistic devices by bank managers to influence how stakeholders make judgements regarding who is responsible for events. Considering the above mentioned, the existing literature largely focuses on investigating the use of accounts as linguistic devices applied for financial communication between the organization and its stakeholders. However, to the best of the authors of this thesis knowledge, no research has examined the application of accounts in relation to national economic political contexts. Therefore, this paper aims to examine if the use of accounts in companies' CEO letters varies depending on the economic political context in which the company operates.

According to Hall and Soskice (2001), national political economies can be compared by reference to the way in which firms resolve the coordination problems they encounter. The core division by Hall and Soskice (2001) is between two types of political economies; liberal market economy (LME) and coordinated market economy (CME). These distinctions constitute ideal types of political economies in the spectrum in which nations operate. In a LME, companies coordinate activities primarily through hierarchies and competitive market arrangements. Some examples of countries operating in a LME are the UK, Australia, Canada and the USA. In contrast, companies in CMEs depend on non-market relations to coordinate operations with other actors to manage core competencies. Sweden, Norway, Japan and Germany are examples of countries that operate in a CME (Hall & Soskice, 2001).

As previous research has provided knowledge about the application of accounts in annual reports, the authors of this thesis add knowledge to existing research on accounts by examining it in line with the Varieties of Capitalism approach. More specifically, this thesis explores if Swedish-, UK- and German-based companies' use of accounts in CEO letters differ, as a result of them operating in different types of economic political contexts. The ambition is to investigate if differences occur between how firms in LMEs and CMEs employ accounts regardless of the idea that there is an ongoing convergence. The idea of convergence in this thesis is inspired by Granlund and Lukka's (1998) view that globalization leads to convergence of practices and homogeneity across the world economies. Therefore, it is interesting to examine if accounts in the financial communication are used differently across three Western European countries in line with the Varieties of Capitalism approach.

The selection of countries is based on the fact that Sweden and Germany are CMEs, while the UK, according to Hall and Soskice (2001), is a typical example of a LME. Even though Germany and Sweden have similar institutional structures by reference to their classifications as CMEs, Crouch (2005) highlights that national differences can occur between countries classified as CMEs. Therefore, potential differences in institutional structures between Germany and Sweden make them interesting to compare and analyze. For instance, Crouch explains that Germany has a high degree of federalism, which leads to a less integrated relationship between the German state and their different economic actors. In contrast to this, the smaller countries classified as CME, such as Sweden, have a more closely integrated relationship between its state and their economic actors (Crouch, 2005). Furthermore, Sweden is an ideal example of social-democratic welfare capitalism, whereas Germany is the typical CME with a conservative-corporatist welfare state (Esping-Andersen 1990; Hall & Soskice 2001). Additionally, the strength and degree of quality of different institutions vary between countries (Hall & Gingerich, 2009), which should indicate that even though Germany and Sweden both are CMEs, the strength and the quality of their institutions vary between each other as well as between the UK. As a result, studying accounts in different sets of data, divided by type of political economy, might discern differences and similarities in the usage of accounts in the CEO letters.

With regards to how previous studies have been conducted, and to what those studies have discerned, this thesis aims at contributing to the existing accounting literature in various ways. Firstly, it contributes by supporting the current knowledge of how accounts are used in CEO letters. More specifically, it adds support to previous studies by demonstrating the usage of accounts as linguistic devices and rhetorical tactics in annual reports. Secondly, it provides new insights and discussions regarding the employment of accounts in CEO letters by investigating if the usage of accounts can be explained by the economic political contexts in which Swedish-, UK- and German-based companies operate. Overall, this research contributes to an enhanced understanding of whether or not the application of accounts in the CEO letters differs related to the economic political contexts in Sweden, UK and Germany.

1.2 Purpose

The purpose of this thesis is to investigate if the use of accounts in CEO letters of Swedish-, UK- and German-based companies differ due to their different economic political contexts.

1.3 Outline of the thesis

The disposition of the thesis is arranged accordingly: The first chapter, the introduction, outlines the research topic and exemplifies why this subject is of interest to study. Furthermore, the introduction states a clear purpose that is possible to investigate and is relevant both from a theoretical and practical point of view. The following section, chapter two, describes two concepts that together constitute the theoretical frame of references. Also, section two includes an outline of the arguments, which leads to the formulation of the research questions for this thesis. The third chapter, method, contains a detailed description of how the research has been conducted in order to fulfill the purpose of this thesis. Furthermore, the method section includes a description of the selected research design, method for data collection, information processing in NVivo and SPSS and the underlying reasoning for the thesis sampling procedure.

The fourth chapter of the thesis, results, provides the outcome from the tests carried out on the empirical data i.e. CEO letters. The data is tested by using One-Way ANOVA (henceforth referred to as ANOVA) tests and the results are presented in different tables to visualize the outcome of these statistical tests. Section four also provides the foundation necessary to answer the research questions of this thesis. Following this, chapter five, includes a discussion and analysis of the empirical data that is supported by the theoretical frame of references. The discussion and analysis form the basis of the sixth chapter of the thesis namely, the conclusion. In the conclusion, the main findings from the thesis are summarized. In the last section, chapter seven, the concluding remarks of the thesis are provided. In this section, the general contributions, limitations and ideas for further research are highlighted and discussed.

2. Theoretical frame of references

2.1 Varieties of Capitalism

2.1.1 Varieties of Capitalism- An overview

Hall and Soskice (2001) introduce a theoretical approach named Varieties of Capitalism to understand institutional similarities and differences among developed economies. The framework provides a broad set of topics ranging from issues with innovation, corporate strategy, legal systems and development of social policy (Hall & Soskice, 2001). Moreover, the Varieties of Capitalism framework explains variations and changes within the capitalist systems by providing a broad division of institutional contexts in the economic political environment (Amaeshi & Amao, 2009). The main academic emphasis in the area of Varieties of Capitalism focuses on the distinctive nature of the national institutional contexts in which firms operate (Hall & Soskice, 2001; Amable, 2003; Hancke, Rhodes, & Thatcher, 2007).

Furthermore, Howell (2003) states that the Varieties of Capitalism approach is the best available theoretical framework for institutional analysis. For instance, Hall and Gingerich (2009) use the Varieties of Capitalism approach by Hall and Soskice (2001) to make a statistical analysis to assess whether patterns of coordination in The Organization for Economic Cooperation and Development (OECD) economies conform to the prediction of the theory. Hall and Gingerich's (2009) study provides evidence, which suggest that the Varieties of Capitalism approach captures important differences between political economies, but also that institutional complementarities operate across the different types of economic political environments. Additionally, Pucheta-Martínez, Gallego-Álvarez and Bel-Oms (2019) apply the Varieties of

Capitalism approach to examine how national institutions affect corporate governance mechanisms at international level. The findings from Pucheta-Martínez, Gallego-Álvarez and Bel-Oms (2019) research suggest that the institutional context is associated with different corporate governance mechanisms and that the Varieties of Capitalism approach contributes to better corporate governance structures.

The political aspect of the Varieties of Capitalism approach is centered on different actors, who seek to advance interest in strategic interactions with other parties such as individuals, firms, producers and governments (Hall & Soskice, 2001; Hall & Gingerich, 2009). Following this, Hall and Soskice (2001) state that the Varieties of Capitalism approach view firms as relationship-based i.e. companies are dependent on their relationships with different market actors to coordinate business activities. Consequently, the theory assumes that firms are central actors in the economy and that their outcome aggregate into the country's overall financial performance (Hall & Soskice, 2001; Hall & Gingerich, 2009; Pucheta-Martínez, Gallego-Álvarez & Bel-Oms 2019). Therefore, in order to grow, companies need to coordinate activities and build relations with other actors in several spheres of the political economy (Hall & Soskice, 2001; Hall & Gingerich, 2009; Pucheta-Martínez, Gallego-Álvarez & Bel-Oms 2019). Since firms' capacities are relational, Hall and Soskice (2001) explain that firms also face coordination problems within those relationships. Therefore, success depends on the firms' abilities to coordinate effectively with many actors in the political economy (Hall & Soskice, 2001; Hall & Gingerich, 2009).

The relational perspective of a firm stems from that national political economies can be compared with regards to how firms resolve coordination issues they face with other actors (Hall & Soskice, 2001). Hall and Soskice (2001) make a core distinction between two types of political economies within the Varieties of Capitalism framework, namely LME and CME (see Table 1). These two types of economies constitute ideal views in the spectrum of which a country can operate (Hall & Soskice, 2001). In the LME, the firm primarily coordinates activities through market arrangements (Hall & Soskice, 2001; Hall & Gingerich, 2009). Furthermore, companies operating in a LME face large equity markets characterized by high levels of transparency and dispersed shareholding (Aguilera & Jackson, 2003; Hall & Gingerich, 2009).

Additionally, Hall and Gingerich (2009) describe that firms' access to capital is reliant on their stakeholders to have access to public company information to make for e.g. market valuations on which they take investment decisions. Furthermore, trade unions are relatively weak and employment protections are low for firms that operate in a LME. Top management has substantial authority over corporate strategy and employee working conditions (Hall & Gingerich, 2009). Moreover, market relationships in a LME are characterized by the arm's length exchange of goods or services in a competitive context and formal contracting (Hall & Soskice, 2001; Pistor, 2005; Hall & Gingerich, 2009;). Furthermore, Hall and Soskice (2001) argue that English firms maintain profitability as the structure of financial markets in a LME ties the firm's access to capital and ability to resist takeover to its current profitability.

In contrast, Hall and Soskice (2001) describe that a firm in a CME depends on non-market relations in order to coordinate its activities with other actors and develop their competencies. Furthermore, companies in a CME are closely connected by dense networks of cross-shareholding and influential employers' associations (Hall & Soskice, 2001; Hall & Gingerich, 2009; Kang & Moon, 2012). Dense networks permit access to capital on terms that depend more on reputation than share prices (Hall & Gingerich, 2009). Furthermore, Hall and Soskice (2001) describe that market relationships in CMEs entail more extensive and collaborative relationships and incomplete contracting. Additionally, the main providers of finance in CMEs are banks and large institutional owners (Hall & Soskice, 2001; Howell, 2003; Pistor, 2005; Hall & Gingerich, 2009). With powerful workforce associations, Hall and Gingerich (2009) explain that companies in CMEs are generally associated with mutual decision making throughout organizational hierarchies. As a result, CMEs must engage in strategic interactions in various spheres, although the strength and quality of the institutions that firms rely on vary between countries (Hall & Soskice, 2001; Hall & Gingerich, 2009; Pucheta-Martínez, Gallego-Álvarez & Bel-Oms 2019). Furthermore, Hall and Gingerich (2009) describe countries that operate in CMEs are more socially oriented than LMEs and, therefore, center attention on trying to satisfy the needs of stakeholders, for instance employees, suppliers, and shareholders. Moreover, Hall and Soskice (2001) exemplifies how firms in CMEs can bear declines in returns since the national financial system gives firms access to capital independent of profitability. Consequently, firms in CMEs can maintain their market share because the actors in the political economy coordinate activities to promote long-term employment. With regards to high coordination in CMEs, it also makes it harder to dismiss personnel (Hall & Soskice, 2001).

According to the Varieties of capitalism approach, firms must not only coordinate their operations with different actors in several spheres, but also with institutions in the political economy (Hall & Soskice, 2001; Hall & Gingerich, 2009; Pucheta-Martínez, Gallego-Álvarez & Bel-Oms 2019). Hall and Soskice (2001) explain that institutions include rules, formal or informal, that actors normally tend to follow for normative, cognitive or material reasons. Organizations are seen as durable entities with members, whose rules are committed to the institutions of the political economy. Markets and hierarchies are especially important in LMEs, but it also has some importance in CMEs (Hall & Soskice, 2001). Furthermore, companies in a CME are more reliant on different kinds of organizations and institutions for support in coordinating activities, compared to LMEs (Hall & Soskice, 2001; Hall & Gingerich, 2009). Therefore, supporting institutions should provide capacities for the exchange of information among the actors, monitoring of behavior and sanctioning of defection from cooperative undertakings (Hall & Soskice, 2001; Hall & Gingerich, 2009). Examples of such institutions are powerful business or employer associations, strong trade unions, extensive networks of cross-shareholding, and legal or regulatory systems constructed to make information sharing and collaborations easier (Hall & Soskice, 2001; Hancke, Rhodes, & Thatcher, 2007; Hall & Gingerich, 2009, Hall & Thelen, 2009).

