



**LUND**  
UNIVERSITY

Business Administration - BUSN79

Degree Project in Accounting and Finance

Spring 2020

## Responding to Negative Events

*A comparison of accounts in Chairman's letters of companies listed in Germany and the UK.*

**Authors:**

Erwe, Linda 970129–1826

Månsson, Emma 950812-1168

**Supervisor:**

Dergård, Johan

**Examiner:**

Jonnergård, Karin

## Abstract

**Title:** Responding to negative events: A comparison of accounts in Chairman's letters of companies listed in Germany and the UK.

**Seminar date:** 3/6-2020.

**Course:** BUSN79 - Business Administration: Degree Project in Accounting and Finance.

**Authors:** Linda Erwe and Emma Månsson.

**Advisor:** Johan Dergård.

**Keywords:** Account, financial reporting, Chairman, negative event, annual report.

**Purpose:** The purpose of this study is to describe and explain possible differences in how many companies listed in different countries present different types of accounts.

**Theoretical perspectives:** In order to compare the companies listed in the two different countries, the accounts theory is used. Additionally, Varieties of Capitalism and the GLOBE framework are applied to analyze the results.

**Methodology:** This study compares companies listed in Germany and the UK by investigating their Chairman's letters. The sample consists of the 240 largest companies, half listed in Germany and half in the UK. The investigation is made possible through a content analysis. The collected data is processed and analyzed in the statistical program SPSS, mainly by the use of logistic regression analysis.

**Findings:** The results show that more companies listed in the UK present accounts. Furthermore, more Chairman's letters of companies in the UK include concession, mystification and refocusing.

**Research limitations:** Further research is needed in order to obtain a deeper understanding of differences in the use of accounts by companies in different countries. For example, by studying a specific negative event which is shared by companies in different countries. Future research could also focus on other parts of the annual report than the Chairman's letter.

**Practical implications:** The findings may have implications for stakeholders, who can gain a better understanding of how companies in different countries use words to explain and account for negative events. Furthermore, the results of our study are expected to be of relevance to professional accounting bodies, users and preparers.

**Originality:** This study aims to fill the research gap that exists within the accounts literature. Accounts have not been widely researched in relation to financial reporting. Therefore, this study contributes to this research area.

# List of Contents

<b>1. Introduction</b> .....	<b>1</b>
1.1 Background.....	1
1.2 Problematization.....	2
1.3 Purpose .....	4
1.4 Outline .....	4
<b>2. Theoretical framework</b> .....	<b>6</b>
2.1 Introduction of Theoretical Frameworks.....	6
2.2 Accounts.....	6
2.2.1 Excuse .....	6
2.2.2 Justification .....	7
2.2.3 Refocusing .....	7
2.2.4 Concession .....	8
2.2.5 Mystification .....	8
2.2.6 Wordification .....	8
2.2.7 Refusal .....	9
2.2.8 Choice and Limitations of the Accounts Theory .....	9
2.3 Varieties of Capitalism .....	10
2.3.1 Liberal Market Economies (LMEs) .....	11
2.3.2 Coordinated Market Economies (CMEs).....	12
2.3.3 Choice and Limitations of Varieties of Capitalism.....	12
2.4 The GLOBE Framework.....	13
2.4.1 Attributes of Culture .....	13
2.4.2 The Attributes of Culture in Germany and the UK.....	14
2.4.3 Choice and Limitations of the GLOBE framework .....	15
2.5 Application of Theoretical Frameworks .....	16
<b>3. Method</b> .....	<b>17</b>
3.1 Research Strategy .....	17
3.2 Procedure of Collection of Material for the Theory Section.....	18
3.3 Choice and Collection of Empirical Data .....	18
3.3.1 Procedure of Collection of Empirical Data.....	20
3.3.2 Procedure of Compilation of Empirical Data .....	21
3.4 Independent, Dependent and Control Variables .....	22
<b>4. Empirical Data and Analysis</b> .....	<b>25</b>
4.1 Descriptives .....	25
4.2 Presentation of Accounts and Analysis.....	26
4.2.1 Excuse .....	27
4.2.2 Justification .....	28
4.2.3 Refocusing .....	29
4.2.4 Concession .....	30
4.2.5 Mystification .....	31
4.2.6 Wordification .....	32
4.2.7 Refusal .....	32
<b>5. Discussion Related to Varieties of Capitalism and the GLOBE</b> .....	<b>34</b>
5.1 How can the differences be explained by Varieties of Capitalism and the GLOBE?.....	34

<b>6. Conclusions and Contributions .....</b>	<b>39</b>
6.1 Conclusions.....	39
6.2 Contributions .....	39
<b>7. Limitations and Future Research .....</b>	<b>41</b>
7.1 Limitations of the Study and Future Research.....	41
<b>References.....</b>	<b>42</b>
<b>Appendix.....</b>	<b>49</b>
1. The 240 Studied Companies .....	49
2. Excluded Companies and Reasons .....	50
3. SPSS Summary .....	52

# 1. Introduction

---

*In the beginning chapter, accounts and financial reporting are explained by presenting a background and problematization. Consequently, the problematization emanates in the purpose of the study. The chapter ends with a description of the outline of the report.*

---

## 1.1 Background

Negative events involving companies, such as accidents and scandals, is a frequent theme in contemporary news reportages. An example is the emission scandal of the German company Volkswagen AG (Hotten, 2015), which the media reported about across the world and which thus impaired the reputation of the company. Companies are also exposed to internal problems which are not necessarily known outside of the business. Employees may, for instance, be dissatisfied with a certain change within the company. Regardless of whether the negative event is publicly recognized or not, representatives of companies may feel responsible to respond and provide their view of the event. A technique for this is writing accounts in the annual report, which is consequently distributed to stakeholders. According to Scott and Lyman (1968, p.46), accounts are defined as “a statement made by a social actor to explain unanticipated or untoward behaviour”. In other words, by using accounts, one can bridge the gap between expectations and actions (Scott & Lyman, 1968). Accounts are commonly used in annual reports, but are scarcely researched in this corporate reporting setting (Sandell & Svensson, 2016). Therefore, this study aims at filling this research gap by investigating potential differences in the use of accounts in different financial reporting environments.

Originally, according to Palmer-Silveira and Ruiz-Garrido (2014), the purpose of annual reports was to display the financial liability of the company, as requested by the governments. However, the importance of words in annual reports has increased in recent years. For example, contemporary annual reports are also used as tools for advertising the company and creating a corporate image (Beattie, McInnes & Fearnley, 2004; Skulstad, 2005). It is argued that the Chairman’s statement is a suitable place for creating this corporate image (Ruiz-Garrido, Fortanet-Gómez & Palmer-Silveira, 2012; Fuoli, 2018). Moreover, in order to create a positive corporate image, language can be used to obfuscate the performance of a company (Clatworthy & Jones, 2006; Courtis, 2004) and to conceal negative information (Cho, Roberts, & Patten, 2010; Conaway & Wardrope, 2010). Furthermore, the importance of language is supported by

the fact that the section concerning the Chairman's letter is the most often read part of the annual report (Courtis, 1982; Hyland, 1998). Consequently, companies face a challenge and an opportunity to communicate effectively in this section.

## 1.2 Problematization

Due to the added focus on the annual report as a promotional tool (Beattie, McInnes & Fearnley, 2004; Skulstad, 2005), it is possible to use accounts in a beneficial manner for the company. In the annual report, responses to negative events can be communicated from the view of the company in order to improve or sustain the corporate image (Clatworthy & Jones, 2006). Furthermore, in today's fast paced society, there are constantly occurring events which are controversial or debated (Pinker, 2018). Thus, there is a pressure on companies to respond to potential criticism from different stakeholders. However, this pressure can be assumed to vary depending on the environment in which the company operates. Due to the current convergence debate (e.g. Nobes & Parker, 2016; Granlund & Lukka, 1998), different contexts and countries are relevant for study purposes. Moreover, since there are no established rules regarding the Chairman's letter, there are possibilities for differences to exist (Smith & Taffler, 1992; Clatworthy & Jones, 2006). Therefore, this study focuses on analyzing which types of accounts companies in different countries use in order to respond to negative events in their Chairman's letters (also called CEO letter/statement, letter to shareholders, CEO review, foreword by the executive board, etc.).

A fair amount of research has been conducted on Chairman's statements (see e.g. Abrahamson & Amir, 1996; Hyland, 1998; Conaway & Wardrope, 2010; Bicsár & Kranich, 2012). However, these studies have not investigated the statements from an accounts perspective. Nevertheless, there is a recent study that specifically analyzes accounts in the Chairman's statement in the aftermath of the 2007/2008 financial crisis (Brühl & Kury, 2019). Moreover, there are studies that, within the Chairman's statement, have researched differences between countries (see e.g. Palmer-Silveira & Ruiz-Garrido, 2014; Hooghiemstra, 2010). However, these studies neither take a clear accounts perspective, nor compare different cultures or capitalisms. Furthermore, they do not provide suggestions of reasons for differences between countries or test the significance of their findings. Additionally, Sandell and Svensson (2016) propose that future research could focus on comparing the use of accounts in different cultures. Therefore, this

essay aims at answering this call for research by comparing how many companies listed in Germany and the UK that present different types of accounts.

A similarity between Germany and the UK is that the countries are economically and politically powerful (Sterio, p.xiii, 2013). Furthermore, they have close political and economic relationships with each other (Federal Foreign Office, 2020). This is illustrated by the fact that they are both members of North Atlantic Treaty Organization (NATO), United Nations (UN) and G20, which are groups where the members cooperate in order to reach common goals (Federal Foreign Office, 2020). However, there also exist many differences between Germany and the UK. Firstly, according to Varieties of Capitalism, Germany is classified as a coordinated market economy (CME), while the UK is a liberal market economy (LME) (Hall & Soskice, 2001). Secondly, Nobes (2006) writes that Germany and the UK have different national accounting systems due to differences in financing, legal and tax systems. According to Zysman (1983), Germany's financial system is credit-based financial institutional, whereas the UK's is based on the capital market. More recent research (see e.g. Franks & Meyer, 2001) supports this categorization, however, the distinction between countries may be less prominent today. Lastly, according to the Global Leadership and Organizational Behavior Effectiveness Research (GLOBE) (2004) study, the culture is different in the two countries. GLOBE is a project based on Hofstede's (1980) cultural dimensions (House, Hanges, Javidan, Dorfman & Gupta, 2004; Chhokar, Brodbeck & House, 2007). In this study, when explaining potential differences between the use of accounts in different countries, Varieties of Capitalism and the GLOBE framework are used. The first theory aims at explaining institutional differences between countries, whereas the latter focuses on describing different cultures. Thus, they can be used to complement each other in order to reach more extensive conclusions.

Considering that there are important differences between the countries, one can assume that there also are differences in how many companies respond to negative events through accounts in the annual reports of companies listed in the two countries. It is likely that the institutional differences between the countries, described by Hall and Soskice (2001), affect which types of accounts that representatives of companies use to respond to negative events. On the one hand, if there is a focus on banks or governments as a stakeholder group, one can assume that the statements in the annual report are more careful and less aimed at sustaining the corporate image of the company. On the other hand, if there is a focus of shareholders as a stakeholder group, it can be argued that the annual reports are likely to become marketing tools. As shareholders

often are outsiders, they do not know as much as insiders do (Nobes & Parker, 2016, p. 35). Therefore, there could be a higher risk that a company that has many outside stakeholders tries to obscure their flaws when accounting for negative events. In other words, one can assume that more companies listed in the UK use the account called mystification than companies in Germany. Moreover, the differences in culture, according to the GLOBE (2004) framework, between the countries could be a reason why there may exist differences in the response to negative events using accounts, as culture can be assumed to influence both the writer and the reader of the annual report. For instance, less companies within a country that has a culture characterized by a strong focus on performance can be assumed to write concessions in their Chairman's letters due to the fact that they may not desire to reveal their mistakes and show signs of weaknesses.

This study delivers a number of contributions, where the major ones are to extend the knowledge in relation to the convergence debate (e.g. Nobes & Parker, 2016; Granlund & Lukka, 1998) and to enrich the research corpora related to the accounts theory as Sandell and Svensson (2016) call for in order to establish a solid image of the research area. The contributions of this study are explained in more detail in section 6.2.

### 1.3 Purpose

The purpose of this study is to describe and explain possible differences in how many companies listed in different countries present different types of accounts.

### 1.4 Outline

**Chapter 1 Introduction:** The first chapter of this study describes the background of the research area, which consequently results in a problematization. The chapter also consists of a purpose.

**Chapter 2 Theoretical Frameworks:** Within the second chapter, the theoretical frameworks that guide the study are presented. These are the theory of accounts, Varieties of Capitalism and the GLOBE framework. Furthermore, the choice of theories and how they are applied is described.



**Chapter 3 Method:** The third chapter explains the chosen method for this study and provides a clarification of how this study is conducted.

**Chapter 4 Empirical Data and Analysis:** The fourth chapter contains the results of the investigated Chairman's letters and an initial analysis.

**Chapter 5 Discussion Related to Varieties of Capitalism and GLOBE:** The fifth chapter includes an in-depth analysis of the discovered empirical results using the chosen theories.

**Chapter 6 Conclusions and Contributions:** The sixth chapter presents the conclusions and contributions of the study.

**Chapter 7 Limitations and Future Research:** The last chapter discusses limitations and addresses suggestions for future research.