Hierarchies and markets are elements in both LMEs and CMEs, although Hall and Soskice (2001) highlights that there is a systematic variation inherent in the corporate structure across different types of economies. Institutions provide companies with support and, therefore, firms organize their company strategies to take advantage from this institutional support. Thus, there are important respects in which organizational strategy follows a country's financial structure (Hall & Soskice, 2001). Therefore, the Varieties of Capitalism approach foresees systematic differences in corporate strategy across countries and the distinctions between the general institutional structures of the two types of political economies (Hall & Soskice, 2001; Hall & Gingerich, 2009). In particular, the presence of institutional complementarities increases the differences between LMEs and CMEs (Hall & Soskice, 2001). Moreover, Hall and Soskice (2001) claim that English firms must maintain profitability because the structure of financial markets in a LME connects the firm's access to capital. Thus, LMEs can carry the loss of market share thanks to fluid labor markets that allow them to dismiss workers more easily (Hall & Soskice, 2001). In contrast, Hall and Soskice (2001) describe that German companies can survive declines in returns since the financial system of a CME gives companies access to capital independent of current profitability. A CME attempts to maintain their market share by having strong labor institutions in the economic sphere that benefit long-term employment strategies and make layoffs more difficult (Hall & Soskice, 2001).

Similarly, Nobes and Parker (2016) suggest that capital provided by banks is highly significant in Germany. By contrast, the UK has a large number of companies that are financed by millions of private shareholders. Furthermore, the division between providers of finance is grounded on the varying numbers of listed companies in different countries. For instance, the listed firms are far fewer in Germany compared to the UK. Consequently, the equity markets are more essential in the UK in contrast to Germany. The institutional investors in Germany hold larger blocks of shares and may be better organized than private shareholders in the UK. Furthermore, it is argued that companies in countries that have widespread ownership of shareholders, like the UK, do not access internal information, which causes great pressure for disclosure (Nobes & Parker, 2016). In general, Hall and Soskice (2001) and Hall and Gingerich (2009) suggest that firms and other actors in CMEs should be more willing to invest in specific and co-specific assets, while those in LMEs should invest more in switchable assets. This follows the notion that CMEs have more institutional support for the strategic interactions that are needed to realize the value of co-specific assets. In contrast, the more fluid markets in LMEs give economic actors more opportunities to switch assets in the hope to find new investments with high returns (Hall & Soskice, 2001; Hall & Gingerich, 2009).

Table 1. Comparison of characteristics for LMEs and CMEs

LME	CME
Large equity market with many small private shareholders	Smaller equity markets with large institutional investors that hold large blocks of shares
Many listed companies	Few listed companies
Weak labor institutions and low employment protection	Influential and strong employers' associations
Firms have weak institutional support	Firms have high institutional support
Formal contracting	Collaborative relationships and incomplete contracting
Private shareholders	Stakeholders; creditors, employees, suppliers and shareholders
Profitability is crucial to maintain access to capital	Access to capital independent of profitability
Market relations	Non-market relations
Fluid markets	Less fluid markets
Investments in switchable assets	Actors' invest more in specific and co-specific assets
Top management has substantial authority	Top management and large institutional investors have authority

2.1.2 Criticism Varieties of Capitalism

Howell (2003, p. 103) writes "the varieties of capitalism approach, achieved a level of theoretical sophistication, explanatory scope and predictive ambition that has rapidly made it close to hegemonic in the field". Despite popular opinions and advocates regarding the Varieties of Capitalism approach, it has also received criticism. Hall (2007 cited in Hancke, Rhodes & Thatcher, 2007) discusses the process of globalization and liberalization as drivers of causing change in the political economy, which lead analysts to question if there still exists distinctive types of capitalism. Arguments of challenges and changing environments mean that a comparative political economy is considered to become obsolete (Hall, 2007 cited in Hancke, Rhodes & Thatcher, 2007). For instance, the Varieties of Capitalism approach is criticized for not considering internal diversity in capitalism organizations, but also for neglecting problems associated with institutional change (Hall & Thelen, 2009; Lane & Wood, 2009). Furthermore, the Varieties of Capitalism approach has received criticism for being overly static and the division between LMEs and CMEs is less accurate as a consequence of the liberalization of the world economies (Hall & Thelen, 2009).

In addition to the criticism towards the Varieties of Capitalism approach, which highlights the effects of globalization and liberalization of the world economy, the idea of convergence has grown. Consequently, the initial boundaries set between the two ideal types of political economies, CMEs and LMEs, are becoming more blurred according to some researchers (Hay, 2000; Hall & Thelen, 2009). However, Boyer (2005) explains that national differences could be strengthened due to globalization. Following this, Weiss (1997) proclaims that internationalization can create more competition between countries with the effect of increased national differences. Nevertheless, tendencies concerning convergence, in particular towards the liberal model, are identified by a growing amount of international and comparative political economists (Hay, 2000).

2.2 Accounts

Hines (1988) states that people can create reality by communicating it. By communicating a particular view of an organization, it leads individuals to respond to that view as the truth. Hence, reality is created and individuals act accordingly (Hines, 1988). Moreover, Alvesson and Kärreman (2000) suggest that language is a social practice where words are used to accomplish things rather than solely being an abstract tool applied to reflect socially constructed events. Additionally, Sandell and Svensson (2016) describe language in financial communication as performative. The performativity of language in financial communication affects and alters how individuals understand the world in which organizations operate. Thus, it changes individuals' understanding of the world where organizations do business (Sandell & Svensson, 2016). In psychology literature, research shows that individuals who face societal pressure try to present themselves in the best way possible (Riess et al., 1981; Tetlock & Manstead, 1985; Revsine, 1991). Similarly, company managers also face pressures from society and, therefore, perform impression management in annual reports as a response (Clatworthy & Jones, 2003). Furthermore, the societal pressures that individuals face make them explain situations in an attribution pattern where people credit success to themselves but deny responsibility for failure events (Leary & Kowalski, 1990; Clatworthy & Jones, 2003). Hence, attribution patterns in financial reports demonstrate that information is emphasized when news is good and concealed when they are bad (Neu, Warsame, & Pedwell, 1998; Merkl-Davies & Brennan, 2007; Cho, Roberts, & Patten, 2010).

Moreover, Sandell and Svensson (2017) describe that the idea of accounts is originally presented by Scott and Lyman (1968). Scott and Lyman's (1968) study contains an analysis within the area of sociology regarding the employment of accounts, which are statements used with the purpose to explain untoward behavior and bridge the gap between expectations and outcome. Similarly, Buttny (1985) states that an account provides criteria for modifying the significance of an event by altering its context. Hence, an account offering provides means for an alteration of a socially recognizable circumstance (Buttny, 1985). The notion of accounts, which originates from sociology, is transferred to business language where accounts are described as a specific type of linguistic and rhetorical device individuals use to influence responsibility judgements or evaluative inquiry (Sandell & Svensson, 2016; Brühl & Kury, 2019). Furthermore, Scott and Lyman (1968) describe that accounts are of high importance in the social order as they can hinder conflicts from arising by overcoming the gap between what was expected to happen to what actually happened. In line with Scott and Lyman's (1968) view, Sandell and Svensson (2016) refer to accounts as statements or responses that neutralize critique when expectations are not met.

Additionally, Sandell and Svensson (2016) state that the natural language accompanies accounting language in financial reports and acts as a response to explicit and implicit expectations, accusations and external demands. Furthermore, Brühl and Kury (2019) present that accounts are rhetorical devices that are employed in evaluative situations. In particular, Brühl and Kury's (2019) study demonstrate that bank managers apply accounts as linguistic devices to influence responsibility judgement of stakeholders. Similarly, Hrasky and Smith (2008) write that the CEO letter can be seen as a means of corporate communication that enhances positive corporate reputation. Hence, a CEO letter can be a symbolic act that helps create legitimacy and reputation for the firm (Hrasky & Smith, 2008).

Even though there exist several types of accounts, it is important to understand that different types of accounts can be more or less useful for communicating a specific view on an explicit event (Buttny, 1985). Scott and Lyman (1968) identify two general accounts, which are *Excuses* and *Justifications*. Scott and Lyman's (1968) taxonomy of accounts is advanced by Schönbach (1980), who extends it by adding *Concession* and *Refusal*. Following this, McLaughlin, O'Hair, and Cody (1983) contribute with *Silence* as an additional account to the literature. Sandell and Svensson's (2016) study of accounts in financial reports lead to the contribution of *Refocusing* to the existing taxonomy of accounts. Furthermore, Sandell and Svensson (2017) extend their taxonomy with *Mystification* as an account that is inspired by underlying ideas presented by Scott and Lyman (1968).

An Excuse includes the admittance of an event or act that one perceives as bad, wrong or inappropriate, but denying responsibility for it (Scott & Lyman, 1968; Sandell & Svensson, 2016, Sandell & Svensson, 2017). Excuses are mainly useful once actors are calling upon external causes for the event (Waring, 2007). Justification of an event or act is a means of accepting responsibility for the failure event, but denying negative qualities that accompany it (Scott & Lyman, 1968). The actor makes a Justification by trying to appeal to the positive value of the event, thereby reducing the perceived wrongness of the act (Scott & Lyman, 1968; Riordan, Marlin & Kelogg, 1983). Denials of damage or appealing to positive intentions of a negative event are also examples of Justifications (Sandell & Svensson, 2016). Moreover, Sandell and Svensson (2016) explain that Refocusing means that an account redirects the reader's attention toward something else than the failure event. Hence, attributing attention to a different issue or shifting focus by using temporal orientation are examples of when Refocusing is applicable (Sandell & Svensson, 2016).

Concession as an account is a means of acknowledgement expressed explicitly by showing guilt in failure situations (McLaughlin, O'Hair & Cody, 1983). The Concession can be an acknowledgement with partial or full responsibility for the failure event (Schönbach, 1980). Furthermore, Sandell and Svensson (2016) mention that firms who make a Concession express regret by providing means and taking corrective actions for the failure event. Moreover, Sandell and Svensson (2017) describe that Mystification is applicable in a situation where the actor admits to the failure of not meeting expectations, but the reasons for the failure event is not provided in the account statement. The account is considered vague, thereby, making it difficult for the reader to understand how the firm perceives the negative event (Sandell & Svensson, 2017). Lastly, Silence is an implicit account. Thus, when explicit accounts can worsen the situation as a result of the failure event, an implicit account such as Silence can be appropriate to use (McLaughlin, O'Hair & Cody, 1983). By employing Silence as an account, the firm avoids references to what causes the failure event (Sandell & Svensson, 2016).

2.3 Research questions

Prior literature in the research field of accounts primarily focuses on how it is used to communicate and manage impressions by responding to societal pressure (Scott & Lyman, 1968; Leary & Kowalski, 1990; Firth, 1995; Clatworthy & Jones, 2003; Conaway & Wardrop, 2010; Sonenshein, Herzenstein & Dholakia, 2011; Brocato, Peterson & Crittenden, 2012; Sandell & Svensson, 2016; Sandell & Svensson, 2017; Brühl and Kury, 2019). For instance, research by Clatworthy and Jones (2003) examine chairman's narratives with the purpose to find out if firms with improving or declining performance report about it differently. The results from their study show that firms prefer to take internal credit for positive news, while blaming the external environment for the bad news. The conclusion from the study is that company managers use impression management in annual reports for the same reasons individuals respond to pressure from society (Clatworthy & Jones, 2003).

Moreover, Sandell and Svensson's (2016) study examines interim reports for companies listed on NASDAQ OMX Stockholm Large Cap with the purpose to add knowledge about the natural language that firms use in financial reports. Similarly, Sandell and Svensson's (2017) research addresses how goodwill impairment is rhetorically constructed in annual reports for companies that are listed on NASDAQ OMX Stockholm. The results from this particular study indicate that goodwill impairment presents a situation where accounts can be applied in order to motivate acquisitions (Sandell & Svensson, 2017). In contrast to Sandell and Svensson's (2016;

2017) emphasis on accounts employed by Swedish-based companies, Conaway and Wardrope (2010) investigate CEO letters of US- and Latin American-based firms with listings on New York Stock Exchange. Their results indicate that corporate documents have the assignment to communicate more than basic information. Also, it is evident that differences exist between how US- and Latin American-based companies communicate their information about performance (Conaway & Wardrope, 2010). Moreover, Brühl and Kury's (2019) research contains a study of 50 CEO letters of the biggest banks in the USA and Europe for the year of 2008. Their study shows that banks use different types of accounts to address their economic responsibility for the repercussions caused by the financial market crisis (Brühl & Kury, 2019). Taking these previous studies into consideration, it seems that no explicit study in the field of financial communication contains an analysis on how firms use accounts in CEO letters with emphasis on their different economic political contexts. Consequently, it is difficult to formulate definite predictions as to whether or not the test results can indicate significant differences between the employment of accounts and the economic political environment. Subsequently, the following argumentation presents relevant theoretical aspects from which expectations arise. These expectations are then formulated into research questions in order to investigate the relationship between accounts and economic political context.