## 2. Theoretical framework

---

*The second chapter describes the theoretical frameworks that this study is built on. Firstly, the accounts theory is presented. Secondly, Varieties of Capitalism is described. Lastly, the GLOBE framework is defined. After each theory, a section including choice and limitations can be found. The chapter ends by explaining the application of the theories.*

---

### 2.1 Introduction of Theoretical Frameworks

This study is based on the theory of accounts, Varieties of Capitalism and the GLOBE framework. By applying the two latter frameworks in combination with each other, the analysis of the results of the study is enriched. This study's combination of the theories contributes to research by providing a solid base for knowledge and understanding. Furthermore, by limiting the number of theories, one can achieve a more profound analysis and a clearer focus. Therefore, this essay aims at achieving a balanced number of theoretical frameworks.

### 2.2 Accounts

The theory of accounts was introduced by Scott and Lyman in 1968. The authors define an account as “a statement made by a social actor to explain unanticipated or untoward behaviour” (p.46). Thus, the initial theory of accounts focuses on everyday life activities. Scott and Lyman's (1968) taxonomy involves two categories of accounts, namely excuse and justification. Furthermore, Schönbach (1980) extended the taxonomy to include concession and refusal. Later research articles have further developed the taxonomy and applied it in financial reporting (see e.g. Sandell & Svensson, 2016; Sandell & Svensson, 2017; Brühl & Kury, 2019). The abovementioned studies have classified accounts into different categories, namely excuse, justification, refocusing, concession, mystification, refusal and wordification. This study will follow this taxonomy.

#### 2.2.1 Excuse

According to Scott and Lyman (1968), excuses are accounts that accept the untoward or wrong action, but deny the responsibility of it. Therefore, an excuse directs attention to external factors which the actor cannot control (Waring, 2007). Furthermore, excuses are often formulated in terms of accidents, defeasibility, biological drivers and scapegoating (Scott & Lyman, 1968). Firstly, the excuse of accidents usually refers to recognized hazards in the environment, acceptable inefficiencies and human incapacity. The excuse can be accepted due to the fact that

accidents are irregular and can be expected to affect any actor. However, if one uses the excuse of accidents too many times, there is a risk of the account not being accepted (Scott & Lyman, 1968). Secondly, the excuse of defeasibility means that the act is acceptable since the actor lacked complete information or did not have a free will (Scott & Lyman, 1968). The actor can claim that he or she did not know the consequences of their action and therefore that they did not intend the outcome. In this way, the actor can avoid responsibility for the action. Thirdly, the excuse of biological drivers focuses on biological and cultural groups (Scott & Lyman, 1968). Generally accepted attributes connected to these groups can then be used to excuse one's actions. For example, "men are like that" can be used to excuse men's certain behavior since they cannot control what gender they are. Lastly, scapegoating is an excuse that is used to claim that one's questionable behavior is a consequence of the behavior of someone else. An example from an organizational setting is to blame previous management for a failure event (Scott & Lyman, 1968).

### 2.2.2 Justification

A justification is an account that accepts responsibility, but claims that the action was not untoward or wrong (Scott & Lyman, 1968). According to McLaughlin, O'Hair and Cody (1983), the typical justification strategy involves denial of damage or minimization of the damage of the action, by redefining the nature of the event. Other strategies are denial of the victim, condemnation of condemners and appeal to loyalties (Scott & Lyman, 1968). Denial of the victim means that the actor claims that the victim deserved the treatment. Moreover, condemnation of condemners refers to the act of stating that others commit these and worse acts and they do not receive any punishment. Within the strategy of appeal to loyalties, the actor purports that the action was acceptable because it was in accordance with the interests of someone who the actor has an obligation to serve (Scott & Lyman, 1968).

### 2.2.3 Refocusing

Refocusing is related to justification, since both redefine or refocus something (Sandell & Svensson, 2017). The difference between the two is that, within refocusing, an act or negative event is completely or partly refocused, whereas within justification it is the nature of the event which is altered. According to Sandell and Svensson (2016), refocusing involves either redirection to another problem or changing the focus to other aspects than the negative event. Refocusing often shifts the focus from issue to solution or from today to the future. For instance,

when faced with a failure event, companies may respond with an explanation that they are improving in the area and that the future will be better (Sandell & Svensson, 2016).

#### 2.2.4 Concession

Concessions are accounts where the actors take full or partial responsibility for the negative event (Schönbach, 1980). Thus, one can argue that, by using concessions, the actor confesses his or her wrongful act and is willing to accept the consequences of it. An example of a concession, according to McLaughlin, O'Hair and Cody (1983), is when the actor apologizes for his or her behavior. Another form of concession is when the actor promises to take actions in order to correct for the negative event (Sandell & Svensson, 2016).

#### 2.2.5 Mystification

According to Scott and Lyman (1968), mystification is a strategy used in order to avoid accounts. By using mystifications, the actor admits the negative event. However, the actor does not clearly provide others with an understandable reason for his or her behavior (Scott and Lyman, 1968). Therefore, confusion is created (Sandell & Svensson, 2016). Furthermore, Sandell and Svensson (2017) describe that mystification is achieved by using language which undermines the understandability of the actor's view of the event. This can, for example, be achieved by the use of complicated technical terms or imprecise and vague language (Sandell & Svensson, 2017). However, the perception of whether an account is mystified depends on who the reader is and what competences he or she possesses (Sandell & Svensson, 2016). A skilled accountant may, for instance, understand more technical terms in relation to accounting than the average person.

#### 2.2.6 Wordification

According to Sandell and Svensson (2017), wordification is similar to mystification in the sense that both offer little additional information. Moreover, the authors explain that wordification is merely a translation of already provided numbers into words. Furthermore, a wordification may be perceived as an explanation and clarification (Sandell & Svensson, 2017). Therefore, one can argue that this type of account may successfully hide other potential reasons behind the negative event.

### 2.2.7 Refusal

Refusals signify complete denial toward a negative event (Schönbach, 1980). When using refusals, the actor does not recognize the existence of the negative event. Furthermore, McLaughlin, O’Hair and Cody (1983) find that refusal is more likely to occur when the accusers use provoking forms of accusations, when actors feel accused without reason, and when accusers are dominant. Sandell and Svensson (2016) write that refusals are not common in financial reporting and that they can be difficult to detect. Nevertheless, refusal provides an interesting account for this study, which is possible to investigate through the use of keywords.

### 2.2.8 Choice and Limitations of the Accounts Theory

The accounts theory is chosen since it is necessary in order to be able to fulfil the purpose of this study. However, because of the scarce research of accounts in financial reporting, one can argue that the theory is not widely applied within this area. This could mean that it is not sufficiently tested in this environment, which consequently could impair the quality of the study by providing incorrect or inappropriate inputs. Nevertheless, this does not necessarily have to be the case since every research area needs to begin at some point. Moreover, the majority of the categories in the theory of accounts have been tested thoroughly in other situations than financial reporting (Scott & Lyman, 1968; McLaughlin, O’Hair & Cody, 1983; Schönbach, 1980). One can argue that there is not a major difference between the traditional applications of the theory and an application within financial reporting. It still concerns language and analysis of words. Therefore, we believe that the theory is useful for this study. Additionally, this study contributes to the scarce research of accounts in financial reporting.

Another limitation with the theory of accounts could be that different researchers use varying definitions and categorizations. For example, Sandell and Svensson’s (2016) categorization builds on previous research within accounts theory, but labels and defines the categories somewhat differently. However, this may be the result of the theory developing in order to better match research in financial reporting. Nevertheless, the fact that there are continuous additions to the theory may contribute to confusion and exclusion of important aspects. Therefore, the authors of this essay thoroughly study the existing body of research, in order to increase understandability and to detect all different categories of accounts.

Furthermore, a limitation could be that it may be difficult to analyze big amounts of data using the theory of accounts due to the fact that it is not only the word, but also the context that

decides how to categorize the text (Sandell & Svensson, 2016). Thus, this study contains an operationalization of the theory of accounts, where certain words are assigned to different categories of accounts and where the context is controlled by both authors before deciding which category it belongs to. Additionally, the operationalization allows for a quantification of the accounts and consequently a comparison between companies in Germany and the UK. Furthermore, McLaughlin, O'Hair and Cody's (1983) category called silence is not considered in this study due to the fact that it is difficult to measure and impossible to operationalize. Since silence means that one does not respond to negative events (McLaughlin, O'Hair & Cody, 1983), there are no specific keywords that can be associated with this category. Moreover, silence can only be used successfully if the researchers are knowledgeable about different failure events related to all studied companies (Sandell & Svensson, 2016).

### 2.3 Varieties of Capitalism

A basic element of Varieties of Capitalism is that it is actor centered, meaning that it sees the political economy as consisting of many actors, such as individuals, firms and governments, who strive to achieve their own goals (Hall & Soskice, 2001, p.6). Nevertheless, Varieties of Capitalism sees the firms as the main actor in the capitalist economy. Moreover, the approach considers that actors attempt to develop core competencies through various relationships that the firm manages to establish with other actors (Hall & Soskice, 2001, p.6). Thus, the ability to coordinate these relationships effectively is of great importance for a firm's success. According to Hall and Soskice (2001, p.7), there are five areas in which firms have to establish relationships in order to overcome coordination problems related to their core competencies. These are industrial relations, vocational training and education, corporate governance, inter-firm relations and employees. Industrial relations concern the coordination of bargaining over wages and working conditions with the labor force, organizations that represent labor and other employers. Moreover, vocational training and education relates to the problem of employing a workforce with appropriate skills, while potential future employees face the problem of deciding which competences to focus more on. Within corporate governance, firms desire to acquire financial means and investors aim to secure the returns on their investments. Additionally, inter-firm relations need to be established in order to communicate with suppliers and clients. Furthermore, relationships with employees are important in order to coordinate the operations of the firm (Hall & Soskice, 2001, p.7). Moreover, Hall and Soskice (2001)

distinguish between Liberal Market Economy (LME) and Coordinated Market Economy (CME) as two different types of political economies.

### 2.3.1 Liberal Market Economies (LMEs)

Firms within LMEs coordinate their business mainly through hierarchies and competitive market arrangements (Hall & Soskice, 2001, p.8). In other words, the focus is on the market forces where demand and supply control the equilibrium outcomes of firm behavior. Anglo-Saxon countries, such as the UK, the US and Canada, are categorized as LMEs. The characteristics of a LME are that financing is made possible by providing public information, a deregulated labor market, lack of representative bodies for employees, education focusing on general skills, and strong competition between firms (Hall & Soskice, 2001, p.32).

Firstly, the area of corporate governance and how firms gain access to financial capital is highly dependent on the valuation on the equity market (Hall & Soskice, 2001, p.32). Furthermore, the firms have to provide public information concerning the company since current and potential investors have to solely rely on this information. This implies that firms in LME countries are mainly financed by outsiders, who are unable to gain access to the information needed in other ways than through public documents. Moreover, top management is often rewarded in terms of increases in the net earnings or share price. Secondly, the relationship with employees is affected by the fact that the labor market in LMEs is highly deregulated (Hall & Soskice, 2001, p.32). This means that management has unilateral control of the firm and that they can decide who to hire and fire. In other words, employees lack safety related to their employment. Thirdly, according to Hall and Soskice (2001, p.32), firms' industrial relations within LMEs are based on the relationship between employees and employers. In other words, firms do not have to create labor unions representing employees' interests. Fourthly, within the sphere of vocational training and education, LME countries focus on general skills instead of practical work experiences (Hall & Soskice, 2001, p.32). Training is therefore mainly provided by institutions that offer formal education. Lastly, Hall and Soskice (2001, p.32) explain that inter-firm relations in LMEs are characterized by competition rather than alliances and networks. Due to the highly competitive environment, relationships between firms are often coordinated by formal contracts (Hall & Soskice, 2001, p.30).

### 2.3.2 Coordinated Market Economies (CMEs)

Within CMEs, firms depend more on non-market relationships, which often involve more relational and incomplete contracting (Hall & Soskice, 2001, p.8). Furthermore, the equilibrium outcomes of firm behavior are often resulting from strategic interaction between actors. According to Hall and Soskice (2001, p.19), continental European countries, such as Germany, France and the Netherlands, are classified as CMEs. General characteristics of a CME are that financing is made possible, not only by providing public information, but also by investors having access to inside information, secure employment, powerful representative bodies for employees, education focusing on practical skills, and cooperation and close relationships between firms (Hall & Soskice, 2001, p.28).

Firstly, financing within firms in CMEs is not completely dependent on public information and the equity market (Hall & Soskice, 2001, p.28). Within CMEs, the market for corporate governance enables access to other information that is not public. Secondly, the relationship between the firm and the employees is coordinated by secure employment through long term contracts (Hall & Soskice, 2001, p.28). Furthermore, these relationships are based on mutual information exchange and trust. Thirdly, according to Hall and Soskice (2001, p.28), industrial relations in CMEs are characterized by powerful representative bodies for employees. These labor unions are supporting employees' rights and enable the firm to retain their skilled employees. Fourthly, vocational training and education is affected by the desire to hire people with firm-specific skills (Hall & Soskice, 2001, p.28). Thus, the education is aimed at providing future employees with practical experience. Lastly, Hall and Soskice (2001, p.28) claim that inter-firm relations are strong and well developed in CMEs. For example, firms may join forces on a certain project that requires complex information and competences. This enables the development of new technologies that may benefit both firms.

### 2.3.3 Choice and Limitations of Varieties of Capitalism

Varieties of Capitalism is applied in this study since it is a prominent and extensively used theory (Hall & Thelen, 2009; Hay, 2020) that can provide explanations of differences between countries. It is tested within various research settings, which contributes to the credibility of the theory. In other words, the institutional differences that exist between Germany and the UK are supported by research (Hall & Soskice, 2001). However, it is important to be aware of the fact that differences in institutional systems may change with time and therefore that the theory may not be as accurate as it once was. Nevertheless, many researchers still rely on this theory in



order to compare countries (see e.g. Witt & Jackson, 2016; Menzel & Kammer, 2019; Farndale, Lamare, Vidović & Chauhan, 2019). Thus, the authors of this essay believe that the theory is still valid for this study.

A limitation with Varieties of Capitalism is that it may give the impression that a country is either a LME or a CME and that there is nothing in between these two categories. In reality, no country is a pure version of either of the classifications. However, this is not an exception for Varieties of Capitalism, since all theories are simplifications of reality (Lundahl & Skärvad, 2016, p.50). Moreover, Hall and Soskice (2001, p.8-9) acknowledge the fact that reality is subtler than their framework and that countries are either more or less similar to, rather than being, a LME or CME. Despite this, Hay (2020) argues that the categorization is useful for research purposes. Furthermore, the focus of Varieties of Capitalism is institutional and relational differences. This means that other important factors explaining differences are not included. For example, the authors of this study believe that culture is an important aspect to include when comparing the use of accounts between two different countries. Therefore, a complementary theory, namely the GLOBE framework, is used in order to provide a more complete analysis of the results.

## 2.4 The GLOBE Framework

In the 1990s, House commenced building on a project to conduct a large scale international study of cultural, leadership and organizational practices, which later received the name GLOBE (GLOBE, 2020). Culture, according to the GLOBE, is defined as acts and values of societies (House et al., 2004, p.xv). The GLOBE framework presents the score of 62 different countries along nine attributes of culture. The framework is mainly based on Hofstede's (1980) dimensions of culture (House et al., 2004, p.xvi). However, the GLOBE researchers also created additional dimensions. The total of nine dimensions, or attributes of culture, are described below.

### 2.4.1 Attributes of Culture

The first attribute of culture is uncertainty avoidance, which is the degree to which an organization relies on established social norms, rituals and bureaucratic rules (House et al., 2004, p.11). Furthermore, people within this culture desire to reduce the likelihood of future unpredictable events. The second attribute is power distance. This dimension signifies the extent to which the power in an organization or society is concentrated at higher levels (House

et al., 2004, p.12). The third attribute, according to House et al. (2004, p.12), is institutional collectivism and is the degree to which practices support and reward sharing of resources and collective actions. Furthermore, the fourth category is in-group collectivism, which is the intensity of individuals expressing pride and loyalty toward the organization or family (House et al., 2004, p.12). The fifth attribute is gender egalitarianism, which signifies the extent to which an organization or society reduces gender differences to a minimum and focuses on gender equality (House et al., 2004, p.12). Moreover, the sixth dimension is assertiveness, which is the degree to which individuals are assertive, confrontational and dominant in social relationships. The seventh attribute signifies the extent to which individuals behave in a future oriented manner, such as planning and investing in the future. This attribute is called future orientation according to House et al. (2004, p.12). The eighth attribute is named performance orientation and is the degree to which group members are encouraged and rewarded for improvement in performance and high-quality performance (House et al., 2004, p.13). Furthermore, the ninth category is called humane orientation. It measures the extent to which individuals are encouraged and rewarded for being fair, friendly and generous towards others (House et al., 2004, p.13).

#### 2.4.2 The Attributes of Culture in Germany and the UK

Two of the countries studied by the GLOBE researchers are Germany and the UK. The scores of cultural practices related to these two countries are illustrated in the table below. The higher the score, the greater the extent to which the country acts in accordance with the attributes of culture. Furthermore, the mean scores of all 62 studied countries are presented in brackets after the score of the individual country. The authors of this study have chosen to focus on practices rather than values or beliefs due to the fact that this study aims at investigating what Chairmen write and not their beliefs when writing a text.

Attribute of Culture	Germany (mean)	UK (mean)
Uncertainty Avoidance	5.22 (4.16)	4.65 (4.16)
Power Distance	5.25 (5.17)	5.15 (5.17)
Institutional Collectivism	3.79 (4.25)	4.27 (4.25)
In-Group Collectivism	4.02 (5.13)	4.08 (5.13)
Gender Egalitarianism	3.1 (3.37)	3.67 (3.37)
Assertiveness	4.55 (4.14)	4.15 (4.14)
Future Orientation	4.27 (3.85)	4.28 (3.85)
Performance Orientation	4.25 (4.1)	4.08 (4.1)
Humane Orientation	3.18 (4.09)	3.72 (4.09)

Table 1. Score of cultural practices according to the GLOBE framework (adapted from House et al., 2004).

#### 2.4.3 Choice and Limitations of the GLOBE framework

The GLOBE framework is less used by researchers than Hofstede's (1980) dimensions. However, it includes more aspects and is therefore an extensive framework, contributed to by various researchers, that has taken years to develop (House et al., 2004, p.3). Moreover, the GLOBE study has been conducted and tested on several countries, which allows for a comparison. Therefore, our study benefits from applying the framework. Nevertheless, a possible limitation related to the GLOBE framework is that the study was conducted based on data that could be considered to be outdated today. This means that the cultures of the studied countries may have changed since the study was conducted. However, culture can be argued to be slow to change, which means that cultures most likely have not changed considerably during the last decades (Malmi & Brown, 2008). The GLOBE framework divides Germany into former West- and East Germany. The authors of this study choose to solely investigate and present the attributes of culture of what House et al. (2004) label West Germany. Despite the fact that there still exist differences between east and west, the regions are becoming increasingly similar (Gramlich, 2019). This could also be seen when looking at the GLOBE scores of the two regions, which are, in many aspects, similar. Moreover, this study does not include an analysis in relation to the GLOBE attribute gender egalitarianism since this cannot be connected to the investigation of the accounts in the Chairman's letters.

## 2.5 Application of Theoretical Frameworks

The theory of accounts is utilized in this study since it contributes to fulfilling the purpose. Moreover, this theory simplifies the analysis by providing a solid base for investigating the Chairman's letters. By following this theory and our own created operationalization, a quantitative analysis is made possible, which, in turn, enables a comparison between what types of accounts companies in Germany and the UK use in order to respond to negative events in their Chairman's letters. Moreover, it enables one to detect possible differences between companies in the two countries. However, the theory of accounts is unable to provide possible explanations behind potential differences. Therefore, in order to arrive at potential explanations for differences between countries, Varieties of Capitalism and the GLOBE framework are used. By investigating the institutional setting of Germany and the UK, differences in coordination of relationships between actors may be discovered. These differences may, in turn, explain potential differences between which types of accounts companies in the two countries use to respond to negative events. For instance, a focus on the market and public information may lead to blaming negative events on external factors since those companies may to a greater extent aim to provide a positive image of their business. Also, these companies have the possibility to obscure certain negative information because they mainly have outsider shareholders.

The GLOBE framework is also utilized in order to contribute to providing possible explanations to the results. The framework is used as a complement to Varieties of Capitalism, as the GLOBE includes another aspect, namely culture, which can be assumed to affect reporting practices in different countries (Gierusz & Kolesnik, 2019). Thus, differences in culture could explain potential differences in which types of accounts companies in Germany and the UK present in order to respond to negative events. For example, a higher extent of future orientation in a country can be assumed to increase the number of companies that use refocusing, since this often focuses the attention to the future. GLOBE and Varieties of Capitalism contain different perspectives on differences between countries and by combining them, it is possible to conduct a more inclusive discussion as to why differences in the use of accounts may exist. Furthermore, when analyzing the results, the authors of this essay detected connections between the two theories and the findings. In order to present these connections, table 23 is created. By presenting this table, the understandability of the results is enhanced and the comparison is clarified.

### 3. Method

---

*The third chapter contains the methodological design of the study. The chapter begins by describing the general research strategy. Procedure of collection of material for the theoretical frameworks and choice, collection and compilation of empirical data are also part of this section. The chapter ends with a presentation of independent, dependent and control variables.*

---

#### 3.1 Research Strategy

Content analysis is frequently used when investigating annual reports (see e.g. Yasseen, Mohamed & Moola-Yasseen, 2019; C. Edgar, Beck, & Brennan, 2018; Hooghiemstra, 2010). Content analysis is also performed in this study in order to reach conclusions concerning the content in Chairman's letters. The texts and documents used in this study are systematically analyzed by categorizing the content into the predetermined groups of different types of accounts (Bryman & Bell, 2017, p.290). The authors of this essay study the words written in the Chairman's letters, which are connected to the theory of accounts through an operationalization. Additionally, the findings connected to the different categories of accounts are recorded. Furthermore, the chosen method allows for an analysis of significant relationships (Bryman, Bell & Harley, 2019, p.329-330) between companies listed in Germany and the UK. An alternative method for this study would be to interview the writer or writers of the Chairman's letters in order to obtain a more nuanced picture of what they intended with the text, as for example Khan, Lockhart and Bathurst (2020) did in their study of annual reports. Furthermore, by conducting interviews one could have asked if there were any norms, recommendations or leading trendsetters among the companies that guided the formulations of the Chairman's letters. However, this type of study would be aimed at comparing relatively few companies and would not be representative for a whole country. Since this study purports to compare companies listed in different countries and in different cultural and institutional environments, a larger sample of data is needed. Therefore, the chosen method of content analysis is preferred.

Annual reports of publicly listed companies are official documents, which are easy to gain access to. Since the documents are produced by representatives of companies, they are not influenced by the personal opinions of the authors of this essay. Nevertheless, organizational documents are not necessarily completely correct and free from distortion (Bryman, Bell & Harley, 2019, p.506). For instance, the company does not necessarily have to act in line with

the claims in the Chairman's letter. Therefore, this study does not aim to explain the actions of the studied companies. Furthermore, we prevent deception related to the presentation of the research method by describing it objectively in order to avoid misleading the readers (Bryman, Bell & Harley, 2019, p.123). Moreover, in order to avoid deceptive presentation of the empirical data, the percentage related to the different countries is continuously referred to rather than an abstract number. We also aim to be transparent and to not distort the public information so that it harms the studied companies' reputation (Bryman, Bell & Harley, 2019, p.114). This is achieved by ignoring our personal opinions regarding what the writers of the Chairman's letters of the studied companies address.

### 3.2 Procedure of Collection of Material for the Theory Section

When searching for relevant research articles which concern the theory of accounts, the databases Business Source Complete, LUBSearch and Google Scholar are used. The starting point for the search is the articles of Sandell and Svensson (2016; 2017). The researchers continuously mention certain studies, such as Scott and Lyman (1968) and McLaughlin, O'Hair and Cody (1983), which are consequently investigated by the authors of this study. Furthermore, by studying the reference lists of the above mentioned authors, additional articles are discovered. Moreover, keywords are typed into the databases in order to detect other relevant articles. Examples of keywords that are used in the search are "executive", "CEO statement", "Chairman's letter" and "language". These keywords are combined with each other and with other words, such as "text" and "account\*", that are relevant keywords for this study. The asterisk is used in order to include all words that begin with "account" and does therefore not exclude useful search results (Bryman & Bell, 2017, p.130).

Furthermore, the articles that are used for gathering information regarding the accounts theory are peer reviewed. Their quality is thereby assured through controls, which consequently increases the credibility of the information used in this study (Rons, De Bruyn & Cornelis, 2008). Additionally, books are used as sources for Varieties of Capitalism and the GLOBE framework. These books are utilized in order to gather information from the original source since this is more reliable than secondary sources (Alvehus, 2013, p.61).

### 3.3 Choice and Collection of Empirical Data

The sample of this study consists of the 240 largest companies, in terms of market capitalization, half listed in Germany and the other half in the UK. The study includes the largest

companies since it can be assumed that bigger companies are more likely to include a Chairman's letter in their annual reports. Due to the fact that they are large actors that have many stakeholders, especially shareholders, that are interested in their business, one can expect them to feel pressure and responsibility to reach out to shareholders through a Chairman's letter. Furthermore, there are previous studies in this research area that have investigated the largest companies either within an industry or a country (Fuoli, 2018; Petera, Wagner, Paksiova & Krehnacova, 2019). Due to the above mentioned reasons, we chose to investigate the largest companies in our study. The chosen large number of companies subjected to the investigation is selected in order to enable statistically accurate conclusions. When having a large sample, one can assume that the number of negative events related to the studied companies is similar in both countries. The companies are found on the London Stock Exchange (LSE) and Deutscher Aktienindex (DAX).

Germany and the UK are chosen since they have different institutional and cultural environments, but also because they are powerful economic and political countries, which makes them interesting to study. Due to the fact that the countries are characterized by different contexts, one can assume that they are more likely to differ also in other aspects, such as companies' use of accounts. Moreover, since there exists a current debate concerning the convergence process between countries (e.g. Nobes & Parker, 2016; Granlund & Lukka, 1998), it is interesting and relevant to compare different countries. Comparing countries, cultures and institutions also adds to the research corpora and answers the call for future research stated by Sandell and Svensson (2016).