In accordance with Hall and Soskice (2001) description of different economic political contexts, accounts are expected to be applicable in CEO letters by firms to communicate effectively with actors in their economic political environment. Since Scott and Lyman (1968) and Sandell and Svensson (2016) state that accounts can be applied as a response to external judgement and criticism, the expectation is that companies in Sweden, UK and Germany use accounts in attribution patterns to uphold legitimacy and justify company operations. Furthermore, Hall and Soskice (2001) and Hall and Gingerich (2009) explain that actors in the different economic political environments seek to advance interest in strategic interactions with firms. An advanced interest in such strategic interactions can indicate that firms in certain contexts are exposed to different societal pressures. One way to respond to those pressures can be for company managers to use accounts in their annual reports in line with Sandell and Svensson's (2016) and Brühl and Kury's (2019) conclusions.

Subsequently, the expectation is that the countries' economic political context can have an effect on the type of accounts firms use in their CEO letters to communicate responses to the pressures from stakeholders in evaluative situations. Moreover, the Varieties of Capitalism approach states that a CME is more reliant on coordination with other actors in the economic political environment, while LMEs are not (Hall & Soskice, 2001; Hall & Gingerich, 2009). Instead, LMEs are reliant on equity markets to receive financing, while CMEs are financed by large institutional owners or banks (Hall & Soskice, 2001; Hall & Gingerich, 2009). As a result, firms in LMEs have different stakeholders compared to CMEs. Taking the abovementioned arguments into consideration, the stakeholders in LMEs can have higher expectations on companies' performance compared to stakeholders in CMEs. Consequently, firms in LMEs are under evaluation by shareholders with high expectations and, therefore, risk falling short in performance, which in turn should incentivize the employment of accounts. The research question on the relationship between accounts and economic political context is, therefore:

Research question 1. Is the frequency of accounts that companies use in CEO letters significantly higher for UK-based companies (LME), in comparison to the employment of accounts in CEO letters for Swedish- and German-based companies (CMEs)?

In addition to research question 1, Stanton and Stanton (2002) state in their study that firms presumably select and organize material in terms of the kind of audience they seek to address. Furthermore, Sandell and Svensson (2016) use the theory of accounts to discern how financial reports can manage impressions, uphold legitimacy and communicate with stakeholders. Therefore, accounts have the ability to bridge gaps between what stakeholders expect from companies in terms of performance and what the firm actually achieves (Scott & Lyman, 1968; Sandell & Svensson, 2016; Brühl and Kury, 2019). Moreover, Nobes and Parker (2016) state that the UK has a large number of listed firms financed by many private shareholders. As a result, equity markets are more vital in the UK compared to Germany. Additionally, Hall and Soskice (2001) state that firms operating in LMEs are more reliant on profitability and face large equity markets with characteristics, such as demand for transparency and disperse shareholding.

Similarly, Hall and Gingerich (2009) present that LMEs have more fluid markets compared to CMEs, which in turn provide actors with more room to transfer resources to find new investment opportunities. Furthermore, Hall and Soskice (2001) explain that there are several institutional differences between CMEs and LMEs.

Since accounts are linguistic devices useful to bridge the gap between outcome and expectation, the authors of this thesis believe that the specific type of account that firms employ is related to internal differences firms experience as a result of operating in different economic political contexts. Given that companies have different providers of finance and that the need for transparency varies between different political economies, companies can use different types of accounts to address various stakeholder expectations. Furthermore, the differences between LMEs and CMEs institutional context might result in CEOs presenting information embedded with accounts that are suitable for its stakeholders. Thus, it seems feasible to question if the economic political context can result in firms using different types of accounts. Therefore, the research question for investigating whether the type of accounts that firms employ is related to the economic political context is:

Research question 2. Do the types of accounts that companies employ in CEO letters differ significantly between firms originating from Sweden, UK and Germany?

3. Method

3.1 The research process

At first, research articles were studied to gain a basic understanding of the current state of knowledge in the thesis area of research. The initial review of articles clarified that the thesis was feasible and could add relevant knowledge in the area of accounts and their employment in CEO letters. Moreover, the theory was chosen first, followed by a formulation of the purpose and the research questions for this thesis, which provided support for how the empirical data was going to be collected. The purpose and research questions of the thesis were formulated in a short and concise way to more precisely clarify what was of importance for conducting this study. As a result, explicitly stated purpose and research questions made it easier for the authors of this thesis to adopt a research design that was suitable for investigating the use of accounts in the CEO letters of companies operating in different political economies. By doing this, validity could be achieved in accordance with how Bryman and Bell (2017) puts it, i.e. that the researchers were able to measure the intended.

To obtain a theoretical frame of reference, this thesis carried out a literature review of previous research in the area of accounts and the Varieties of Capitalism approach. Electronic databases, namely LUBsearch and Business Source Complete, were used to access the journal articles included in the theoretical frame of references of this thesis. Keywords used to search for articles in the databases were; impression management, accounts, CEO letters, attributional patterns, Varieties of Capitalism, liberal market economy and coordinated market economy. All of the articles included in the theoretical frame of references have been peer-reviewed and published in academic journals, which indicates that they were of high quality. Nevertheless, it was important to recognize that published articles did not automatically embody all prior work in that field, which could result in publication bias (Efron & Ravid, 2019). Therefore, the authors of the thesis have had a critical view when selecting articles and books to maintain objectivity with regards to the collected literature. Despite efforts to maintain an objective approach for assessing literature, there was a risk that the review of literature to some degree has been affected by the authors' own experiences and perceptions. After choosing the theoretical frame of references and formulating the research questions for the thesis, an appropriate research design and method for data collection were chosen.

Moreover, the authors of this thesis have not managed to identify any previously formulated research that has explicitly addressed if economic political contexts could have had an effect on how firms apply accounts in CEO letters. Consequently, the area of research in this thesis had more explorative characteristics, which made it harder to formulate hypotheses. More specifically, it was hard to make general predictions since there was no explicit research to rely on in this area. Therefore, this study was based on research questions to investigate the relationship between accounts and economic political contexts. The decision to apply research questions rather than hypotheses has been motivated by Jansen, Merchant and Van der Stede's (2009) methodology where they used a similar approach to investigate a new area of research.

Throughout the thesis, the authors have been aware of potential ethical problems that the choice of method could have led to. One ethical principle that has been considered was impartiality which, according to Skärvad and Lundahl (2016), meant that researchers should not allow themselves to be guided by special interests or consciously alter the results to someone's advantage. Therefore, all work of processing data has been carried out jointly to avoid that own opinions and previous knowledge affect the thesis results. Furthermore, a high level of transparency has been achieved by providing a detailed explanation of the method and how the results have been attained. Moreover, Bryman and Bell (2019) described that the way a researcher handles data could create risks relating to confidentiality. Therefore, confidentiality of the information provided by companies in their annual reports has been considered but it has not resulted in any adjustments. No adjustments were made due to the fact that the empirical data collected for this study were public documents downloaded from the firms' own websites. Hence, the authors of this thesis have not encountered any issues with confidentiality.

3.2 Research design

The chosen research design was a content analysis. Given the purpose of the thesis, the content analysis was deemed appropriate as research design since it allowed the text in the CEO letters to be systematically analyzed and categorized in accordance with the different types of accounts. This was in line with Bryman and Bell's (2017) view on content analysis as an appropriate research design when documents and texts are to be analyzed in a systematic way by quantifying the content based on predetermined categories. Following this, the identified accounts were systematized into predetermined categories, which became the starting point for the analysis. Considering that accounts were a combination of words into sentences, the analysis focused on language in a distinctive context rather than counting words. Therefore, the documents were analysed by reading texts and searching for language that was used as response to failure events. Additionally, Bryman and Bell (2017) described that one strength with the content analysis was that it was a flexible approach, which allowed for an analysis on a wide variety of unstructured information. Considering that it was not statutory to present a CEO letter in the annual report, it also meant that the statements did not have to follow predetermined structures (IFRS, 2007; Commission Regulation (EC) No 1274/2008 of 17 December 2008). As a consequence of this, the flexibility of the chosen research design has been useful since the encoded CEO letters did not follow a standardized structure and, therefore, the content of these documents could have been expressed differently.

Moreover, the content analysis has been carried out manually and automatically by using a computer software. The decision to both manually and automatically analyze the data has been inspired by the methodology in Clatworthy and Jones (2003) article *Financial reporting of good news and bad news: evidence from accounting narratives*. By handling the coding in accordance with Clatworthy and Jones' approach (2003), the authors of this thesis could decrease potential errors by simplifying the process of analyzing lengthy texts, which was also in line with Carley's (1993) view. Since, there were advantages linked to computer-based coding techniques, it has partly been used to assist in the coding procedure for this thesis. However, it was necessary to understand the context and not only to look for single words to identify accounts in CEO letters. Consequently, it was suitable to apply a combination of both manual and computer-based coding in order to more efficiently identify accounts. With regards to limited resources and a restricted time frame, this combination of methods was also considered the most appropriate to get accurate extractions of information from the analyzed CEO letters.

3.3. Method for data collection

3.3.1 Pilot study and coding manual

Since the chosen research design was a content analysis, the initial step was to formulate a coding manual. The coding manual has been an essential part of the content analysis as it included information necessary for guiding the analysis of the documents included in the empirical data set. A coding manual could also help to specify the themes applied for analyzing the texts and guided the interpretation of it (Bryman & Bell, 2017). However, it was important to highlight, in line with Bryman and Bell's (2017) view, that no coding manual was completely free from the researchers' own interpretations. As a response, the coding manual was based on how previous studies have been conducted in the chosen research area. In particular, the coding manual for this essay has been inspired by the methodology used in Sandell and Svensson (2016) article *The Language of Failure: Verbal Accounts in Financial Reports*. Therefore, previous research on accounts was used as a basis to classify thematic categories and characteristics of accounts investigated in the thesis. As a result, the coding manual provided guidance on how to analyze words and sentences as specific types of accounts in CEO letters.

One difficulty in measuring the use of accounts was that no predetermined pattern indicated where they should appear or how they would be constructed in written text. Hence, accounts found in CEO letters were mainly based on contingencies. Subsequently, one must analyze and classify words and sentences in different contexts equally to ensure a systematic approach. Consequently, it was important to recognize that there was an inherent risk of subjectivity that might have occurred when the written statements were analyzed. Since it was challenging to extract accounts from the text in the CEO letter, the authors of this thesis included a column in the coding manual where an operationalization took place (see Appendix A). The operationalization specified how the different accounts were measured in this thesis, which provided consistency in the process of analyzing the CEO letters. Similarly, the detailed coding manual ensured that the coding procedure was carried out in a systematic way, which increased the transparency and made it easier for other researchers to replicate the study and test the reliability of it. However, one contingency that could have had a negative impact on the reliability of the thesis was that the employment of accounts to some degree were dependent on the context, i.e. the frequent use of accounts in the CEO letter could have been dependent on the external environment the organization operated in. Therefore, there was a risk that a future study could have presented a different use of accounts in the CEO letters, depending on the prevailing market situation.

Moreover, a pilot study was conducted in order to ensure the quality of the coding manual. Conducting a pilot study was in line with suggestions provided by Bryman and Bell (2017), as it allowed for testing the quality of the coding manual and helped to identify potential problems while applying it. The pilot study included an in-depth analysis of three different sets of data, which consisted of ten annual reports from the three countries included in the sample of this thesis. The pilot study helped identify areas of improvements such as the need to more clearly define the difference between Refocusing and Justification to ensure that the accounts were classified systematically. Furthermore, it was necessary to more explicitly operationalize what should be classified as a Mystification to identify this type of account more easily. Consequently, some adjustments were made to arrive at the final coding manual used for collecting the empirical data from companies' CEO letters (see Appendix A). Furthermore, the pilot study resulted in the creation of three additional accounts that were not included in Sandell and Svensson's (2016) framework, namely *Entitlement*, *Protection* and *Initial justification*. These three additional accounts were the result of responses to failure events that did not fit with any account in the predetermined taxonomy used by Sandell and Svensson (2016). Furthermore, these accounts have been inspired by attribution patterns which suggested that one tends to attribute good performance to internal factors and negative performance to external factors (Aerts, 1994; Clatworthy & Jones, 2003; Aerts, 2005; Merkl-Davies & Brennan, 2007; Cho, Roberts, & Patten, 2010). In Appendix A these three new accounts have been explicitly defined and operationalized by the authors of this thesis.