The focus on the area of language and accounts is chosen since this has not been widely researched in relation to financial reporting before (Sandell & Svensson, 2016). Thus, this study provides new insights in this area. Moreover, the traditional focus within economics and financial reporting is mainly on numbers and therefore it is interesting to study another aspect of the topic. Thus, this study can increase the general awareness of the connection between textual language and financial reporting. Furthermore, the recently increased focus on language (Beattie, McInnes & Fearnley, 2004) and on the Chairman's letter (Hyland, 1998), which mainly contains textual language, makes the study of accounts relevant.

### 3.3.1 Procedure of Collection of Empirical Data

The collection procedure related to the empirical data begins by doing a sample test of companies in Germany and the UK in order to detect if they have a Chairman's letter. Moreover, by the sample test it could be identified that German companies communicate their annual reports in an English version. Thereby, a study within this area is possible. However, it is important to remember that English is not the native language of many representatives of companies in Germany. This could have an effect on the conclusions of this study, since companies listed in Germany might be more imprecise in their communications.

In order to obtain the lists of companies, the website [www.borsdata.se](http://www.borsdata.se) is utilized. The average market value for the latest year is used and the lists were downloaded on March 23rd 2020. This means that possible changes that occurred after this date are not included in this study. The empirical data is collected from annual reports, accessed from the webpage of the specific company, concerning the fiscal year of 2019.

Firstly, the procedure of collection of empirical data starts by quickly reading through the Chairman's letters in order to create a base for understanding the structure of the text. Additionally, new words which could be connected to the different types of accounts are discovered and noted for further inclusion in the operationalization. When a new word is added, already read Chairman's letters are re-investigated to control that the word was not mistakenly ignored. Secondly, the words in the operationalization of the theory of accounts are used as keywords in the search for accounts in the Chairman's letters. Lastly, the texts are read thoroughly in order to understand the context and assure that the words can be connected to the specific type of account. The seven different types of accounts that are found are highlighted in different colors. For example, excuses are marked with yellow and justifications with green. This simplified the work process and clarified where we detected the accounts, which aided us when returning for an additional reading. Furthermore, the findings that one author discovered are controlled by the other by reading each other's highlights. In this way, both authors agreed to the classification of each highlighted piece of text.

The investigation of the Chairman's letters is framed by the following questions:

- Does the company have a Chairman's letter?
- Does the author of the Chairman's letter write any accounts?
- If he or she does, which type, or types, of account?



When a company does not have a Chairman’s letter, the investigation of their annual report ceases and when they do have a letter, the investigation progresses to the other questions.

3.3.2 Procedure of Compilation of Empirical Data

The procedure of the compilation of the data involves coding schemes prepared by the authors of this study in the program Excel. Different types of accounts are marked with an X when discovered in the reports of the different companies. Additionally, the piece of text connected to the account type is inserted in the Excel file in order to facilitate presentation of quotations in the essay. When investigating differences, it is possible to study both frequencies and existence (Beattie, 2014). However, the frequency of the found types of accounts is not considered in this study because it would not contribute to the purpose. The interesting aspect for this essay is to analyze whether and which types of accounts the companies use and not how many of the same account they use. It can be argued that the existence of different types of accounts signifies a greater difference between companies in different countries than frequencies since the latter can be assumed to be more affected by the number of negative events that have occurred. Thus, this study investigates existence and non-existence in order to make a comparison. The compilation in Excel is illustrated below with an example.

United Kingdom			
Company:	BP	...	Company 120
CEO-letter	x		
Chairman's letter/statement	x		
Woman or Man Chairman	Man		
Woman or Man CEO	Man		

Do they use accounts? (Yes/No)	Yes		
Which ones?			
Excuse	x		
Justification			
Refocusing	x		
Concession	x		
Mystification			
Wordification			
Refusal			
Quotation			
Excuse	"..."		
Justification			
...			

Table 2. Example of coding scheme in Excel.

The information added to the Excel file is continuously growing as the authors read the Chairman’s letters. Moreover, the file contains separate sheets for the companies listed in each country. After the compilation in Excel, the data is transferred manually, by a cooperation between the two authors, to the statistical program SPSS, where it is coded in ones and zeroes.

This means that similar to Aerts (2005) and Hooghiemstra (2008), who research a related topic to this study, a binary coding system is utilized. The coding of the variables used in this study is shown below.

Variables	Coded (0/1)
Country	UK/Germany
Accounts	No/Yes
Excuse	No/Yes
Justification	No/Yes
Concession	No/Yes
Refocusing	No/Yes
Mystification	No/Yes
Wordification	No/Yes
Refusal	No/Yes
Net Profit	Negative/Positive
Stock Value	Below Average/Above Average

Table 3. SPSS coding.

Logistic regressions are conducted with the help of SPSS in this study in order to analyze the relations between dependent and independent variables (Hosmer & Lemeshow, 2000, p.1). In other words, logistic regression is used in order to analyze the effect of the independent and control variables on the probability that a company uses the different types of accounts and at least one type of account. These variables are explained in section 3.4 below. By including several different variables in the same model, the analysis becomes more extensive. Furthermore, logistic regression can be used when variables are dichotomous, nominal or ordinal and the variables usually only contain few categories (Menard, 2013, p.1). Since all dependent variables are dichotomous in this study and they have few categories (see table 3), logistic regression is considered to be the appropriate analysis model (Osborne, 2015, p.17). Moreover, the level of significance is set at 5 % ( $p=0,05$ ), which means that there is a 95 % likelihood that a significant difference between German and UK companies is not a coincidence (Bryman & Bell, 2017, p.344-345).

### 3.4 Independent, Dependent and Control Variables

The independent variables in this study are the studied countries since they are assumed to affect what types of accounts different companies present in their Chairman's letters. Thus, the dependent variables are the different types of accounts and if the letters contain accounts or not. The different types of accounts are categorized through an operationalization of the accounts theory, which is described in more detail below.

The investigation of the Chairman's letters emanates from the three questions presented in section 3.3.1. These questions formed the initial model of analysis of this study. In order to measure what types of accounts that are included in the Chairman's letters, an operationalization is constructed. The operationalization is often considered to be one of the most difficult elements in research studies (Djurfeldt, Larsson & Stjärnhagen, 2010, p. 104). Furthermore, it is an important step since it can affect the validity of the study. The risk for a low validity in this essay is reduced by a careful position of the authors of this study. This careful position is achieved through thoroughly familiarizing with previous studies and the definitions of different types of accounts, where words could be assigned to the operationalization of the different types of accounts. We have not seen any previous studies in this area that present an operationalization, however, they illustrate the different types of accounts by using quotations. Within these quotations, we could detect words that could be connected to the accounts and therefore used in the operationalization. Nevertheless, there might still be a risk that some of the chosen words for the operationalization do not accurately represent the account. However, the risk of assigning the text to the wrong accounts category is reduced by studying the context in which the text exists and by both authors agreeing to each categorization of the text excerpts. Furthermore, if other researchers use the same operationalization on the same Chairman's letters, they should arrive at the same results that this study does. Thus, the reliability of this essay can be considered high (Bryman & Bell, 2017, p.68).

The operationalization consists of a categorization of variables in order to be able to measure the use of accounts (Jonnergård, 2019). Examples of words used in the operationalization are "previously announced", "the market", "maintain" and "apologize". The complete list of key words connected to each type of account can be seen in table 4 below. Important to remember is that the Chairmen do not explicitly write that an expression can be classified as a certain type of account, but this is our own categorization based on the theory of accounts. Moreover, the same letter of a company can contain many different types of accounts and thereby be included in more than one category.

Accounts	Definition	Operationalization
Excuse	Accounts that accept the untoward or wrong action, but deny the responsibility of it.	Human shortcomings, mistakes, unintentional, the market, the consumers, the customers, affected by, external, mandatory, accident, unexpected, delay, change, uncertainty, previous management, extreme weather, control, human carelessness, challenge.
Justification	Accounts that accept responsibility, but claim that the action was not untoward or wrong.	Previously announced, no exception, traditionally, positively affected, offset, positive, as expected, less than the average, deserve, true, correct, others do, as you know, normal, normally, in line with, forecast, planned.
Refocusing	Involves either redirection to another problem or changing the focus to other aspects than the negative event.	Future, profitable, profitability, maintain, successful, successfully, reduced risk, past, solution, focus even more on, optimistic outlook, however, but, opportunities ahead, in contrast, despite.
Concession	Accounts where the actors take full or partial responsibility for the negative event.	Responsibility, responsible, regret, compensation, our fault, sorry, apologize, admit, decrease, lower, low, drop, accountable, confess, promise, take actions, must improve, must be better, not satisfied, self-inflicted, reduce.
Refusal	Complete denial toward a negative event.	Not occurred, not happened, deny, refuse, claim, misconception, misunderstanding, remain, convinced.
Mystification	Not clearly providing others with an understandable reason for his or her behavior.	Etc, other factors, other reasons, for instance, partially, foremost, among.

Table 4. Illustration of the operationalization of the accounts theory.

The operationalization enables a comparative analysis regarding if companies listed in different countries present different types of accounts. The operationalization of this study can be argued to be innovative as it adds a new aspect to the accounts theory. The authors of this essay have not previously seen any operationalization of the theory. Therefore, future research can benefit from utilizing and developing it in their studies. Furthermore, due to the fact that the accounts theory is scarcely applied in financial reporting settings (Sandell & Svensson, 2016), this operationalization can contribute to create a deeper understanding of this phenomenon by enabling a comparison between companies listed in different countries.

The control variables used in this study are stock value and net profit. These variables are chosen since they are indicators of the size of the company and how well it is performing. If a company has an unsatisfactory performance, it can be assumed that this could affect the presentation of accounts. Furthermore, Aerts (2005) uses these variables, among others, in relation to a study in a related research area. The variables were coded in ones and zeroes in SPSS as can be seen in table 3. When coding the stock value, the average (13,427.2 million dollars) was set as the limit which determined whether it was coded as 1 or 0. Moreover, negative values for net profit were coded as 0 and positive as 1.

## 4. Empirical Data and Analysis

---

*The fourth chapter of this report presents the results and analyzes them continuously throughout the text. Initially, descriptives are introduced and thereafter general results are described. Lastly, the results related to each of the different categories of accounts are presented.*

---

### 4.1 Descriptives

In total, 240 companies are studied, whereof half are listed in the UK and the other half in Germany. A complete list of the studied companies can be found in Appendix 1. Annual reports that relate to a split financial year are only studied if the majority of the fiscal year belongs to the calendar year 2019. The reports mainly concerning 2018 were considered but not included in the results. Furthermore, other reasons for failure to obtain data were that some companies did not include a Chairman's letter in their annual reports, did not release their annual reports before May 1st 2020 or did not have an English version of the reports. Thus, the total figure of loss amounts to 16,3 %, where 16,7 % relates to companies listed in Germany and 15,8 % in the UK (see table 5). The main reason why the percentage is slightly higher among companies listed in Germany is that there were more of these companies that did not include a Chairman's letter in their annual report. A complete list of all excluded companies and reasons is found in Appendix 2.

	UK	Germany
Included companies	84,2%	83,3%
Excluded companies	15,8%	16,7%

Table 5. Percentages of included and excluded companies in the two countries

The average stock value of the studied companies listed in the UK is 14,179.57 million dollars, whereas the corresponding number for the German companies is 12,674.82 million dollars. Furthermore, the studied companies listed in the two countries are within similar industries, except for the technology industry, which is overrepresented by German companies.

The letters of companies listed in the UK were often longer, more extensive and including explanations of their values and strategies. They almost always included both a CEO and a Chairman's letter. In contrast, the reports of the companies listed in Germany generally only contained one of the letters. Additionally, companies listed in Germany always included a

report of the supervisory board, which was more formally written. This text was therefore not considered to be equated with the Chairman’s letter and not investigated in this study.

Table 6 below shows the correlations between the different variables used in this essay. It is notable that excuse is correlated with the use of four other types of accounts, namely justification, refocusing, wordification and refusal. This means that when a company presents an excuse, it is likely to also write other accounts. Moreover, another interesting aspect is that refocusing correlates with net profit and stock value. In other words, a company that has a negative net profit or a high stock value is more likely to present refocusing in their Chairman’s letter.

	Country	Excuse	Justification	Refocusing	Concession	Mystification	Wordification	Refusal	Net Profit	Stock Value
Country										
Excuse	p=0,104									
Justification	p=0,964	<b>p=0,001</b>								
Refocusing	<b>p=0,025</b>	<b>p&lt;0,001</b>	p=0,293							
Concession	<b>p=0,020</b>	p=0,415	p=0,926	p=0,077						
Mystification	<b>p=0,033</b>	p=0,538	p=0,353	p=0,070	<b>p=0,015</b>					
Wordification	p=0,237	<b>p&lt;0,001</b>	<b>p=0,001</b>	<b>p&lt;0,001</b>	p=0,261	p=0,439				
Refusal	p=0,645	<b>p=0,016</b>	p=0,121	p=0,071	p=0,581	p=0,284	p=0,137			
Net Profit	p=0,541	p=0,065	p=0,920	<b>p=0,037</b>	p=0,409	p=0,489	p=0,830	p=0,606		
Stock Value	p=0,797	p=0,542	<b>p=0,006</b>	<b>p&lt;0,001</b>	<b>p=0,020</b>	p=0,096	p=0,246	p=0,656	p=0,553	

Table 6. Correlation between different variables used in this study.

#### 4.2 Presentation of Accounts and Analysis

The findings demonstrate that there is a significant difference between companies listed in the UK and Germany regarding if they present at least one type of account (see table 8).

Country			Yes (n=167)	No (n=34)
	UK (n=101)	% within country	92,1%	7,9%
Germany (n=100)	% within country	74,0%	2,6%	
<b>Total</b>	<b>% within country</b>	<b>83,1%</b>	<b>16,9%</b>	

Table 7. Overview of the percentage of companies that use at least one account.

Table 7 illustrates that 83,1 % of the studied companies present at least one type of account in their Chairman’s letters. However, the number in the UK is 92,1 % whereas it is 74 % in

Germany. This implies that there is an association between in which country the company is listed and if they write accounts in their annual reports. It is more likely that a company listed in the UK presents at least one type of account than a company listed in Germany.

The types of accounts that companies listed in one of the countries present are shown in table 8 below. As already mentioned, more companies listed in the UK generally present different types of accounts ( $p=0,001$ ). Moreover, one can observe that some types of accounts are used by more companies than others. For example, while there is a limited number of companies that use refusal, there are more companies that present concessions. Moreover, the results of the investigation illustrate that there is a significant difference between in which country the studied companies are listed and if they use concession, mystification and refocusing in their Chairman’s letters. When conducting the logistic regression analyzes shown in table 8, the control variables net profit and stock value were used. The tables as shown in SPSS are presented in Appendix 3.

Dependent Variables	Mean	Cox and Snell R square	Nagelkerke R square	Correctly classified cases	p-value	Relationship
Accounts	0,83	0,118	0,197	83,1%	0,001	UK>G
Excuse	0,47	0,030	0,040	55,7%	0,120	UK=G
Justification	0,29	0,036	0,051	71,1%	0,932	UK=G
Refocusing	0,41	0,137	0,185	69,2%	0,027	UK>G
Concession	0,52	0,055	0,073	58,2%	0,023	UK>G
Mystification	0,19	0,036	0,059	81,1%	0,040	UK>G
Wordification	0,30	0,014	0,020	70,1%	0,237	UK=G
Refusal	0,02	0,003	0,016	97,5%	0,620	UK=G

Table 8. Overview of means and the results of logistic regression tests.

4.2.1 Excuse

As can be seen in table 8, the excuse is one of the accounts used by most companies in both countries. However, it is more common among companies listed in the UK. Nevertheless, this study cannot show any significant difference depending on in which country the company is listed and if the company writes an excuse in their Chairman’s letter.

	UK (n=101)	Germany (n=100)	Total (n=201)
Excuse (n=94)	52,5%	41,0%	46,8%

Table 9. Percentages of companies that write excuse.

	B	p-value	OR	95% C.I. for OR	
				Lower	Upper
Country	0,446	0,120	1,563	0,890	2,744
Stock Value	-0,162	0,603	0,851	0,463	1,564
Net Profit	0,776	0,082	2,173	0,905	5,217
Constant	-0,339	0,263	0,712		

Table 10. Logistic regression analysis for the dependent variable excuse.

One could argue that this result can be explained by the fact that the global environment during 2019 was characterized by instability and that representatives of companies therefore were more inclined to blame these circumstances. For example, Brexit, the trade dispute between the US and China, geopolitical uncertainty, regulatory pressure and lower customer demands were often blamed for bad performance. Furthermore, the result is in accordance with Clatworthy and Jones' (2003) study that indicates that managers tend to blame declining performance on the environment. This seems to be true both for companies listed in the UK and Germany.

#### 4.2.2 Justification

The results of this study cannot show any difference between the presentation of justifications and in which country the company is listed. Moreover, as can be seen in table 11, almost the same amount of companies in each country use justification. In total, 28,9 % of the studied companies present this type of account.

	UK (n=101)	Germany (n=100)	Total (n=201)
Justification (n=58)	28,7%	29,0%	28,9%

Table 11. Percentages of companies that write justification.

	B	p-value	OR	95% C.I. for OR	
				Lower	Upper
Country	-0,027	0,932	0,973	0,522	1,815
Stock Value	-0,886	0,007	0,412	0,217	0,784
Net Profit	-0,104	0,831	0,901	0,348	2,336
Constant	-0,296	0,340	0,743		

Table 12. Logistic regression analysis for the dependent variable justification.

The above result could be the result of the two countries' similar scores in the cultural dimension called future orientation. The most commonly used expressions when writing justifications are "as expected" and "as previously announced". In other words, the statement does not contain any previously unknown information since the then possible negative event



has already been announced. This can be argued to have a connection to the future oriented culture since it illustrates that the company has planned for the future. Moreover, the authors of Chairman’s letters of companies listed in the UK or Germany often justify questionable or disliked actions by emphasizing future performance. For example, some companies write that they decrease the dividend given to shareholders in order to use the money to improve their performance in the future. This means that the companies are focused on investing in the future, which is in line with the future oriented culture.

#### 4.2.3 Refocusing

As illustrated in table 14 below, there is an indication that there is a significant difference in the usage of refocusing depending on in which country the company is listed ( $p=0,027$ ). It is more likely that a company listed in the UK presents this type of account than if it is listed in Germany. Despite the fact that there seem to be differences in the use of refocusing depending on in which country the company is listed, representatives of companies generally express refocusing in similar ways, using words such as “although”, “despite”, “on the opposite side” and “however”.

	UK (n=101)	Germany (n=100)	Total (n=201)
Refocusing (n=82)	48,5%	33,0%	40,8%

Table 13. Percentages of companies that write refocusing.

	B	p-value	OR	95% C.I. for OR	
				Lower	Upper
Country	0,689	0,027	1,991	1,080	3,671
Stock Value	-1,469	0,000	0,230	0,120	0,442
Net Profit	0,891	0,057	2,439	0,973	6,111
Constant	0,152	0,626	1,164		

Table 14. Logistic regression analysis for the dependent variable refocusing.

A reason behind this difference could be that a larger share of companies listed in the UK use other types of accounts. Since the results of this study show that refocusing is related to the use of excuse and wordification (see table 6), it is not surprising that more companies in the UK refocus negative events.

#### 4.2.4 Concession

The most common type of account is to take full or partial responsibility for a negative event (see table 8). Slightly more than every second (52,2 %) studied company uses concession. This result is noteworthy considering that Sandell and Svensson’s (2016) study discovered that the concession was one of the least recognized accounts among their studied companies. The discrepancy between the results could be the consequence of the fact that this essay investigates companies listed in other countries. Another possible explanation could be that the concession has increased in popularity among companies in their annual reports. This could, in turn, be explained by the increased focus on presenting the company as committed to taking responsibility for sustainability issues (Fuoli, 2018).

As illustrated below in table 16, the results of the investigation indicate that there is a difference between companies listed in Germany and the UK and if they use concessions ( $p=0,023$ ). There are significantly more companies listed in the UK that present this type of account, than companies in Germany.

	UK (n=101)	Germany (n=100)	Total (n=201)
Concession (n=105)	60,4%	44,0%	52,2%

Table 15. Percentages of companies that write concession.

	B	p-value	OR	95% C.I. for OR	
				Lower	Upper
Country	0,663	0,023	1,941	1,098	3,432
Stock Value	-0,728	0,023	0,483	0,258	0,904
Net Profit	0,297	0,508	1,345	0,559	3,240
Constant	0,231	0,450	1,260		

Table 16. Logistic regression analysis for the dependent variable concession.

The difference can partly be explained by the fact that companies listed in the UK use more internal accounts. For example, the concessions often regarded fatalities connected to the operations of the company. An example of this is the following excerpt:

It is with regret that I report two employee fatalities occurred at our operations during 2019, and one in January 2020. Any fatality is unacceptable to us and as a Group we have invested significant time, effort and funding to improve our safety performance. Whilst we have achieved a long-term reduction in the number and frequency of fatalities over the last few years, we will

continue to devote our resources to eliminate fatalities and injuries at our operations. (Kaz Minerals, 2019, p.12).

Concessions related to fatalities were not found in the Chairman’s letters of companies listed in Germany. Another reason behind the result could be that British people are often expected to apologize for many different types of issues (Manby, 2018). This may not only affect the expectations of the readers, but also the writer’s perceived pressure to apologize.

#### 4.2.5 Mystification

As illustrated in table 18, the results demonstrate that there are significantly more companies listed in the UK that present mystifications than in Germany ( $p=0,040$ ). In other words, it is more likely that a company listed in the UK presents at least one mystification than a company listed in Germany. However, the share of companies that use mystification is relatively low (see table 17), which is in accordance with Sandell and Svensson’s (2017) study of companies listed in Sweden.

	UK (n=101)	Germany (n=100)	Total (n=201)
Mystification (n=38)	24,8%	13,0%	18,9%

Table 17. Percentages of companies that write mystification.

	B	p-value	OR	95% C.I. for OR	
				Lower	Upper
Country	0,780	0,040	2,181	1,037	4,587
Stock Value	-0,605	0,109	0,546	0,261	1,144
Net Profit	0,267	0,608	1,306	0,471	3,619
Constant	-1,538	0,000	0,215		

Table 18. Logistic regression analysis for the dependent variable mystification.

One can argue that companies listed in the UK use more mystifications because many of the writers of their Chairman’s letters are native English speakers. This could facilitate the use of complicated words, since they are more experienced in using the language in a way to formulate statements that appear clear. This also means that the authors of this study may have perceived some expressions of the British Chairman’s letters as mystifications, which other readers might not. Another possible explanation is that more companies listed in the UK present accounts. Therefore, one can assume that they cannot cover all aspects related to every negative event without the letter becoming too extensive and difficult to read. Thus, instead of discussing every aspect, they can write words such as “etc.” or “other reasons”.

#### 4.2.6 Wordification

Of the studied companies, 29,9 % reformulate already provided numerical information into words (see table 19). The results cannot show any differences related to which country the company is listed in.

	UK (n=101)	Germany (n=100)	Total (n=201)
Wordification (n=60)	33,7%	26,0%	29,9%

Table 19. Percentages of companies that write wordification.

	B	p-value	OR	95% C.I. for OR	
				Lower	Upper
Country	0,368	0,237	1,445	0,784	2,663
Stock Value	-0,380	0,247	0,684	0,359	1,301
Net Profit	-0,154	0,749	0,858	0,335	2,196
Constant	-0,771	0,016	0,463		

Table 20. Logistic regression analysis for the dependent variable wordification.

One can argue that the Chairman's statement's increased importance as an advertising tool (Beattie, McInnes & Fearnley, 2004) could be a reason behind that this study cannot demonstrate any difference depending on in which country the company is listed and if it presents a wordification. By using wordification, the company may be perceived as taking responsibility. However, the provided information and explanation is already given as financial numbers. In this way, companies could avoid providing clarifications of the negative event since they only state the situation as is. As the wordification can be perceived by the reader as an explanation, one can assume that the company is perceived as legitimate. Since the letter has become more of a tool for promoting the company (Beattie, McInnes & Fearnley, 2004), one can argue that wordification may be used in order to create a positive image of the company and that this is done by companies listed in both the UK and Germany separately.

#### 4.2.7 Refusal

Refusal is the least occurring account for the studied companies (see table 8). Only 2,5 % of the studied companies use refusal in their Chairman's letters. This low number is in line with Sandell and Svensson's (2016) study, which does not find any examples of refusal. Moreover, the results cannot show any significant difference between the largest companies of the two countries' stock exchanges.

	UK (n=101)	Germany (n=100)	Total (n=201)
Refusal (n=5)	2,0%	3,0%	2,5%

Table 21. Percentages of companies that write refusal.

	B	p-value	OR	95% C.I. for OR	
				Lower	Upper
Country	-0,461	0,620	0,631	0,102	3,887
Stock Value	-0,408	0,661	0,665	0,108	4,103
Net Profit	0,597	0,602	1,816	0,193	17,098
Constant	-3,291	0,000	0,037		

Table 22. Logistic regression analysis for the dependent variable refusal.

The low numbers related to the use of refusal can be explained by the fact that it is not in line with the Chairman’s letter as a promotional tool. When an author of a Chairman’s letter uses refusal, he or she claims that the concern of the stakeholders is unjustified. Therefore, this could be perceived as an insult to the stakeholders. Since companies are dependent on their stakeholders, they would prefer to be on good terms with them. Thus, it is likely that Chairmen only present refusals when the negative event is public and widely debated. The following excerpt from Germany listed Bayer is one of the few examples of refusal that this study found and it is related to a publicly known event:

As you know, the glyphosate lawsuits in the United States also cast their shadow over the past year. The number of plaintiffs has grown further, which does not come as a surprise in view of the huge rise in anti-Roundup advertising spend from the plaintiffs’ side. However, we remain firmly convinced that our glyphosate-based herbicides are safe and are not carcinogenic. That view is supported by a large body of scientific studies and is shared by leading regulatory authorities worldwide. The U.S. Environmental Protection Agency (EPA) and Department of Justice reaffirmed that view in an official statement on an ongoing appeal proceeding at the end of last year. And after conducting a new review, the EPA said in January that it “did not identify any human health risks from exposure to glyphosate”. (Bayer, 2019, p.6-7).