3.3.2 Sampling

The thesis was based on an analysis of the CEO letters in annual reports published for the fiscal year of 2019. Additionally, companies that applied a broken fiscal year for 2018 and 2019 were included in the empirical data sample. Of a total of 90 companies included in the sample, only four did not meet the criteria for inclusion, which represented a sampling error at 4.4%. The sampling error consisted of companies, which did not provide any CEO letter in their annual report. Even though the thesis throughout referenced to CEO letters, other titles such as Management review, Comments from the CEO, Chief executive statement, Chief executive review, Chief executive Q&A were treated as equals and were, therefore, included in the sample. Furthermore, several German-based companies in the sample referred to their Chairman of the Management Board, which in this thesis has been seen as equivalent to Swedish- and UK-based companies' use of CEO.

A total of 90 annual reports, divided on three sets of data with 30 companies per country, were studied (see Appendix B). Since the authors of this thesis wanted to apply ANOVA tests to investigate the relationship between Swedish-, UK- and German-based companies' use of accounts, a sample size of 30 companies per country were considered appropriate. The choice of sample size for this thesis was made in line with Hair, Black, Babin and Anderson’s (2010) view on what was a suitable sample size when applying ANOVA tests. The companies used in this study were selected by using a simple random sample. A simple random sample was selected for this study since the authors of this thesis wanted to exclude unwanted effects such as industry factors. External or other unwanted factors could otherwise have affected the number of accounts used in the CEO letters. Therefore, by applying a simple random sample, the probability of having a distributed sample would increase since Bryman and Bell (2017) state that all units in the predetermined population had the same probability to be included in the sample. Additionally, criteria were set for how to choose the population. After the population had been complied in accordance with the critical matching criteria, the RAND formula in Excel was used to randomly select the 30 companies included in the thesis sample for each country.

The first criterion that followed when selecting the population was that the companies had to be traded on Nasdaq OMX Stockholm for the Swedish-based companies, on London Stock Exchange for UK-based companies and on Frankfurt Stock Exchange for German-based companies. A few of the companies included in the population had a dual listing. The companies with a dual listing had to be traded on an exchange market that belonged to another LME respectively CME to get included in the population. For example, a UK-based company listed on New York Stock Exchange was included in the population since the USA was also recognized as a LME by Hall and Soskice (2001). The next criterion for inclusion was that the companies had to be publicly traded as Large Cap, FTSE 100 and DAX. However, Frankfurt Stock Exchange only had 30 companies listed on DAX. A few of these German-based companies listed on Frankfurt Stock Exchange did not meet the criteria for inclusion in the sample and were, therefore, excluded from the population. Consequently, in order to gather a sample size of 30 German-based companies, firms listed on Mid Cap (MDAX) were included in the population. Consequently, the sample size for German-based companies included six companies that were listed on MDAX. The last criterion was that the companies had to have its origin and headquarter based in respective country, either Sweden, UK or Germany. Since, the theoretical frame of references was based on the Variety of Capitalism approach, the authors of this thesis thought that the country's origin was of greater importance than if for e.g. the sample of companies would have operated in the same industry. Therefore, with this population, the authors could make sure that the analyzed CEO letters aimed at stakeholders on the Swedish-, UK- and German-based markets.

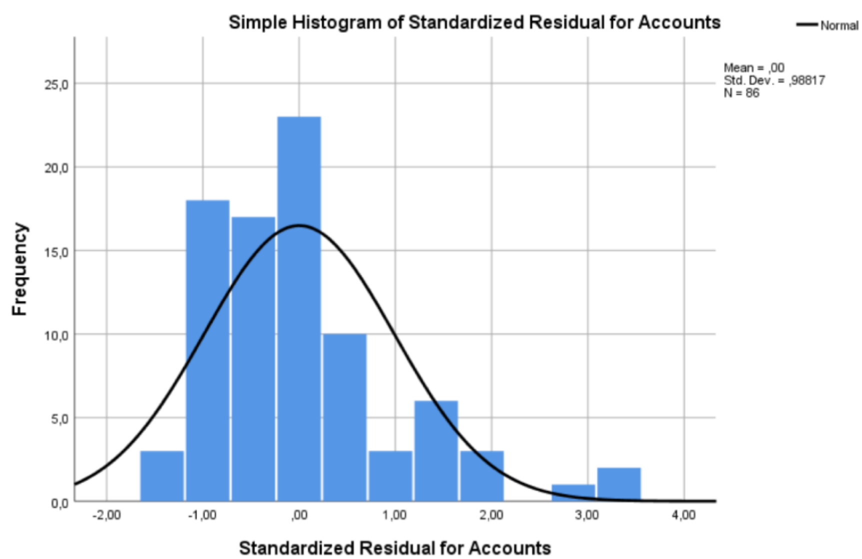
3.3.3 Information processing in NVivo and SPSS

When the coding manual was completed, the authors of this thesis carried out a manual coding of the 90 companies' CEO letters. The coding procedure was structured in two parts that contained several sub-steps. Firstly, the CEO letters were manually analyzed by each author of this thesis. After this, the letters were read through again with focus specifically on the language the companies used as responses to potential failure events. By doing this, the authors of this thesis could identify and code the different types of accounts employed in the CEO letters. In this initial step, the software NVivo was used to analyze and systematize the non-numerical content found in the CEO letters. This content was conceptualized by using the node function in NVivo. A node represented each type of account from the predetermined taxonomy (see Appendix A). The coding procedure of the CEO letters involved using the node function in NVivo to classify an account each time it had been used i.e. the total number of times a specific type of account had been employed in one particular CEO letter have been counted. Once the document had been encoded, the nodes would include references to the parts of the CEO letter where the account was employed.

Moreover, all reports were analyzed in English to minimize the risk of translation errors. However, it was important to recognize that the countries might have used language differently. For example, there could have been different expressions used, as well as hidden meanings embedded in the text, as a result of country specific vocabularies. Therefore, the risk of misinterpreting the content of the CEO letters was mitigated as both of the authors of this thesis individually analyzed the documents. Furthermore, any inconsistency in the coding was discussed and solved together to receive a more neutral view of the content.

Secondly, the results from NVivo were entered into the statistical software SPSS. The transfer of results from NVivo to SPSS was structured in four stages. In the first stage, a histogram was created to receive an overview of how the data was distributed and, thereafter, the authors of this thesis decided whether or not the data set followed the assumption of normalcy. Graph 1 illustrates that the mean of accounts per country were distributed normally, which created a relatively bold curve. Although the data distribution was a bit skewed towards the left, the authors of this thesis considered it to be a relatively acceptable normal distribution. With regards to what Schmider, Ziegler, Danay, Beyer and Bühner (2010) stated about the ANOVA, namely that it was somewhat resistant to the assumption of normalcy being violated, the ANOVA test was applicable in this study.

Graph 1. Normal distribution of the empirical data set



Since the data set was perceived to follow a normal distribution, it was possible to carry out several ANOVA to test the significance level of the empirical data. Furthermore, in order to analyze the empirical data, a comparison between the use of accounts in Sweden, UK and Germany had to be performed. Therefore, the choice to carry out an ANOVA was suitable in accordance with Wang, Gil, Chen, Kromrey, Kim, Pham, Nguyen and Romano's (2017) explanation that the ANOVA was a statistical method useful for comparing more than two variables. Additionally, the ANOVA enabled tests of ratio scale data, which the empirical data in this study was coded as. Therefore, the second step included ANOVA tests to provide an answer to the research questions for this thesis. In the ANOVA tests, country was chosen as the factor, i.e. the independent variable, and accounts as the dependent variable. Parallel with this, two default tests for Homogeneity of Variance, namely Brown-Forsythe test and the Welch test, were performed to test the equality of group variance in the data set. Since neither of these tests results showed significance levels on 5 % or lower, it meant that the Homogeneity of Variance had not been violated (see Appendix C). Therefore, it was not necessary to proceed to a nonparametric test in line with Kim and Cribbie's (2018) opinion.

In the third stage, the Post Hoc tests were carried out. These types of tests were performed to identify where the difference in the data set occurred when the ANOVA showed a significant result (Hair et al. 2010). Since all but one of the performed ANOVA tests showed non-significant results, a Post Hoc test, namely Tukey was performed to test where the proven significance occurred. Even though the majority of the results showed no significance and no Post Hoc test was required, the authors of this thesis chose to perform an additional Tukey test related to the result for testing hypothesis 1. The decision to perform an additional Post Hoc test was made to receive a better understanding of the pairwise group comparison. This choice was taken in line with Chen, Xu, Tu, Wang and Niu's (2020) findings, which stated that Post Hoc tests are of importance regardless of the significance status of the f-test. The chosen significance level for the tests in this thesis was in line with Wahlgren's (2012) view on a standard limit of 5% (Sig.=0.05). In the fourth stage, the control variables were tested. By adding control variables to the testing, the authors of this thesis could investigate whether or not other factors potentially could have influenced the employment of accounts.

3.4 Variables measurement

3.4.1 Dependent and independent variables

This thesis investigated if there was a significant difference in the usage of accounts between countries, which operated in two different types of political economies. To test if there was a significant relationship between the frequency or type of accounts employed in CEO letters and the type of political economy the companies operated in, the dependent variable in all tests performed were accounts. Consequently, country was applied as the independent variable in the performed tests. The classification of accounts as the dependent variable indicated that the employment of accounts could be explained by another variable i.e. the economic political context in the country in which the firm operated. The dependent variable has been collected by using the node function in NVivo, where each account was given a separate node. Thereafter, the CEO letters were analyzed and encoded by following the predetermined coding manual for the thesis. The accounts identified consisted of both shorter and lengthier sentences, more specifically everything from a few words to entire paragraphs has been regarded as an account. The important thing was not how long the accounts were but what the text contained. Furthermore, the accounts were counted each time they were used i.e. the total number of accounts encountered in each single CEO letter were coded as a single use of a specific type of account.

Moreover, the independent variable, country, was chosen in order to investigate if there was a correlation between accounts employed and the economic political context by applying the Varieties of Capitalism approach. Sweden, UK and Germany were selected to be the independent variable as they represented countries classified as either LME or CME in accordance with Hall and Soskice (2001) view. Despite that both Germany and Sweden were categorized as CMEs, there were national differences between them (Hall & Soskice, 2001). Therefore, it was deemed interesting and relevant to compare and analyze all three countries. The independent variable, country, was tested by including 30 companies that originated from each of the three countries included in this thesis. The collection procedure and the criteria used to determine which companies to include from each country was explained more in depth in section *3.3.2 Sampling*.

3.4.2 Control variables

Three variables, namely industry, profit and firm size, were included in the thesis in an attempt to control if the use of accounts could be explained by other factors. By adding control variables to the test, the authors of the thesis eliminated the potential effects that an industry-, profit- and firm size variable could have had on the test results. Furthermore, these control variables helped to provide a deeper understanding of the relationship between the main variables that were tested i.e. accounts and country. The decision to include control variables were adopted from the methodology in Aerts (2005) article *Picking up the pieces: impression management in the retrospective attributional framing of accounting outcomes*. The control variables were used as independent variables in the tests performed. Since the control variables, industry and profit, were classified as category variables it was not possible to include them in the same tests as the variables accounts and country. Consequently, a simultaneous testing of these variables i.e. a multiple regression analysis was not appropriate. Instead, ANOVA tests were performed separately for these two control variables and the outcome of these tests were then discussed in-depth in the thesis section *4. Results*.

The first control variable, industry, was applied in order to investigate whether the use of accounts could be explained by type of industry rather than the economic political context. In order to test industry in relation to accounts, the sample was divided into a few broad industry categories. This division was similar to Aerts' (2005) way of handling industry as a control variable. The categorization of industries in this thesis was roughly based on the industry classifications used on the stock exchanges from which the sample of companies was listed. However, Nasdaq OMX Stockholm, London Stock Exchange and Frankfurt Stock Exchange used different terms for their categorization of industries. Therefore, the authors of this thesis chose to create ten broad categories based on each stock exchange's classifications, namely; Industrials, Financial services, Real estate development, Consumer goods, Investments, Consumer services, Chemicals/Pharmaceutical, Automotive and mechanical engineering and Telecommunication (see Appendix B). Furthermore, there was one industrial category, named Other, where the companies that operated in industries such as Aerospace and defense, Transportation and logistics, Media/Publishing, Security and Computer software were consolidated. The criterion for a separate category was that at least three of the companies included in the sample of this thesis belonged to the same industry. The companies that did not fit this criterion were classified as Other.

The second control variable, profit, was applied in order to control if the use of accounts could be a consequence of the company's financial performance rather than the economic political environment. Since Scott and Lyman (1968) and Sandell and Svensson (2016; 2017) established that accounts were used as linguistic devices in order to respond to financial failures, perhaps a company's profit could have impacted how accounts were used in the CEO letters. In line with this, Aerts (2005) argued that profitability level was a useful control variable as it had a direct effect on the type of information provided. For these reasons, the company's profit was used as a control variable in the analysis of research question 1. In order to test profit as a control variable, the companies' comprehensive income for 2019 has been compared with the comprehensive income for fiscal year 2018, or 2017/2018 for the companies that applied a broken fiscal year. Thus, comprehensive income has been considered as equal to companies profit in this thesis. The comparison between comprehensive income has resulted in either an increased or decreased profit (see Appendix B). The difference in profit was used to test if the employment of accounts could be explained by the company's financial performance.

Firm size was the third control variable applied in order to test if the use of accounts could be related to the number of employees instead of the economic political context. In Appendix B the total number of employees at year-end for fiscal year 2019 is provided for each company included in the sample Furthermore, firm size was measured as the Ln of the total number of employees that were included in the sample at year-end of 2019. The authors of this thesis chose to test this variable since it could have been possible that firm size affected the type of disclosures made in the annual report, which was similar to Aerts (2005) motivation for using firm size as a control variable. The degree of complexity and formalization should have differed in firms due to their size, which could have affected the content and language used in the CEO letter. For instance, a CEO of a large firm with many employees could have had a different role and performed other tasks compared to a CEO of a smaller firm with fewer employees.

Additionally, large firms could have outsourced the assignment to write a CEO letter whereas CEO's in small firms might have done it themselves. Also, the expectations from stakeholders could have differed between large and small firms which, therefore, could have impacted the language used in CEO letters. Unlike the industry- and profit-variables, firm size was coded as a scale variable in SPSS. Therefore, instead of performing an ANOVA test, which was used for testing the other two variables, an ANCOVA test was applied in order to test the relationship between the usage of accounts and firm size.

4. Results

4.1 Descriptive statistics

Table 2 presents the total use of accounts in the CEO letters for each country in the sample for this thesis. The general impression of Table 2 is that there are no major differences in the frequency of accounts employed by Swedish-, UK- and German-based companies. Although, there is a noticeable difference where German-based companies use less accounts in total compared to both Swedish- and UK-based companies. Furthermore, the results seem to be evenly distributed i.e. the total number of 507 accounts are divided quite similarly. Moreover, 86 out of 90 companies included in the sample for this thesis provided a CEO letter in the annual report, despite its lack of mandatory or legal requirement. Additionally, the results in Table 2 show that the Swedish-based companies used 180 accounts distributed on 30 companies. Similarly, the UK-based companies applied 174 accounts distributed on 29 companies (one loss). Furthermore, German-based companies used 153 accounts distributed on 27 companies (three losses).

Additionally, it is worth noting that all of the analyzed companies' apply at least one type of account in their CEO letter. Moreover, the statistics are quite contradictory since German-based firms have the highest mean on the length of the CEO letters. Therefore, one can assume that the number of accounts would correlate with the length of the CEO letter. However, Table 2 indicates that this is not accurate i.e. a longer CEO letter does not mean that the number of accounts will be higher. In contrast, Swedish-based companies show the lowest mean of number of pages in the CEO letters, but have the highest number of accounts employed. Nevertheless, the lower amount of accounts employed by German-based companies might be explained by the fact that their sample contains three CEO letters less compared to the sample of Swedish-based companies. In other words, the larger sample of Swedish firms could partly be a reason why more accounts are given in their CEO letters.

Table 2. Total use of accounts in the CEO letter for Swedish-, UK- and German-based companies

Country	N	Pages in the CEO letters (mean)	Frequency of accounts	Percentage of accounts
Sweden	30	2.7333	180	35.5
Germany	27	3.2963	153	30.2
UK	29	2.7586	174	34.3

Moreover, Table 3 visualizes the differences in the employment of the specific types of accounts between Swedish-, UK- and German-based companies CEO letters. Looking at the distribution in Table 3 it appears that the different types of accounts in overall are employed quite similarly. However, there are a few deviations that differ notably in how the specific types of accounts are employed in comparison to firms that operate in the other two countries. For instance, UK-based companies employ 27 Entitlements in their CEO letters compared to German-based companies that only employ 7 Entitlements. Additionally, Swedish-based companies used 14 Entitlements, which also differ considerably from the UK-based companies employment of Entitlement. Furthermore, the use of Justification varies quite largely between Swedish- and UK-based companies CEO letters. Specifically, Swedish-based companies employ 41 Justifications whereas UK-based companies employ 19 less i.e. 22 Justifications.

Table 3. Frequency of each specific type of account employed in the CEO letters divided per country

Type of account	Sweden	Germany	UK
Excuse	45	43	38
Entitlement	14	7	27
Justification	41	31	22
Refocusing	33	31	41
Concession	9	10	11
Mystification	13	6	12
Silence	7	7	7
Protection	9	13	14
Initial justification	9	5	2

Moreover, Appendix B presents descriptive information regarding the companies included in the sample, the industry in which they operate, firm size and increasing or decreasing profit compared to previous fiscal year. Appendix B illustrates how industries, firm size and profit vary depending on the company's country of origin. For example, out of 13 companies classified as Industrials, 10 are Swedish-based companies. Additionally, the Swedish-based companies have more companies operating in the industry Investment (4 out of 6 companies included in the sample are located in Sweden). Furthermore, all 4 companies operating in the industry of Chemicals/Pharmaceuticals are German-based companies. Additionally, Germany has three companies that operate in the industry Automotive and engineering, which is more than Sweden and the UK that only has one each. Likewise, UK-based companies mainly represent the industry of Consumer services (5 out of 6 companies included in the sample are located in the UK). Therefore, the results imply that certain industries are more prominent in each of the investigated countries in this study. Even though specific industries tend to be more prominent in certain countries, some industries such as Consumer goods and Financial services are evenly distributed among the countries in the sample for this thesis. Notably, there are also a few single industries that are identified in Sweden, UK and Germany.

Furthermore, firm size seems to vary in accordance with the country of origin. The German-based companies are generally larger than both Swedish- and UK- based companies measured in the total number of employees. For instance, 16 of the German-based companies have more than 50 000 employees. Meanwhile, the UK has 8 firms that have equal to, or more than 50 000 employees, while the Swedish-based companies only have 3 companies of this firm size. In contrast, there are 13 Swedish-based companies and 11 UK-based companies that have a total number of employees that are equal to, or less than 10 000. In contrast, Germany only has 3 companies of this firm size. Additionally, the total number of employees which are over 10 000 but less than 50 000, are represented by 14 Swedish-based companies, 10 UK-based companies and 8 German-based companies. Consequently, the results indicate that firm size varies between Sweden, UK and Germany, where German-based companies are notably larger than both Swedish- and UK-based companies.

Additionally, the results in Appendix B indicate that profits have increased and decreased equally between the firms in Sweden, UK and Germany, i.e. there are 43 companies whose comprehensive income has increased and 43 companies whose comprehensive income has decreased. The UK-based companies represent the highest number of firms with an increased profit (18 firms), closely followed by Sweden (16 firms). Noticeable is that the German-based companies are less successful when examining the comprehensive income, where only 9 companies have increased profits compared to previous fiscal year. Following this, the sample of German-based companies consist of 18 firms that show a decrease in their comprehensive income compared to the previous fiscal year. In contrast, Swedish- and UK-based companies indicate a more equal distribution between increasing and decreasing profits. More specifically, 14 Swedish-based companies and 11 UK-based companies have a decrease in comprehensive income.

4.2 Research question 1

The results in Table 4 shows a significance level at 0.920 that is higher than the significance level set at 5% (sig.=0.05) in this study (Sig.=0.920>Sig.=0.05). This result indicates that the reasoning behind research question 1 is not accurate. Consequently, the result of a significance level at 0.920 indicates that there is no significant difference in how UK-based companies employ accounts in comparison to Swedish- and German-based companies. In addition to the ANOVA test of research question 1, a Post Hoc test is performed to further investigate the results. In Table 4, column 5, the results from the Post Hoc test are displayed. However, the results from the Tukey test exceeded the significance level set at 5% (Sig.=0.05), displaying a dash (-) in Table 4. As the results are non-significant, the detailed descriptions from the Tukey test results are not included. Although, the descriptive indicate that there is a slightly larger difference between Swedish- and German-based companies' usage of accounts, compared to the relationship between Swedish- and UK-based companies. According to the results from the Tukey test, the employment of accounts between Swedish- and UK-based companies are more similar (Sig.=1.000) compared to the employment of accounts between Swedish- and German-based companies (Sig.=0.932) or between UK- and German-based companies (Sig.=0.938). However, all of the results for research question 1 exceed the significance level at 5% (Sig.=0.05). Therefore, these results suggest that there is a non-significant relationship between firms' employment of accounts in terms of frequency and the economic political context in which the firms operate. Hence, the total frequency of accounts used is not significantly higher for UK-based companies compared to Swedish- and German-based companies.

Table 4. Differences in total accounts used in CEO letters between firms in Sweden, UK and Germany

Control type	Mean Square	F stat	Sig.	Tukey contrast analysis
Accounts	1.029	0.084	0.920	-

4.3 Research question 2

Table 5 illustrates the correlation among the different types of accounts and the independent variable country. The signs of correlation show that the employment of some types of accounts is positively or negatively associated with the employment of another specific type of account. For instance, Table 5 shows that there is a positive correlation between the use of Excuse and the use of respectively Justification, Initial justification, Protection and Refocusing. Thus, a higher use of Excuse in CEO letters, is associated with a higher usage of Justification, Initial justification, Protection and Refocusing in CEO letters. Considering the relationship between the employment of different types of accounts and the economic political context it is interesting that Table 5 visualizes that Entitlement positively correlates with Germany and negatively correlates with the UK. As a result, Entitlement tends to be employed more frequently in German-based companies

CEO letters and less frequently employed in UK-based companies CEO-letters. Taking into account the results provided in the correlation table, there are evidently some differences in the employment of different types of accounts related to type of political economy. Therefore, the results from testing if the relationship between different types of accounts employed and the economic political context are significant, or not, are presented more thoroughly below.

Table 5. Correlations[a] between type of accounts and country

	1	2	3	4	5	6	7	8	9	10	11
1. Concession											
2. Excuse	0.189										
3. Entitlement	0.046	0.030									
4. Justification	0.191	0.289**	0.018								
5. Initial justification	0.055	0.354**	-0.032	0.218*							
6. Mystification	0.081	-0.047	0.173	-0.043	-0.162						
7. Protection	-0.038	0.243*	0.127	0.080	0.137	0.188					
8. Refocusing	0.216*	0.423**	-0.032	0.240*	0.083	-0.106	0.045				
9. Silence	-0.205	-0.310	0.094	-0.208	-0.105	-0.163	0.076	-0.112			
10. Sweden	0.059	-0.007	0.086	-0.151	-0.193	-0.074	0.129	0.096	0.024		
11. Germany	-0.020	-0.066	0.252*	-0.031	0.001	0.145	-0.063	0.042	-0.020	-0.495**	
12. UK	-0.031	0.085	-0.332**	0.196	0.200	-0.059	-0.068	-0.118	0.004	-0.522**	-0.500**

[a] Pairwise correlations. N=86. Two-tail significance (*p<0.05; **p<0.01).