## 5. Discussion Related to Varieties of Capitalism and the GLOBE

---

*The fifth chapter analyzes the empirical data in relation to Varieties of Capitalism and the GLOBE framework. The section ends with a discussion and summarizing key points of the analysis.*

---

### 5.1 How can the differences be explained by Varieties of Capitalism and the GLOBE?

It can be assumed that, due to cultural and institutional differences between Germany and the UK, representatives of companies listed in the countries respond differently to negative events. The differences between the countries could also affect the number of companies that use accounts in their Chairman's letters. The results confirm that there are differences in which types of accounts companies listed in the countries are using. Furthermore, the results confirm that more companies listed in the UK present accounts than companies listed in Germany ( $p=0,001$ ).

In relation to Varieties of Capitalism (Hall & Soskice, 2001), a possible explanation to this result is that companies in the UK are more reliant upon outsider shareholders, who require public information in order to invest. Public information is mainly given through the annual report (Jin-hui, Xue & Huayang, 2018; Myšková & Hájek, 2018) and therefore, an important source of information for shareholders is the Chairman's letter. Since companies listed in the UK mainly have outsider shareholders, there is also a potential for obscuring negative internal information. However, according to this study, it seems that they do not exploit this information asymmetry fully since they use significantly more accounts than companies listed in Germany. This could be connected to the fact that, according to the GLOBE (House et al., 2004), the humane orientation is stronger in the UK than in Germany, meaning that people in the UK are more likely to strive for fairness. Responding to negative events can be seen as fair because in this way the company presents information which gives the shareholders the opportunity to form their own opinions and take a stand on the issue. This is also in line with Nobes and Parker's (2016, p.35-56) hypothesis that the pressure for fair disclosure is stronger in countries with companies that have many outsider shareholders compared to countries with companies that mainly have insiders. In relation to Varieties of Capitalism (Hall & Soskice, 2001), another possible explanation to the result that accounts are used in the Chairman's letters of more companies listed in the UK, is that the business environment is characterized by high competition. This competition means that legitimacy is important since shareholders can easily

transfer their investment from the company to a competitor. Furthermore, it implies that small differences in the reporting may have big impacts on retaining shareholders. Therefore, it can be assumed that the authors of the Chairman's letters in the UK attempt to answer to as much negative criticism as possible in order to avoid dissatisfied shareholders (Arya & Mittendorf, 2007). Taking the above mentioned arguments into account, representatives of companies listed in the UK may to a greater extent feel obligated to respond to negative events.

Moreover, significantly more companies listed in the UK use concessions in the Chairman's letters ( $p=0,023$ ). This could be explained, according to the GLOBE (House et al., 2004), by the level of uncertainty avoidance in the two countries. Germany scores higher on this dimension, which could also be connected to the fact that Germany has a more secure employment according to Varieties of Capitalism (Hall & Soskice, 2001). On the one hand, the high uncertainty avoidance could imply that representatives of companies listed in Germany perceive writing a concession as a risk of uncertainty. If stakeholders are not aware of the negative event, presenting a concession would increase uncertainty connected to how they will respond to the new information. On the other hand, concessions could decrease uncertainty if stakeholders already are aware of the negative event and require the company to answer to the criticism. In this case, the uncertainty is reduced since, for example, shareholders are less likely to sell their shares if the company manages to respond well to the negative event. As Darrough (1993) claims, the choice to disclose information is affected by a tradeoff between potential positive and negative consequences of the disclosure. In relation to the results of this study, it would therefore seem that many representatives of companies listed in Germany believe that there would be more uncertainty than benefit connected to the presentation of concessions in their Chairman's letters.

The result regarding concession could also be affected by the fact that the German culture is more performance oriented than the British culture (House et al., 2004). It can be assumed that the higher the importance is of performing well, the less acceptable mistakes are and the less willing representatives of companies are to take responsibility for a negative event. The higher degree of performance orientation in Germany could also be connected to the use of practical education, since it is desired that new employees can directly contribute to better performance, without having to be educated first. Furthermore, according to Varieties of Capitalism (Hall & Soskice, 2001), German companies have close relations to other companies. This is also something that can be related to the performance oriented culture since in order to create

maximum profitability, the company needs to outsource non-core activities, which other companies may be better at performing. Considering the above, writers of the Chairman's letters of companies listed in the UK could be more prone to admit mistakes since they are not as focused on performance. However, according to Varieties of Capitalism (Hall & Soskice, 2001), Chairmen in the UK are often rewarded in relation to increases in the share price of the company. Thus, the results of this study indicate that the share price is not necessarily negatively affected by presenting concessions.

Furthermore, the more frequent use of concessions in UK listed companies can be a result of them having more outsider shareholders and more focus on fairness and openness, as mentioned above. Connected to the higher degree of humane orientation (House et al., 2004) in the UK is the higher score of institutional and in-group collectivism (Hall & Soskice, 2001). To work in groups and share resources, in other words institutional collectivism, is supported by employee friendliness and a culture of humane orientation. This can be said to be related to the characteristic of LMEs (Hall & Soskice, 2001), namely education focused on general skills, since if one works in groups it might be easier to teach each other practical knowledge. Furthermore, when being perceived as fair, the company can gain loyalty from their employees and other stakeholders and consequently achieve higher in-group collectivism. This corresponds well with Varieties of Capitalism (Hall & Soskice, 2001) that assigns the qualities of a deregulated labor market and a lack of representative bodies for employees to the UK. It is likely that if a company treats their employees well, they may in turn identify with the company and feel loyal towards it. Thus, this relationship is built on trust instead of legal documents. In contrast, German culture is characterized by a high degree of power distance (House et al., 2004), which can be a reason that they have a regulated labor market and powerful representative bodies to protect employees. Furthermore, the higher score in power distance could mean that top management do not want to show any weaknesses by presenting concessions in the Chairman's letter since they are in a superior position related to other employees. Additionally, one could argue that concessions and other accounts are not needed in the letter, due to the fact that German companies have insider shareholders who may already be aware of the situation.

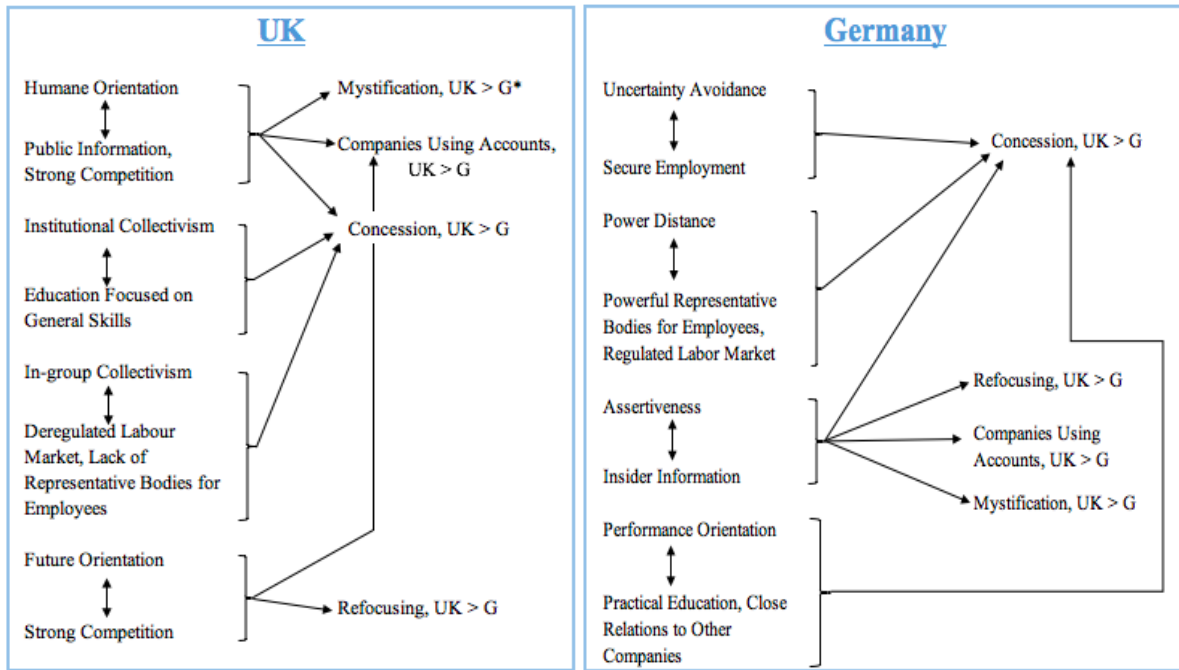
Furthermore, mystifications are occurring in significantly more Chairman's letters of companies listed in the UK than in Germany ( $p=0,040$ ). One can assume that, since more companies in the UK use accounts, they are also more likely to write mystifications.



Additionally, since the UK scores higher on the humane orientation than Germany (House et al., 2004), it can be assumed that companies in the UK sometimes desire to address an issue but not every detail of it. Moreover, this result could also be related to the stronger competition that, according to Varieties of Capitalism (Hall & Soskice, 2001), exists in the UK. One can argue that the stronger competition is, the more careful writers are in exposing clear information about the company (Board, 2009). Hence, they may refrain from presenting sensitive information to a greater extent by using expressions that obscure certain aspects.

Moreover, significantly more companies listed in the UK present refocusing than companies listed in Germany ( $p=0,027$ ). Despite the fact that the two countries' scores are similar when it comes to future orientation, there is a slight difference (House et al., 2004). Refocusing is often, according to our findings, related to shifting the emphasis from the past to the future, which corresponds well to a culture characterized by a future orientation. Furthermore, a future oriented culture might be related to strong competition. When faced with competition, one has to plan for the future to a greater extent in order to not lag behind other companies. Additionally, since companies listed in the UK mainly have outsider shareholders (Hall & Soskice, 2001; Nobes & Parker, 2016, p.35), refocusing may be important in order to facilitate investments by shareholders.

The key points of the above analysis are summarized in table 23 below. Additionally, by comparing keywords connected to the cultures in the two countries, one can notice that the culture in the UK is of a softer character, while the German culture is tougher. For example, the culture in the UK is related to words such as fairness, group and planning, whereas the culture in Germany relates to performance, hierarchy and dominance. This can be argued to reflect the institutional aspect of regulation. In the UK, the labor market is deregulated, whereas in Germany it is highly regulated. Moreover, the culture in Germany can be argued to reflect a mentality that one does not take lightly on mistakes and that one prefers to not reveal any weaknesses. This argument is in line with the results of this study.



\* UK > G: Significantly more companies listed in the UK present the account.

Table 23. Illustration of key points of the analysis.

## 6. Conclusions and Contributions

---

*In chapter six, the conclusions of the study are addressed. Thereafter, the theoretical and practical contributions are emphasized.*

---

### 6.1 Conclusions

The purpose of this study was to describe and explain possible differences in how many companies listed in different countries present different types of accounts. A first conclusion that can be made is that more companies listed in the UK than in Germany present accounts in their Chairman's letters. This is in line with the culture in the UK that is softer and therefore may to a greater extent allow the writer of the Chairman's letter to admit shortcomings. Furthermore, the result is in accordance with the institutional setting in the UK, which is more competitive and characterized by dependence on outside investors. A second conclusion is that there are differences in the use of refocusing, concession and mystification depending on in which country the company is listed. More companies listed in the UK use all of these three types of accounts than companies listed in Germany. The result related to the presentation of concessions could be connected to the level of uncertainty avoidance, humane orientation, institutional- and in-group collectivism. Additionally, it could be related to the first result, namely that more companies listed in the UK use accounts. Mystification is used by more companies in the UK than in Germany, which could be explained by a higher degree of competition and that more companies use accounts. The result related to refocusing can be argued to be related to a higher future orientation, competition and the fact that this type of account is used in connection to other types of accounts in companies listed in the UK.

Moreover, this study indicates that differences continue to exist between countries despite the general belief that countries converge and become increasingly similar as globalization intensifies (Nobes & Parker, 2016, p.7-8, p.90-91). Furthermore, an interesting, but not surprising, discovery was made during the investigation of the Chairman's letters. Despite the increased emphasis on equality in the world (United Nations, n.d.), women are still underrepresented among CEOs and Chairmen. There are remarkably few women in top positions, which indicates that the work with equality has much to gain.

### 6.2 Contributions

This study purports to describe and explain possible differences in how many companies listed in different countries present different types of accounts. Therefore, it fills a gap and contributes

to the accounts literature (Sandell & Svensson, 2016). This study takes a new perspective in relation to accounts by investigating differences between reporting environments and thus provides a more profound understanding of how accounts are used within financial reporting. Additionally, this study contributes to the existing convergence discussion (e.g. Nobes & Parker, 2016; Granlund & Lukka, 1998) by investigating whether there are differences between the reporting of companies listed in different countries. This study shows that there are differences between companies listed in different countries in their use of accounts. Thus, it illustrates that despite the fact that accounting and financial reporting are becoming increasingly similar through harmonization (Nobes & Parker, 2016), there are differences in the types of accounts that are used in different environments. Furthermore, this study is of theoretical importance as it provides a new operationalization, which future researchers can apply in their studies.

Additionally, this essay may be of practical importance, since stakeholders may receive a better understanding of the ways in which companies in different countries explain themselves through accounts and thereby also a better understanding of companies in general. Thus, the results of this study could aid shareholders in their investment decisions. Moreover, similar to Yasseen, Mohamed and Moola-Yasseen's (2019) study of Chairman's letters of South African companies, the results of our study are expected to be of relevance to professional accounting bodies, users and preparers. This is especially true considering the relatively recent scandals related to the accounting profession, which have affected the general perception and trust in the profession (Yasseen, Mohamed & Moola-Yasseen, 2019).