Out of nine different types of accounts tested in this thesis, eight of them, i.e. Excuse, Justification, Refocusing, Concession, Mystification, Silence, Protection and Initial justification, show non-significant results. As a result, the majority of tests results for research question 2 indicate that there is no significant difference between the type of account employed and the economic political context (see Table 6). However, the results from the ANOVA test on the account Entitlement show significance (Sig.=0.004<Sig.=0.05). Consequently, there is a statistical difference in how Swedish-, UK- and German-based companies use the account Entitlement in CEO letters. More specifically, the results from the Post Hoc test indicate that there is a significant difference in the relationship between UK- and German-based companies' use of Entitlement (Sig.=0.004<Sig.=0.05). This implies that firms in the UK employ the account Entitlement significantly different from Germany. In contrast, the relationship between Swedish-

and German-based companies and Swedish- and UK-based companies use of Entitlement is not significantly different. Furthermore, the results from the Post Hoc test indicates that the significance level differs quite largely in the comparison of the two groups of Swedish-based companies compared to UK-based companies and Swedish-based companies compared to German-based companies. In particular, the pairwise comparison between Swedish- and UK-based companies have a significance level at 0.057 (Sig.=0.057) while the comparison between Swedish- and German-based companies have a significance level at 0.565 (Sig.=0.565). Nevertheless, the results point to the fact that the UK-based companies (LME) uses Entitlement significantly different compared to German-based companies (CME). As a result, the expectations of research question 2 are accurate for Entitlement.

Table 6. Differences in types of accounts used in CEO letters for firms in Sweden, UK and Germany

Type of account	Mean Square	F stat	Sig.	Tukey contrast analysis
Excuse	0.585	0.337	0.715	-
Entitlement	3.348	5.727	0.004	UK>GER
Justification	2.786	1.900	0.156	-
Refocusing	0.830	0.598	0.552	-
Concession	0.056	0.106	0.899	-
Mystification	0.379	0.897	0.412	-
Silence	0.005	0.019	0.981	-
Protection	0.324	0.703	0.498	-
Initial justification	0.394	2.295	0.107	-

4.4 Control variables

Three control variables are included for testing to see if they can explain the employment of accounts. The test with industry as the control variable is displayed in Table 7. The ANOVA test shows a significance level at 0.633 (Sig.=0.633), which exceeds the significance level at 5% (Sig.=0.05). This result, therefore, indicates that industry has a non-significant relationship to the employment of accounts in CEO letters. Consequently, the industry in which firms operate cannot better explain the use of accounts. The second control variable that was tested with an ANOVA test is increasing or decreasing profits. In Table 7, the test results display a significance level of 0.183 (Sig.=0.183), which exceeds the significance level at 5% (Sig.=0.05). The relation between the use of accounts and profit, i.e. an increase or decrease in comprehensive income, has a non-significant relationship. Consequently, there is no statistical evidence that supports the assumption that declining performers would use significantly more accounts in CEO letters. Notably, the result can be considered a bit contradictory in comparison to what research about impression management in financial communication states, namely that company managers show tendencies towards blaming failures, i.e. decreased profits, to external factors. The third and last control variable tested in relation to employment of accounts is firm size. The results in Table 7 displays a significance level of 0.718 (Sig.=0.718), which exceeds the significance level set at 5% (Sig.=0.05). Therefore, the results show a non-significant relationship between the employment of accounts in the CEO letter and firm size. As a result, the total number of employees has no proven effect on how Swedish-, UK- and German-based companies use accounts in their CEO letters to manage impressions.

Table 7. Accounts employed in relation to control variables

Control variables	Mean Square	F stat	Sig.	Tukey contrast analysis
Industry	9.819	0.795	0.633	-
Profit	21.500	1.801	0.183	-
Firm size	5.759	0.450	0.718	-

5. Discussion

5.1 The employment of accounts in LMEs versus CMEs

The frequency of accounts employed expects to be related to, or explained by, the different economic political conditions in LMEs compared to CMEs. Since firms in a LME, like the UK, is reliant on profitability and faces large equity markets, the authors' of this thesis anticipate that this can result in UK investors having higher expectations on company performance in comparison to firms in CMEs. The assumption that UK-based firms use a higher frequency of accounts in CEO letters is based on the reasoning that investors in LMEs can have higher expectations on performance. If firms do not meet those high expectations, more accounts can be used to bridge the gap between investors' high expectations and firms' actual outcome. Although, the test results from research question 1 do not display that the frequency of accounts is employed significantly different between companies located in Sweden, UK and Germany. In contrast, the results actually indicate a similar usage of accounts. As a consequence of this, the theoretical reasoning behind the formulation of research question 1 has to be understood in another way. Therefore, the arguments deriving from the theoretical frame of references have to be looked upon differently in an attempt to explain and better understand the societal pressures that firms in LMEs and CMEs are exposed to.

Since a firm's capacity is relational and, therefore, faces coordination issues, CEO letters can be viewed as an effort for firms to coordinate its relationships with various stakeholders. Consequently, the CEO letter can be seen as a tool that firms use to reduce issues, i.e. make accounts about failure events, and to coordinate activities with stakeholders in the political economy. Considering that firms in LMEs primarily coordinate activities through market arrangements, the estimation is that UK-based companies are more transparent to their many private shareholders in their CEO letters. Consequently, pressure from stakeholders to provide transparency should make firms more eager to employ accounts. However, research question 1 illustrates a non-significant test result, which indicates that the expectation that firms feel pressure to provide transparency for stakeholders in LMEs do not result in a higher frequency of accounts employed in UK-based companies compared to Swedish- and German-based companies. In other words, LMEs do not use more accounts than CMEs in contrast to the authors of this thesis initial expectation. Instead, the non-significant result can be explained by the notion that firms' in LMEs are reliant on market valuations. With regards to this reliance, firms' might feel less pressure to employ accounts since investors make decisions based on market valuations and, therefore, give less attention to narratives in the CEO letters for decision-making. Since investors make decisions based on market valuations, it might also indicate that the statements in CEO letters are of secondary importance to them. Consequently, the numbers might speak for themselves and, therefore, it is not as important to use linguistics devices, such as accounts, in the financial communication to legitimize the business. Furthermore, investors' emphasis on market valuations can play down the importance of transparency to employ accounts in CEO letters. As a result, the pressure on firms to provide transparency for stakeholders in LMEs could incentivize firms to employ accounts, albeit the emphasis on market valuations in LMEs perhaps diminishes it. Hence, no significant difference between how the frequency of accounts are used in CEO letters between Swedish-, UK- and German-based companies are identified.

Moreover, the Varieties of Capitalism approach suggests that CMEs depend on non-market relations to coordinate activities and, thereby, move toward strategies that take advantage of institutional support. Hence, there are ways in which organizational strategy follows a country's financial structure. If then CMEs, like Germany and Sweden, are less dependent on market-relations, then more accounts might need to be used to ease the pressure that firms experience from those non-market relations. This should also suggest that the strategies for firms in Germany and Sweden follow the financial structure of what characterize a CME, i.e. banks and institutional owners. Therefore, stakeholders in CME countries are assumed to rely less on market valuations, and instead review the CEO letter and structure operations with regards to the stakeholder pressure that is inherent in the economic political environment. As a result, there seems to be different stakeholder pressures for making accounts in firms that operate in CMEs versus LMEs.

One aspect of the societal pressures that firms in LMEs experience from stakeholders can be that LMEs have more fluid markets and have mainly private shareholders as company owners compared to CMEs. Consequently, a firm's capital is mainly financed by investors in a LME, which therefore creates a stakeholder pressure on the firm to perform well so that the shareholders can receive returns on their investments quickly. As the market in a LME is more fluid, it gives actors opportunities to transfer resources in search for higher returns. This in turn should incentivize investors in a LME to follow market valuations and, thereby, switch assets often, which could make CEOs' feel pressure from stakeholders to perform impression management in CEO letters. In addition, small private investors do not stay owners in LME companies for a particularly long time, which might increase the pressure on firms to provide returns rapidly to make their owners satisfied. If the firms fall short on the expectations to provide returns for their stakeholders, the impressions could be managed by employing accounts as a response.

In contrast, institutional owners remain capital providers for the long run in CMEs, which can indicate that those owners wish for more stable and long-term profitability in order to get money from loans back. A pressure to generate stable profits to the providers, i.e. creditors or institutional owners, in a CME might translate into more accounts in CEO letters because the firm is eager to keep their owners. Consequently, firms in a CME should also be under pressure from stakeholders to generate profits. Since accounts can be used to bridge gaps between what the creditors or institutional owners expect and what the firm actually performs, accounts can provide means for upholding legitimacy to those owners. Furthermore, the institutional owners in companies that operate in a CME hold large blocks of shares or big loans. Those long-term owners might be keener to receive explanations for financial failures because they are eager to secure future paybacks, unlike small private shareholders in LMEs who can easily switch assets when they are not satisfied with their returns. In that case, the desire for firms in a CME to keep their long-term owners can explain why firms in Sweden and Germany employ a similar amount of accounts like firms in the UK do. As a result, owner expectations can be different in an LME versus a CME, where the division between short-term profits and long-term profitability do not match. Consequently, the non-significant difference in the total number of accounts employed in the UK compared to Sweden and Germany can be a result of the various stakeholder pressures that firms experience, which make them employ accounts quite equal. Hence, the classification as LME or CME seems to be of less importance with regards to how firms employ accounts in CEO letters. Instead, pressures from stakeholders can be a general issue that all firms experience and, therefore, is responded to similarly.

On one hand LMEs are reliant on many private shareholders for financing, on the other CMEs are reliant on banks and large institutional owners. The pressure to improve, or maintain, business performance stems from different stakeholders i.e. investors versus creditors, which suggest that firms in LMEs and CMEs employ accounts for different reasons. A company located in a LME uses accounts because of their reliance on private shareholders and equity markets and, therefore, might feel pressure to make short-term profits. Thus, firms in LMEs feel pressure to make short term profits can either result in less emphasis on accounts because investors make decisions based on market valuations anyway or, as initially expected, firms use it to fill the gaps between high investor expectations and firm outcome. Conversely, a firm in a CME can make an account to inform creditors that they are on the right track with their operations and secure paybacks. In turn, a pressure to generate stable profits can incentivize fewer accounts, as initially expected, or be used to justify operations and fill information gaps for long-term owners. The different pressures firms experience in LMEs compared to CMEs, might be the reason for why the total number of accounts employed in Swedish-, UK- and German-based companies CEO letters do not differ significantly. Put differently, both firms in LMEs and CMEs are under pressure to improve, or secure, operations from various stakeholders. With regards to varying pressures from stakeholders, it could be important to note that one cannot assume that pressures from a shareholder is perceived higher for firms in a LME than the pressures firms in CMEs perceive from a creditor or institutional owner. Accounts are used by all companies regardless of their origin and, therefore, appear to be a useful technique to use for communicating specific events in the CEO letters to manage stakeholders' impressions. As a result, the pressures from stakeholders might differ, but the total number of accounts employed do not.

5.2 Type of accounts and the economic political context

The majority of the test results for research question 2 display that accounts are employed similarly among firms in Sweden, UK and Germany, with exception for the account Entitlement. Thus, Entitlement was the only type of account, which is used significantly different between two countries, more specifically between the UK and Germany. This significantly different usage of Entitlement in CEO letters between UK- and German-based companies can possibly be explained by countries' different extent of coordination with, and dependency on, other external actors in the economic political environment.

Entitlement is an account that differs from the other types of accounts investigated in this thesis as it means taking internal credit for successes compared to making a response to a failure event. As firms in CMEs are reliant on coordination and support from other actors in the economic political environment, this should suggest that a firm in a CME cannot take full credit for one's own successes by using Entitlement as an account. If then a firm in a CME has a higher degree of coordination with and support from external actors, it can make it less accurate for the firm to take full internal credit for their success if external support is provided. In contrast, as LMEs are less dependent on institutional support, it might give more incentives for those companies to present and take credit for positive outcomes in order to persuade and attract new shareholders for financing. A firm in a LME does not have the same high institutional support as CMEs, which therefore generate incentives for the firm to present themselves in the best possible light by employing Entitlement as an account. Conversely, firms in a CME might employ other types of accounts to maintain their long-term creditors and large institutional investors because it could be inaccurate for CMEs to take full internal credit for a success that the firms achieve by coordinating with other actors. As a consequence of this, a CME might not be able to employ Entitlement to attract new owners by boosting their own success and instead put efforts on coordinating operations with other actors in the economic political environment.