## 7. Limitations and Future Research

---

*The seventh and last chapter contains the limitations of this study and presents suggestions for future research.*

---

### 7.1 Limitations of the Study and Future Research

Similar to Yasseen, Mohamed and Moola-Yasseen's (2019) study, this essay is limited since it only analyzes one part of the annual report and therefore does not consider the presentation of account in other parts. Future research could for example investigate the sustainability report in order to create an improved understanding for where certain types of accounts are used. Another limitation of this study is that it only investigates one year and not the development over time. This is something that future studies could focus on as it could affect the comparison between the companies listed in the two countries. This study was aimed at investigating how many companies in the two countries that presented accounts and not how many of the same type of account the same company presented. Therefore, future research could include an investigation of frequencies of the occurring accounts to enrich the understanding of the use of accounts. Moreover, in order to extend the research area, future research could study companies in other countries, continents and cultures. Another interesting aspect to examine is if the account is internal or external and if there are differences regarding this in different reporting environments. Furthermore, future research could benefit from a more profound approach, since one needs to possess extensive knowledge about the companies to be able to detect other categories of accounts, such as silence. One way of doing this would be to find a negative event which is shared by many different companies (see e.g. Brühl and Kury (2019) who studied the financial crisis 2007/2008).

The results of this study demonstrates that the majority of the studied companies present at least one type of account in their Chairman's letters. However, this does not automatically have to mean that the account is genuine and that the company actually implements the expressed measures. In the same way, letters without accounts do not necessarily imply that no negative event has occurred or that the company does not take responsibility. However, the possibilities to deliberately mislead readers of Chairman's letters are restricted since it is closely examined by outside parties (Bettman & Weitz, 1983). Nevertheless, future research could investigate to what degree their claims correspond to their actions.

## References

- Abrahamson, E. & Amir, E. (1996). The information content of the president's letter to shareholders, *Journal of Business Finance & Accounting*, vol. 23, no. 8, pp.1157-1182
- Aerts, W. (2005). Picking up the pieces: impression management in the retrospective attributional framing of accounting outcomes, *Accounting, Organizations and Society*, vol. 30 no. 5, pp.493-517
- Alvehus, J. (2013). *Skriva uppsats med kvalitativ metod: En handbok*. Stockholm: Liber
- Arya, A. & Mittendorf, B. (2007). The interaction among disclosure, competition between firms, and analyst following, *Journal of Accounting and Economics*, vol. 43, no. 2, pp.321-339
- Beattie, V. (2014). Accounting narratives and the narrative turn in accounting research: Issues, theory, methodology, methods and a research framework  
*British Accounting Review*, vol. 46, no. 2, pp.111-134
- Beattie, V., McInnes, B. & Fearnley, S. (2004). A methodology for analysing and evaluating narratives in annual reports: a comprehensive descriptive profile and metrics for disclosure quality attributes, *Accounting Forum*, vol. 28, no. 3, pp.205-236
- Bettman, J.R. & Weitz, B.A. (1983). Attributions in the board room: causal reasoning in corporate annual reports, *Administrative Science Quarterly*, vol. 28, pp.165-83
- Bicsár, A. & Kranich, S. (2012). These forecasts may be substantially different from actual results. The use of epistemic modal markers in English and German original letters to shareholders and in English-German translations\*, *Linguistik Online*, vol 55, no. 5, pp.41-56
- Board, O. (2009). Competition and Disclosure, *The Journal of Industrial Economics*, vol. LVII, no. 1, pp.197-213
- Brühl, R., & Kury, M. (2019). Rhetorical tactics to influence responsibility judgments: Account giving in banks presidents' letters during the financial market crisis, *International Journal of Business Communication*, vol. 56, no. 3, pp.299-325

Bryman, A. & Bell, E. (2017). *Företagsekonomiska forskningsmetoder*. (3rd ed.). Stockholm: Liber

Bryman, A., Bell, E. & Harley, B. (2019). *Business research methods* (5th ed.). Oxford: Oxford University Press

C. Edgar, V., Beck, M. & Brennan, N.M. (2018). Impression management in annual report narratives: the case of the UK private finance initiative, *Accounting, Auditing & Accountability Journal*, vol. 31, no. 6, pp.1566-1592

Chhokar, J.S., Brodbeck, F.C. & House, R.J. (2007). *Culture and Leadership across the World: The GLOBE Book of In-Depth Studies of 25 Societies*. New York: Lawrence Erlbaum Associates

Cho, C.H., Roberts, R.W. & Patten, D.M. (2010). The language of US corporate environmental disclosure, *Accounting Organizations and Society*, vol. 35, no.4, pp.431-43

Clatworthy, M. & Jones, M.J. (2003). Financial reporting of good news and bad news: evidence from accounting narratives, *Accounting & Business Research*, vol. 33, no. 3, pp.171-185

Clatworthy, M. & Jones, M.J. (2006). Differential patterns of textual characteristics and company performance in the chairman's statement, *Accounting, Auditing & Accountability Journal*, vol. 19, no. 4, pp.493-511

Conaway, R.N. & Wardrope, W.J. (2010). Do their words really matter? Thematic analysis of U.S. and Latin American CEO letters, *Journal of Business Communication*, vol. 47, no. 2, pp.141-168

Courtis, J.K. (1982). Private Shareholder Response To Corporate Annual Reports, *Accounting & Finance*, vol. 22, no. 2, pp.53-72

Courtis, J.K. (2004). Corporate report obfuscation: artefact or phenomenon?, *The British Accounting Review*, vol. 36, no. 3, pp.291-312

Darrough, M.N. (1993). Disclosure Policy and Competition Cournot vs. Bertrand, *Accounting Review*, vol. 68, no. 3, pp.534-561

Djurfeldt, G., Larsson, R. & Stjärnhagen, O. (2010). Statistisk verktyglåda 1 - samhällsvetenskaplig orsaksanalys med kvantitativa metoder. Lund: Studentlitteratur

Farndale, E., Lamare, J.R., Vidović, M. & Chauhan, A.S. (2019). Understanding Financial Participation across Market Economies, *International Studies of Management & Organization*, vol. 49, no. 4, pp.402-421

Federal Foreign Office. (2020). Germany and the United Kingdom: Bilateral relations, Available online: <https://www.auswaertiges-amt.de/en/aussenpolitik/laenderinformationen/grossbritannien-node/united-kingdom/218892> [Accessed March 26, 2020]

Franks, J. & Meyer, C. (2001). Ownership and Control of German Corporations, *Review of Financial Studies*, vol. 14, no. 4, pp.943-977

Fuoli, M. (2018). Building a Trustworthy Corporate Identity: A Corpus-Based Analysis of Stance in Annual and Corporate Social Responsibility Reports, *Applied Linguistics*, vol. 39, no. 6, pp.846-885

Gierusz, J. & Koleśnik, K. (2019). The influence of culture on disclosures in financial statements prepared under International Financial Reporting Standards, *Zeszyty Teoretyczne Rachunkowosci*, vol. 101, no. 157, pp.111-132

GLOBE. (2004). Visualizations of the 2004 Study, Available online: [https://globeproject.com/results?page\\_id=country#country](https://globeproject.com/results?page_id=country#country) [Accessed March 26, 2020]

GLOBE. (2020). About the Foundation, Available online: <https://globeproject.com/foundation> [Accessed April 02, 2020]

Gramlisch, J. (2019). How the attitudes of West and East Germans compare, 30 years after fall of Berlin Wall, Pew Research Center, Oct 18, Available online: <https://www.pewresearch.org/fact-tank/2019/10/18/how-the-attitudes-of-west-and-east-germans-compare-30-years-after-fall-of-berlin-wall/> [Accessed May 11, 2020]



- Granlund, M. & Lukka, K. (1998). It's a Small World of Management Accounting Practices, *Journal of Management Accounting Research*, vol. 10, pp.153-179
- Hall, P. & Soskice, D. (2001). *Varieties of Capitalism, The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press
- Hall, P.A. & Thelen, K. (2009). Institutional change in varieties of capitalism, *Socio-Economic Review*, vol. 7, no. 1, pp.7-34
- Hay, C. (2020). Does capitalism (still) come in varieties?, *Review of International Political Economy*, vol. 27, no. 2, pp.302-319
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Newbury Park, CA: Sage Publications
- Hooghiemstra, R. (2008). East-West differences in attributions for company performance: a content analysis of Japanese and U.S. corporate annual reports, *Journal of Cross-Cultural Psychology*, vol. 39, no. 5, pp.618-629
- Hooghiemstra, R. (2010). Letters to the shareholders: a content analysis comparison of letters written by CEOs in the United States and Japan, *International Journal of Accounting*, vol. 45, no. 3, pp.275-300
- Hosmer, D.W. & Lemeshow, S. (2000). *Applied Logistic Regression*, (2nd ed.). Hoboken, New Jersey: John Wiley & Sons, Inc
- Hotten, R. (2015). Volkswagen: The scandal explained, Available online: <https://www.bbc.com/news/business-34324772> [Accessed March 24, 2020]
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W. & Gupta, V. (2004). *Culture, Leadership, and Organizations. The GLOBE Study of 62 Societies*. Thousand Oaks, California: SAGE Publications, Inc
- Hyland, K. (1998). Exploring corporate rhetoric: Metadiscourse in the CEO's letter, *Journal of Business Communication*, vol. 35, no. 2, pp.224-245

- Jin-hui, L. Xue, L. & Huayang, C. (2018). Annual report readability and corporate agency costs, *China Journal of Accounting Research*, vol. 11, no. 3, pp.187-212
- Jonnergård, K. (2019). Introduktion till kvantitativ metod, FEKH69, PowerPoint Presentation, LUSEM Lund, April 9, 2019
- Khan, M., Lockhart, J. & Bathurst, R. (2020). A multi-level institutional perspective of corporate social responsibility reporting: A mixed-method study, *Journal of Cleaner Production*, vol. 265, pp.1-14
- Lundahl, U. & Skärvad, P-H. (2016). Utredningsmetodik. (4th ed.). Lund: Studentlitteratur
- Malmi, T. & Brown, D.A. (2008). Management control systems as package - Opportunities, challenges and research directions, *Management Accounting Research*, vol. 19, pp.287-300
- Manby, C. (2018). Are We Ever Truly Sorry?, *The Independent*, June 8, Available online: <https://www.independent.co.uk/life-style/britain-apology-meaning-culture-manners-language-relationships-zuckerberg-kfc-a8396641.html> [Accessed May 11, 2020]
- McLaughlin, M. L., O'Hair, H. D. & Cody, M. J. (1983). The management of failure events: Some contextual determinants of accounting behavior, *Human Communication Research*, vol. 9, no. 3, pp.208-224
- Menard, S. (2013). Introduction: Linear Regression and Logistic Regression, in Menard, S. (2010), *Logistic Regression: From Introductory to Advanced Concepts and Applications*. Thousand Oaks, California: SAGE Publications, Inc, pp.1-18
- Menzel, M.P. & Kammer, J. (2019). Industry evolution in Varieties of Capitalism: a comparison of the Danish and US wind turbine industries, *Industrial and Corporate Change*, vol. 28, no. 6, pp.1381-1403
- Myšková, R. & Hájek, P. (2018). Sustainability and Corporate Social Responsibility in the Text of Annual Reports-The Case of the IT Services Industry, *Sustainability*, vol. 10, no. 11, p.4119
- Nobes, C. (2006). The survival of international differences under IFRS: towards a research agenda, *Accounting and Business Research*, vol. 36, no. 3, pp.233-245

Nobes, C. & Parker, R. (2016). *Comparative International Accounting* (13th ed.). London: Pearson

Osborne, J. W. (2015). *Best Practices in Logistic Regression*. Thousand Oaks, California: SAGE Publications, Inc

Palmer-Silveira, J.C. & Ruiz-Garrido, M.F. (2014). Examining US and Spanish annual reports: crisis communication, *Business and Professional Communication Quarterly*, vol. 77, no. 4, pp.409-425

Petera, P., Wagner, J., Paksiova, R. & Krehnacova, A. (2019). Sustainability Information in Annual Reports of Companies Domiciled in the Czech Republic and the Slovak Republic, *Engineering Economics*, vol. 30, no. 4, pp.483-495

Pinker, S. (2018). The media exaggerates negative news. This distortion has consequences, *The Guardian*, February 17, Available online: <https://www.theguardian.com/commentisfree/2018/feb/17/steven-pinker-media-negative-news> [Accessed May 11, 2020]

Rons, N., De Bruyn, A. & Cornelis, J. (2008). Research evaluation per discipline: a peer-review method and its outcomes, *Research Evaluation*, vol. 17, no. 1, pp.45-57

Ruiz-Garrido, M.F., Fortanet-Gómez, I. & Palmer-Silveira, J.C. (2012). Introducing British and Spanish companies to investors: building the corporate image through the chairman's statement, in Aritz, J. and Walker, R.C. (Eds), *Discourse Perspectives on Organizational Communication*. Madison, New Jersey: Farleigh Dickinson University Press, pp.159-178

Sandell, N. & Svensson, P. (2016). The Language of Failure: The Use of Accounts in Financial Reports, *International Journal of Business Communication*, vol. 53, no. 1, pp.1-22

Sandell, N. & Svensson, P. (2017). Writing write-downs: the rhetoric of goodwill impairment, *Qualitative Research in Accounting & Management*, vol. 14, no. 1, pp.81-102

Schönbach, P. (1980). A category system for account phases, *European Journal of Social Psychology*, vol. 10, no. 2, pp.195-200