As firms in a CME are less dependent on shareholder financing, and more reliant on institutional support from the economic political environment, the attributions pattern in CEO letters should appear differently. More specifically, firms in CMEs should take less internal credit for successes, compared to firms in LMEs. Since owners in a CME have less demand on profitability and more focus on receiving money back on their loans, companies originating from Sweden and Germany might not experience the same high pressure to take internal credit for successes in CEO letters as firms in the UK do. However, the different usage of Entitlement between UK- and German-based companies appears contradictory because no significant difference is shown between how Sweden- and UK-based companies use Entitlement. Furthermore, as Sweden and Germany are both CMEs, this suggests that firms in those countries should have a similar usage of the different types of accounts investigated. Although, the results from testing research question 2 turned out differently, as Swedish- and German-based companies do not show a similar usage of Entitlement. The result might instead be related to the fact that differences in degrees of support and coordination with other actors in the economic political context can occur between two CMEs or two LMEs. Consequently, two CMEs like Sweden and Germany can deviate from each other despite that they are classified as the same type of political economy. Since the degree of coordination, support and quality of institutions sometimes deviate between countries in the same category, this might answer why differences are shown in the ways firms take internal credit for successes in Sweden and Germany. Consequently, there might exist national, or perhaps internal, differences between Sweden and Germany as CMEs, which can explain why UK- and Swedish-based companies do not present a significantly different usage of Entitlement, while UK- and German-based companies do.

The other eight types of accounts tested for research question 2 shows that differences in the usage of various types of accounts are non-significant. Furthermore, these results indicate that accounts are employed similarly for eight types of accounts, i.e. Excuse, Justification, Refocusing, Concession, Mystification, Silence, Protection and Initial justification, in Swedish-, UK- and German-based companies. This similar usage of the different types of accounts can be linked to Hall and Thelen's (2009) perception that the original division between LMEs and CMEs is more blurred as a result of convergence. If convergence makes the division between CMEs and LMEs more blurred, this can explain why the results from testing research question 2 show that firms in Sweden, UK and Germany use different types of accounts similarly in their CEO letters. The language used in CEO letters might be more impacted by globalism and liberal markets instead of the economic political context in each country. Consequently, if convergence of the two divisions is occurring towards more liberal ideas, this should indicate that the economic political context in Germany and Sweden are becoming more like the economic political context in the UK.

Additionally, if the economic political context in Germany and Sweden are converging towards the liberal model, this can explain why the test result indicates a non-significant difference between how the different types of accounts are employed. As Hall and Thelen (2007) describe that the division between LMEs and CMEs becomes less accurate by the liberalization of the world economies, Sweden and Germany should converge towards LMEs and, therefore, experience a similar pressure from shareholders to be profitable as the UK might do. Thus, if the trend towards liberalization of the world economies continues to increase, then perhaps the pressure from creditors and institutional owners that firms in CMEs experience should decrease by the same force. Therefore, global convergence can make the institutional differences that still exist between Swedish-, UK- and German-based companies decrease. Furthermore, this convergence can make the content of CEO letters more similar which then explain why the results do not show a significant difference between how firms use different types of accounts. Put differently, as firms in CMEs move towards becoming more like firms in LMEs, the classification of LMEs or CMEs seems to be less relevant in terms of explaining how companies use different types of accounts in their CEO letter.

Moreover, the Varieties of Capitalism approach are assessed by Hall and Thelen (2009) and Lane and Wood (2009) to not fully consider internal diversity in capitalism organizations. Consequently, if internal diversity in firms is not addressed in the Varieties of Capitalism approach, it might still impact the ways in which firms construct and write their accounting narratives in reality, not the political economy. Hence, one cannot take for granted that firms in a LME respectively CME coordinate similarly with, and get equal support from, the institutions or other actors in the economic political environment. With regards to various support and coordination with those actors, perhaps not all organizational strategies in firms follow the country's financial structure. Additionally, the results of convergence towards a more liberal model, which is characterized by high competition, might encourage internal diversity. Consequently, the internal diversity in firms might instead lead to fewer differences between countries when more firms compete for stakeholders on the same market. In turn, this increased competition can have an impact on how firms express themselves in annual reports compared to the economic political context.

6. Conclusion

To summarize, this thesis demonstrates that the use of accounts in Swedish-, UK- and German-based companies do not differ due to their respective economic political context. More precisely, the test results for research question 1 indicate that UK-based companies (LMEs) do not use a significantly higher amount of accounts in their CEO letters compared to Swedish- and German-based companies (CMEs). Consequently, there is no significant difference in the frequency of accounts employed between Swedish-, UK- and German-based companies. Instead, the results from testing research question 1 are discussed as a potential consequence of the different pressures LMEs and CMEs experience from their stakeholders. As a consequence of stakeholder pressure, companies in the economic political environment can employ accounts to address the gap between the stakeholders' expectations and the firm's outcome in an attempt to manage impression, uphold legitimacy and communicate with stakeholders. Furthermore, the different stakeholders pressures on companies to live up to their expectations can incentivize the employment of accounts and, thus, may be a reason why the relationship between the frequency of accounts used in UK-based companies is not higher compared to Swedish- and German-based companies. As a result, various economic political contexts cannot explain the frequency of accounts employed.

Furthermore, the results for research question 2 show that eight out of nine types of accounts are not employed significantly different with respect to companies' country of origin. Subsequently, these results indicate that the grouping of countries, as either LMEs or CMEs, has largely no impact on companies' use of different types of accounts. However, there is proven to be a significant difference between the employments of Entitlement in UK- and German-based companies CEO letters. As an LME has little institutional support it can increase pressure and, therefore, give incentives to take more credit for positive outcomes to maintain and attract private shareholders for financing business operations. Therefore, this can explain why the test results show that Entitlement is used significantly different between the UK- and German-based companies. Although, there is no significant difference between how Swedish- and UK-based companies' use Entitlement. This relationship can be explained by the fact that two CMEs can differ in degrees of support or other institutional characteristics. Conversely, the results for research question 2 also indicate, for eight out of nine accounts tested, that there is an ongoing convergence where CMEs move towards becoming more liberal. Hence, the non-significant results between Sweden-, UK-, and German-based companies' use of Excuse, Justification, Refocusing, Concession, Mystification, Silence, Protection and Initial justification, illustrate that there is no clear distinction between how firms in LMEs and CMEs manage impressions. To conclude, this thesis presents evidence that supports that the different economic political contexts cannot be used to explain how companies employ accounts differently in CEO letters to manage impressions.

7. Concluding remarks

7.1 Contributions

The results from this thesis provide support to existing knowledge and new insight, theoretical and practical, in the area of financial communication. More specifically, the test results of this thesis present a new view for understanding the employment of accounts in different national economic political contexts. Furthermore, the result from this study supports the existing research made by Conaway and Wardrope (2010), Sandell and Svensson (2016; 2017) and Brühl and Kury (2019), which demonstrate that accounts are used as a linguistic device in companies CEO letters. Additionally, the authors of this thesis extend the taxonomy of accounts presented by Sandell and Svensson (2016) by including three new types of accounts in the coding manual for this thesis, namely Initial justification, Entitlement and Protection.

This thesis also contributes to the idea of convergence as it provides new understanding to how one can interpret the Varieties of Capitalism approach. In particular, the thesis indicates that the use of accounts seems to be employed similarly between different types of political economies which contradicts Hall and Soskice's (2001) original division of LMEs and CMEs within the Varieties of Capitalism approach. Furthermore, the research questions tested in this study also provide results, which shows that there is no significant difference in how accounts are used, either in terms of frequency or type of account. Lastly, the control variables tested in this study display that accounts are not used significantly different between industries, increasing or decreasing profits and various firm sizes. The expectation that the usage of accounts can be related to economic political contexts is not accurate considering the outcome of the test results in this thesis. Nevertheless, this thesis makes practical contributions by providing a new way of discussing and understanding different factors that can incentivize firms to employ accounts as a result of the economic political context in which they operate.

7.2 Limitations

Some limitations have been identified during the conduction of this thesis. One limitation that has been encountered is that only three countries were investigated, more specifically one LME and two CMEs. This study addressed three Western European countries and, therefore, a larger sample could include firms that operate in LMEs and CMEs in the rest of Europe, East Asia, North America or the Pacific. A larger sample of countries could simply increase the power of the results, which in this study indicated that the economic political environment did not contribute to a different employment of accounts. Hence, if the availability of time and resources had been greater, the sample could have included more companies, and their respective CEO letters, to receive more reliable results and greater precision.

An additional limitation was that the thesis only investigated CEO letters for one fiscal year. It could be a limitation because external circumstances, i.e. turbulent year on the market, could have affected firms on a global level. By making a longitudinal study, the effects from one particular bad year could be neutralized by a particular good year on the market and, therefore, provide a more accurate result on the employment of accounts between the countries investigated. Therefore, the authors of this thesis considered that a study over a longer time period could help overcome some of the external factors that could have impacted the need to employ accounts one year in particular. Lastly, the rate of sample loss at 4.4% could have caused some negative implications on the test results. Three out of those four losses were German-based companies, which could have impacted the lower frequency of accounts applied by German-based companies. However, the descriptive statistics indicated that the frequent use of accounts in German-based companies is noticeably lower than both Sweden- and UK-based companies' use of accounts. As the German firms provided a noticeably lower amount of accounts, a zero loss on the sample rate would probably only cause a minor difference on the test result level of significance. Despite a slightly different test result with a zero loss sample rate, the discussion and the conclusions drawn from it, would most likely have had the same outcome as presented in this thesis.

7.3 Further research

This study investigates the use of accounts in CEO letters from an economic political context. Consequently, the results from this study provide meaningful contributions to the theory of accounts by adding more in-depth knowledge on which factors that cannot be used to explain differences in how accounts are employed. However, since the results from this thesis shows that the economic political context has no significant impact on the employment of accounts, a suggestion for future research is to study accounts in a different context. One suggestion for further research is, therefore, to study accounts in a different environment than the economic political. It might be necessary to include other aspects and different independent variables to gain a better understanding of why different countries do not employ accounts significantly different in their CEO letters. Furthermore, investigating the use of accounts in CEO letters in relation to another framework might identify other dimensions that can explain the frequency of accounts employed. More specifically, it can be interesting to investigate the use of accounts in relation to cultural influences by applying the Global Leadership and Organizational Behaviour Effectiveness (GLOBE) framework as the theoretical frame of reference. By addressing cultural aspects, the research could provide more knowledge to the employment of accounts in financial communication by examining whether or not the cultural context has an impact on the use of accounts in CEO letters. Moreover, the discussion of this thesis points to the importance of various stakeholder groups in LMEs and CMEs for potentially influencing the employment of accounts. A similar discussion can be developed into a qualitative study where the researchers focus on the CEO’s of firms in LMEs and CMEs. The qualitative study should include CEO interviews regarding the societal pressures they experience due to the various stakeholders groups the firms have. Furthermore, a qualitative study can also investigate if the employments of different types of accounts are statements made, consciously or unconsciously, by the CEO to respond to societal pressures and manage impression.

An additional suggestion for further research is to conduct a longitudinal study. This type of research design would allow researchers to look at the employment of specific types of accounts over time. With regards to the idea of an ongoing convergence where CMEs move towards becoming more liberal, it can be interesting to study how different types of accounts are used in the CEO letters over a longer period of time. A continuous study can enlighten whether the type of accounts employed have changed towards a more similar usage, which then can support or reject the ideas of an ongoing global convergence. Furthermore, this thesis is of more exploitative nature and, therefore, the results present an initial view on how accounts are not used significantly different in firms CEO letters in various countries. Therefore, in order to develop knowledge in this area of research, a final suggestion for further research can be to conduct a study with similar research design and questions like this thesis has, but to look at companies' use of accounts beyond its implementation in the CEO letter. For instance, it would be interesting to examine the notes in the annual report as well as other verbal descriptions in the annual report, press releases and content on corporate websites where the company might employ accounts to manage impressions.

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Appendix

Appendix A - Coding manual

Thematic components	Definition	Characteristics	Operationalization
Excuse	“Admitting that the event or act is bad, wrong or inappropriate but denying responsibility or at least full responsibility” (Scott & Lyman, 1968, p. 47). “The excuse enables the acceptance of a judgment or accusation at the same time as it refutes or reallocates the blame” (Sandell & Svensson, 2016, p. 13). “The excuse tells us that an event is caused by something beyond the control of the management” (Sandell & Svensson, 2017, p. 90).	Refer to accidents, lack of available information or knowledge and scapegoating (Scott & Lyman, 1968). Sandell and Svensson (2016) describes three types of excuses; external events, accidents and scapegoating. Additionally, excuses which highlight shortcomings of others can be used in the annual reports (Sandell & Svensson, 2017)	Identified in the situation were companies present their declining financial results. E.g. profits have fallen by X% due to an uncertain market or poor conditions. Furthermore, excuses are used in order to blame something else, rather than the company's actual performance during the current fiscal year. Companies frequently excuse themselves by referring to failed performance as a result of e.g. market conditions, macroeconomic challenges, whether conditions, unexpected loss, restructuring costs, legislation and regulatory pressure.
Entitlement	Attributing positive events to internal performance and achievements. Take credit and entitle the company and its personnel for good results.	Taking credit for increased results or successful operations. Increased performance or positive developments in this account is a result of having for e.g. competent personnel or well-executed strategy.	Identified in a situation where an increased performance is credited to internal performance. E.g. profit increases with X% due to their success with activity A or the outcome of operation B. An entitlement could be configured with words like due to our dedicated teams, due to our global presence or the firm’s consistent cost focus. The given impression is that the firm controls their own success because the event turned out positive.