Scott, M. B. & Lyman, S. M. (1968). Accounts, *American Sociological Review*, vol. 33, no. 1, pp.46-62

Skulstad, A.S. (2005). The use of metadiscourse in introductory sections of a new genre, *International Journal of Applied Linguistics*, vol. 15, no. 1, pp.71-86

Smith, M. & Taffler, R. (1992). The Chairman's statement and corporate financial performance, *Accounting & Finance*, vol. 32, no. 2, pp.75-90

Sterio, M. (2013). The Right to Self-Determination under International Law "Selfistans," secession, and the rule of the great powers. Abingdon: Routledge

United Nations. (n.d). Goal 5: Achieve gender equality and empower all women and girls, Available online: <https://www.un.org/sustainabledevelopment/gender-equality/> [Accessed May 10, 2020]

Waring, H.Z. (2007). The multi-functionality of accounts in advice giving, *Journal of Sociolinguistics*, vol. 11, no. 3, pp.367-391

Witt, M.A. & Jackson, G. (2016). Varieties of Capitalism and institutional comparative advantage: A test and reinterpretation, *Journal of International Business Studies*, vol. 47, no. 7, pp.778-806

Yasseen, Y., Mohamed, W. & Moola-Yasseen, M. (2019). The use of impression management practices in the chairman's statements in South African annual reports: An agency theory perspective, *Communicare*, vol. 38, no. 1, pp.37-56

Zysman, J. (1983). Governments, Markets, and Growth. Ithaca, New York: Cornell University Press

# Appendix

## 1. The 240 Studied Companies

The UK			
HSBC Holdings	CRH Plc	United Utilities	B&M European Value Retail
BP	Centrica	Smiths Group	Taylor Wimpey
GlaxoSmithKline	WPP Plc	RSA Insurance	Merlin Entertainment
Astrazeneca Plc	SSE Plc	Capita	Intu Properties
BHP Group	Experian	Hargreaves Lansdown	DCC Plc
Unilever	Legal & General	Sage Group	Weir Group
Biome Technologies	International Airlines SA	Johnson Matthey	Barratt Developments
British American Tobacco	Ferguson	Bunzl	St James Place
Rio Tinto	Fresnillo	Severn Trent	Petrofac
Vodafone	Pearson	Mondi	Tate & Lyle
Royal Bank of Scotland	Antofagasta	Intertek	Travis Perkins
Diageo	Smith and Nephew	Man Group	Croda International
Lloyds Banking	Marks & Spencer	Royal Mail	Babcock International
Barclays	Land Securities	Direct Line Insurance	Flutter Entertainment
Reckitt Benckiser	Kingfisher	Polymetal International	Meggitt
Carnival plc	Ashtead Group	G4S Plc	Aggreko
Glencore	London Stock Exchange	Persimmon	Berkeley
Standard Chartered	J Sainsbury	Informa	Investec
National Grid	Coca Cola HBC	Admiral Group	Cobham
Tesco	Schroder Income Growth	Kaz Minerals	Ocado
Anglo American	Schroders	EasyJet	IMI Plc
BT Group	VM Morrison Supermarkets	Intercontinental Hotels	Pennon
Prudential	Next	Hammerson	Halma
Imperial Brands	Tullow Oil	Auto Trader	Hikma Pharmaceuticals
Relx Plc	British Land	Rentokil Initial	Inmarsat
Rolls-Royce	Burberry	Convatec	John Wood
Aviva	ITV Plc	Mediclinic International	Evrax
Compass Group	Whitbread	Segro	DS Smith
BAE Systems	3i Group	Just Eat	F&C Investment Trust
Associated British Foods	Standard Life Aberdeen	Scottish Mortgage Investment	Alliance

Germany			
SAP	RWE	Traton	Software
Siemens	Covestro	Lanxess	Compugroup Medical
Bayer	Deutsche Boerse	ProSieben Sat 1 Media	HSBC Trinkaus & Burkhardt
Volkswagen	MAN	Fielmann	TLG Immobilien
Deutsche Telekom	Commerzbank	Metro AG	Alstria Office
Daimler	Telefonica Deutschland	Hugo Boss	Lechwerke
BASF	Deutsche Lufthansa	Symrise	HelloFresh
Allianz	Zalando	Hella & Co	Gerresheimer
BMW	Enbw Energie Baden Wuerttemberg	Rheinmetall	Aurubis
Adidas	Uniper	Grenke	Suedzucker
Merck	Hochtief	Scout24	GSW Immobilien
Henkel	Talanx	Nemetschek	Aareal Bank
Deutsche Post	Sartorius	Sixt	Rocket Internet
Siemens Healthineers	Thyssenkrupp	CTS Eventim	Salzgitter
Continental	United Internet	K&S AG	KWS Saat
Fresenius Se & Co	Carl Zeiss Meditec	DWS Group	MVV Energie
Muenchener Rueckversicherungs	Schaeffler	Bechtle	Deutsche Euroshop
Deutsche Bank	Brenntag	Puma	Patrizia Immobilien
Fresenius Medical Care	1&1 Drillisch	Knorr Bremse	Mainova
Vonovia	Kion Group	Osram Licht	Wacker Neuson
E.ON	Fraport Frankfurt Airport	Siltronic	Wuestenrot & Wuerttembergische
Infineon Technologies	Hapag Lloyd	Duerr	Rhoen Klinikum
Innogy	Axel Springer	Krones	Jenoptik
Audi	MTU Aero Engines	Delivery Hero	DMG Mori
HeidelbergCement	LEG Immobilien	Morphosys	Dermapharm Holding
Hannover Rueck	TUI AG	Evotec	New Work
WireCard	Rational	Stroer	Norma Group
Beiersdorf	Fuchs Petrolub	freenet	Ceconomy
Deutsche Wohnen	Wacker Chemie	TAG Immobilien	Bilfinger
Evonik Industries	GEA Group	Kuka	Hamburger Hafen & Logistik

## 2. Excluded Companies and Reasons

### Companies listed in the UK:

1. Berkeley because they have a split year where the majority belongs to 2018.
2. Burberry because they have a split year where the majority belongs to 2018.
3. Carnival plc because they do not have a Chairman's letter in their annual report.
4. Cobham because they did not publish an annual report for 2019 before May 1st 2020.
5. DCC Plc because they have a split year where the majority belongs to 2018.
6. Experian because they have a split year where the majority belongs to 2018.
7. Informa because they did not publish an annual report for 2019 before May 1st 2020.

8. Inmarsat because they did not publish an annual report for 2019 before May 1st 2020.
9. Investec because they have a split year where the majority belongs to 2018.
10. Johnson Matthey because they have a split year where the majority belongs to 2018.
11. Just Eat because they did not publish an annual report for 2019 before May 1st 2020.
12. Kingfisher because they have a split year where the majority belongs to 2018.
13. National Grid because they have a split year where the majority belongs to 2018.
14. Pennon because they have a split year where the majority belongs to 2018.
15. Royal Mail because they have a split year where the majority belongs to 2018.
16. Scottish Mortgage Investment because they have a split year where the majority belongs to 2018.
17. United Utilities because they have a split year where the majority belongs to 2018.
18. VM Morrison Supermarkets because they have a split year where the majority belongs to 2018.
19. Whitbread because they have a split year where the majority belongs to 2018.

**Companies listed in Germany:**

1. Audi because they do not have a Chairman's letter in their annual report.
2. Deutsche Euroshop because they do not have a Chairman's letter in their annual report.
3. DMG Mori because they did not publish an annual report for 2019 before May 1st 2020.
4. E.ON because they do not have a Chairman's letter in their annual report.
5. GSW Immobilien because they did not publish an English version of their annual report for 2019 before May 1st 2020.
6. Hella & Co because they have a split year where the majority belongs to 2018.
7. Innogy because they do not have a Chairman's letter in their annual report.
8. KWS Saat because they have a split year where the majority belongs to 2018.
9. Lechwerke because they did not publish an English version of their annual report for 2019 before May 1st 2020.
10. Mainova because they did not publish an English version of their annual report for 2019 before May 1st 2020.
11. MAN because they do not publish an English version of their annual report for 2019.
12. MTU Aero Engines because they do not have a Chairman's letter in their annual report.
13. Osram Licht because they do not have a Chairman's letter in their annual report.
14. Puma because they did not publish an annual report for 2019 before May 1st 2020.

15. Siemens because they do not have a Chairman's letter in their annual report.
16. Suedzucker because they have a split year where the majority belongs to 2018.
17. Symrise because they do not have a Chairman's letter in their annual report.
18. TLG Immobilien because they do not have a Chairman's letter in their annual report.
19. United Internet because they did not publish an annual report for 2019 before May 1st 2020.
20. WireCard because they did not publish an annual report for 2019 before May 1st 2020.

### 3. SPSS Summary

#### Excuse

**Classification Table<sup>a</sup>**

Observed		Predicted		Percentage Correct
		Excuse No	Excuse Yes	
Step 1	Excuse No	84	23	78,5
	Excuse Yes	66	28	29,8
Overall Percentage				55,7

a. The cut value is ,500

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Country	-,446	,287	2,417	1	,120	,640	,364	1,123
	Net Profit	-,776	,447	3,019	1	,082	,460	,192	1,105
	Stock Value	,162	,311	,271	1	,603	1,176	,639	2,162
	Constant	,722	,454	2,529	1	,112	2,058		

a. Variable(s) entered on step 1: Country, Net Profit, Stock Value.

#### Justification

**Classification Table<sup>a</sup>**

Observed		Predicted		Percentage Correct
		Justification No	Justification Yes	
Step 1	Justification No	143	0	100,0
	Justification Yes	58	0	,0
Overall Percentage				71,1

a. The cut value is ,500

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Country	,027	,318	,007	1	,932	1,027	,551	1,916
	Net Profit	,104	,486	,046	1	,831	1,110	,428	2,876
	Stock Value	,886	,327	7,317	1	,007	2,424	1,276	4,605
	Constant	-1,313	,497	6,988	1	,008	,269		

a. Variable(s) entered on step 1: Country, Net Profit, Stock Value.



## Refocusing

**Classification Table<sup>a</sup>**

Observed		Predicted		
		Refocusing No	Refocusing Yes	Percentage Correct
Step 1	Refocusing No	94	25	79,0
	Refocusing Yes	37	45	54,9
Overall Percentage				69,2

a. The cut value is ,500

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Country	-,689	,312	4,866	1	,027	,502	,272	,926
	Net Profit	-,891	,469	3,618	1	,057	,410	,164	1,028
	Stock Value	1,469	,333	19,453	1	,000	4,345	2,262	8,345
	Constant	,263	,467	,316	1	,574	1,301		

a. Variable(s) entered on step 1: Country, Net Profit, Stock Value.

## Concession

**Classification Table<sup>a</sup>**

Observed		Predicted		
		Concession No	Concession Yes	Percentage Correct
Step 1	Concession No	41	55	42,7
	Concession Yes	29	76	72,4
Overall Percentage				58,2

a. The cut value is ,500

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Country	-,663	,291	5,199	1	,023	,515	,291	,911
	Net Profit	-,297	,448	,437	1	,508	,743	,309	1,790
	Stock Value	,728	,320	5,174	1	,023	2,071	1,106	3,879
	Constant	,463	,453	1,045	1	,307	1,589		

a. Variable(s) entered on step 1: Country, Net Profit, Stock Value.

## Mystification

**Classification Table<sup>a</sup>**

Observed		Predicted		Percentage Correct
		Mystification No	Mystification Yes	
Step 1	Mystification No	163	0	100,0
	Mystification Yes	38	0	,0
Overall Percentage				81,1

a. The cut value is ,500

### Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Country	-,780	,379	4,229	1	,040	,458	,218	,964
	Net Profit	-,267	,520	,263	1	,608	,766	,276	2,122
	Stock Value	,605	,377	2,569	1	,109	1,831	,874	3,836
	Constant	-1,096	,522	4,406	1	,036	,334		

a. Variable(s) entered on step 1: Country, Net Profit, Stock Value.

## Wordification

**Classification Table<sup>a</sup>**

Observed		Predicted		Percentage Correct
		Wordification No	Wordification Yes	
Step 1	Wordification No	141	0	100,0
	Wordification Yes	60	0	,0
Overall Percentage				70,1

a. The cut value is ,500

### Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Country	-,368	,312	1,396	1	,237	,692	,375	1,275
	Net Profit	,154	,480	,103	1	,749	1,166	,455	2,985
	Stock Value	,380	,328	1,342	1	,247	1,463	,769	2,783
	Constant	-,936	,484	3,742	1	,053	,392		

a. Variable(s) entered on step 1: Country, Net Profit, Stock Value.

## Refusal

**Classification Table<sup>a</sup>**

	Observed	Predicted		Percentage Correct	
		Refusal No	Yes		
Step 1	Refusal	No	196	0	100,0
		Yes	5	0	,0
	Overall Percentage				97,5

a. The cut value is ,500

**Variables in the Equation**

	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)		
							Lower	Upper	
Step 1 <sup>a</sup>	Country	,461	,928	,247	1	,620	1,585	,257	9,768
	Net Profit	-,597	1,144	,272	1	,602	,551	,058	5,183
	Stock Value	,408	,928	,193	1	,661	1,503	,244	9,272
	Constant	-3,563	1,208	8,693	1	,003	,028		

a. Variable(s) entered on step 1: Country, Net Profit, Stock Value.