Justification	Accounts in which one accepts responsibility for the act, but denies the undesirable quality associated with it (Scott & Lyman, 1968). A technique to minimize damage, neutralize a bad event or appeal to positive consequences (Sandell & Svensson, 2016).	"Technique of neutralization" (Scott and Lyman, 1968 p. 51) Emphasizing control, awareness and predictability of events. Reducing the perceived wrongness of act (Riordan, Marlin & Kelogg, 1983).	Often attributed in connection with decisions made by management but affecting the entire organization (focusing on the economic impact the company's actions have) e.g. stock dividend lower than last year, a planned investment that is not implemented and that reducing the workforce can be seen as important in order for the company to prosper. In addition, justification is used in situations to explain why the company has failed to reach its previously set goals e.g. why the company has failed to achieve their environmental goals, why they have failed to reach an equal distribution of employees.
Refocusing	Direct the reader's attention towards a different problem or shifts focus through the use of temporal orientation (Sandell & Svensson. 2016).	Focus on other aspects of the business than the failure event. Shifting focus from problem to solution (Sandell & Svensson, 2016).	Often used when something negative has been presented, followed by a new statement about something completely different. For e.g. mentioning that the outcome is a consequence of market volatility but then redirecting attention to a new management in place and explaining that product X's market has declined but that the area of product Y has increased. One use refocusing to redirect the bad event to something else, usually positive. For instance weaker earnings, goals were not achieved followed by a redirection of focus to whether we surpassed our equity/asset ratio target or our cash flow was strong..

Concession	“The partial or full acknowledgement of responsibility or guilt” (Sandell & Svensson, 2016, p.53).	“Explaining a failure by means of referring to one’s own performance is a clear case of concessive accounts” (Sandell & Svensson, 2016, p.53). Do not apply any other type of account in order to explain a failure event (Sandell & Svensson, 2016).	Applied when the CEO clearly admits that the company's results and performance did not live up to expectations. Often, keywords such as greatly regret, unfortunately, poor results and we are not satisfied with the earnings illustrate that the company has failed with its operations. Furthermore, the company can use formulations such as we have a lot of work to do or further work is required that signal that the company is responsible for the failure event.
Mystification	Address a failure event by providing an unclear and vague type of account (Sandell & Svensson, 2017). “Rather than explicating the causes of the failure, the mystification offers smokescreens and confusion (Sandell & Svensson, 2016, p. 53). Acknowledge that the expectations are not met, but not disclosing why they are not able to meet the expectation.	Description using technical terms, incompresible text and vague language (Sandell & Svensson, 2016). Sandell and Svensson (2017) describes that mystification expresses itself with abstract wording and applying a positive language when a more problematizing tone would have been better suited. Hence, the account adds confusion (Sandell & Svensson, 2017)	A statement which can be difficult for the reader to understand because language is vague or the text is written with difficult terms. E.g. of frequently used vague keywords are partly, primarily and potential. It could also be the case that the language tone is positive although the actual result is quite negative. For instance revenue declined, then ended the account with that the firm is very satisfied with the year.
Silence	An implicit account used when an explicit account is expected to worsen the event (McLaughlin, O’Hair, & Cody, 1983). “Strategy is to avoid references to anything that points to the failure event” (Sandell & Svensson, 2016 p. 11). “Withholding corporate comments” (Sandell & Svensson, 2017 p.95).	“No comments in terms of natural language” (Sandell & Svensson, 2017 p.88) Avoiding reference to the issue whatsoever since explaining might make things worse (McLaughlin, O’Hair, & Cody, 1983).	A statement that often occurs when one wants to speak about improving something. This statement indicates that something needs to be improved, and this is something that needs to be read between the lines. For e.g 2020 starts the decade for action or we initiated improvements this year, Hence, one is silent about the current state of performance. The firm actually keeps quiet about

			the current situation, for e.g about sustainability issues, and therefore only informs that they are working on it but not why it is necessary.
Protection	An account where the writer expresses worries about future market conditions or uncertainties, claiming that it is out of their own control. In a sense, the actor prepares the reader for future failures in order to bridge a gap between future expectations and future performances.	Refer to market conditions such as market uncertainty, volatility and risks that might occur in the future, for e.g the next financial year. Often written close to the end of the CEO letter. An account to protect oneself from future failure events.	A statement at the end of the CEO letter. The actors speculate about future risks. Preparing stakeholders that next year will be challenging and that they should not have too high expectations on performance. By applying protection as an account one protects itself in advance against e.g. uncertain development, poor market conditions or political environment. Keywords to look for are for instance uncertainty or events, which are hard to predict next fiscal year.
Initial justification	A description of bad, uncertain or volatile market conditions, although not followed directly by a failure event. Rather, the denial becomes prevalent later in the CEO letter. By beginning with describing the market situation, the writer justifies or neutralizes upcoming failure events brought up in the letter.	The CEO letter begins with letting the readers know about a bad, uncertain or unwanted market situation in order to neutralize or justify failure events that are presented later in the text. This in order to make the failure event appear less bad.	A CEO letter that commence (i.e. the first part/paragraph of the letter) by giving a descriptive negative picture of the market or society the company has been operating in during the year. Provide an in-detail description of the problematic market situation and how these conditions are challenging for organizations from a general point of view. No direct description of how the company itself is affected by these uncertainties.

Appendix B - Sample of Swedish-, UK- and German-based companies

No.	Country	Company	Industry	Firm size*	Profit**
1	SWE	Alfa Laval	Industrials	17 000	Increased
2	SWE	Atlas Copco	Industrials	39 000	Decreased
3	SWE	Attendo	Health Care	24 000	Decreased
4	SWE	Boliden	Industrials	5 800	Decreased
5	SWE	Bonava	Real estate development	2 100	Decreased
6	SWE	Electrolux	Consumer goods	55 400	Decreased
7	SWE	Essity	Consumer goods	46 000	Increased
8	SWE	Holmen	Industrials	2 915	Increased
9	SWE	Hufvudstaden	Real estate development	135	Decreased
10	SWE	ICA gruppen	Consumer services	23 000	Decreased
11	SWE	Industrivärden	Investment	15	Increased
12	SWE	Indutrade	Industrials	7 000	Increased
13	SWE	Investor	Investment	21 162	Increased
14	SWE	JM	Real estate development	2 600	Decreased
15	SWE	Kinnevik	Investment	37	Increased
16	SWE	Lundbergföretagen	Investment	10	Increased
17	SWE	Resurs Holding	Financial services	750	Increased
18	SWE	SAAB	Aerospace and defense	17 420	Increased
19	SWE	SCA	Industrials	4 216	Increased
20	SWE	Securitas	Security	370 000	Increased
21	SWE	Skanska	Industrials	38 000	Increased
22	SWE	SKF	Industrials	43 360	Decreased
23	SWE	SSAB	Industrials	14 500	Decreased
24	SWE	Sweco	Industrials	17 000	Decreased
25	SWE	Swedbank	Financial services	16 327	Decreased
26	SWE	Swedish Match	Consumer goods	6 270	Increased
27	SWE	Telia Company	Telecommunication	20 800	Decreased
28	SWE	Thule Group	Consumer goods	2 400	Increased
29	SWE	Trelleborg	Industrials	24 000	Decreased
30	SWE	Volvo	Automotive and mechanic engineering	100 000	Increased
31	UK	3i Group	Investment	250	Decreased
32	UK	Admiral Group	Financial services	10 000	Increased
33	UK	Auto Trader	Automotive and mechanic engineering	804	Increased
34	UK	AVEVA group	Software development	4 400	Increased
35	UK	Aviva	Financial services	31 700	Increased
36	UK	Barratt development	Real estate development	6 504	Increased
37	UK	Barclays	Financial services	85 000	Increased
38	UK	British Land	Real estate development	650	Decreased
39	UK	BT Group	Telecommunication	106 700	Increased

No.	Country	Company	Industry	Firm size*	Profit**
40	UK	Burberry Group	Consumer goods	9 862	Increased
41	UK	Centrica	Energy	31 780	Increased
42	UK	Compass Group	Consumer services	600 000	Increased
43	UK	Landsec	Real estate development	583	Increased
44	UK	Melrose Industries	Investment	56 000	Increased
45	UK	Morrisons	Consumer services	110 000	Decreased
46	UK	National Grid	Energy	22 576	Decreased
47	UK	Ocado	Consumer services	15 144	Increased
48	UK	Pearson	Publishing/media	32 000	Decreased
49	UK	Pennon Group	Water/waste utility	5 239	Increased
50	UK	Persimmon	Real estate development	5 000	Decreased
51	UK	Rolls Royce	Aerospace and defense	50 000	Increased
52	UK	RSA Insurance Group	Financial services	13 500	Increased
53	UK	Sainsbury's	Consumer services	116 400	Decreased
54	UK	Sage group	Software development	13 400	Decreased
55	UK	SEGRO	Real estate development	285	Decreased
56	UK	Smiths Group	Industrials	22 000	Decreased
57	UK	SSE	Energy	20 570	Increased
58	UK	Unilever	Consumer goods	155 000	Decreased
59	UK	Whitbread	Consumer services	35 514	Increased
60	GER	Adidas	Consumer goods	59 533	Increased
61	GER	Allianz	Financial services	147 268	Increased
62	GER	BASF	Chemicals/Pharmaceuticals	117 628	Increased
63	GER	Bayer	Chemicals/Pharmaceuticals	103 824	Increased
64	GER	Beiersdorf	Consumer goods	20 654	Decreased
65	GER	BMW	Automotive and mechanic engineering	133 778	Decreased
66	GER	Commerzbank	Financial services	49 174	Decreased
67	GER	Continental	Consumer goods	241 458	Decreased
68	GER	Daimler	Automotive and mechanic engineering	298 700	Decreased
69	GER	Deutsche Börse	Financial services	6 775	Increased
70	GER	Deutsche Lufthansa	Transport and logistics	138 353	Decreased
71	GER	Deutsche Post	Transport and logistics	546 924	Decreased
72	GER	Deutsche Telekom	Telecommunication	213 000	Increased
73	GER	Durr	Industrials	16 493	Decreased
74	GER	Fresenius	Chemicals/Pharmaceuticals	120 000	Decreased
75	GER	HeidelbergCement	Construction	55 047	Decreased
76	GER	Henkel	Consumer goods	52 450	Decreased
77	GER	Hochtief	Construction	53 282	Decreased
78	GER	HUGO BOSS	Consumer goods	14 600	Decreased
79	GER	Infineon	Technology	41 418	Decreased
80	GER	K+S	Industrials	14 868	Increased
81	GER	LEG Immobilien	Real estate development	1 400	Decreased

No.	Country	Company	Industry	Firm size*	Profit**
82	GER	Merck	Chemicals/Pharmaceuticals	57 071	Decreased
83	GER	Munich RE	Financial services	3 916	Increased
84	GER	RWE	Energy	20 000	Increased
85	GER	Volkswagen	Automotive and mechanic engineering	671 200	Decreased
86	GER	Vonovia	Real estate development	10 345	Decreased

* Firm size is measured in total number of employees for the fiscal year of 2019.
** Profit is measured as the movement in companies comprehensive income between two fiscal years.

No.	Country	Company	Loss
1	UK	Scottish Mortgage Investment Trust	Do not provide a CEO letter
2	GER	MTU	Do not provide a CEO letter
3	GER	Simens	Do not provide a CEO letter
4	GER	Covestro	Do not provide a CEO letter

Appendix C - Test of Homogeneity of Variance

Robust test of equality of means	Statistic[a]	df1	df2	Sig.
Welch	0.106	2	54.588	0.900
Brown-Forsythe	0.085	2	78.204	0.919

a. Asymptotically F distributed.