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Impression management through minimal narrative disclosures in integrated reports: an analysis of the top 100 JSE listed firms

Chothia, Aadil

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Impression management through Minimal Narrative Disclosures in Integrated Reports: An analysis of the top 100 JSE listed firms

Research Report Submitted by:

Name: Aadil Chothia

Student Number: 1389427

Email: aadilchothia@gmail.com

Date Submitted: 26 February 2021

Primary Supervisor: Professor Yaeesh Yasseen

Co-Supervisor: Fatima Omarjee

Reviewed by: Lelys Maddock

Ethics clearance number: WSOA-2020-07-3W

In partial fulfilment of the requirements for the degree of Master of Commerce

at

The University of the Witwatersrand



DECLARATION

I, AADIL CHOTHIA (1389427), declare that the research report submitted is my own work. References have been made in instances where the work of previous researchers have been used. The research report is submitted in partial fulfilment of the requirements for the degree of Master of Commerce at The University of the Witwatersrand and has not been submitted for any degree or examination in this or any other University.



Aadil Chothia

26 February 2021

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Abstract

Orientation: Two crucial aspects to corporate reporting is transparency and accountability within the Integrated Report (Leung, Parker, & Courtis, 2015). Transparency within the Integrated Report allows for the users of the report to understand the financial position and underlying economics of the firm. Narrative disclosures in the Integrated Report forms a part of the annual corporate financial report and serves as a means of communication between management and investors. Narrative disclosers can also serve as a medium for impression management strategies utilised to distract investors' attention from a firm's weaknesses. This can be achieved through "selectivity" which involves including or omitting certain items of information within the Integrated Report (Merkl-Davies & Brennan, 2007).

Research purpose: The purpose of this study is to determine if the top 100 JSE listed companies utilise impression management strategies, specifically through minimal narrative disclosures in their Integrated Reports. This will allow the researcher to explore the phenomenon of concealment strategy through minimal narrative disclosures. In this study, the researcher focuses on selectivity in neglecting narrative information in the Integrated Report and extends the body of knowledge relating to impression management using concealment strategy, specifically discretionary narrative disclosures.

Overview of research method: This was an adaptation of a study conducted by Leung et al. (2015) and was of a quantitative nature which involved the systematic investigation of the research questions through statistical methods on the data gathered. The research involved two phases. Phase 1 involved the identification of minimal narrative disclosure firms using a disclosure corpus. Phase 2 allowed the researcher to explore the sub- research questions which involved the use of a multivariate regression model.

Main Findings: The study illustrated that from the sample firms selected, 49% were classified as minimal narrative disclosure firms based on their disclosure score obtained from the disclosure checklist. The study also showed that there is no association between a firm's current performance and their minimal narrative disclosure firm score and revealed that there is an association between a firm's financial distress levels and the minimal narrative disclosure firm score obtained by the firm. No evidence was obtained to support that minimal narrative disclosures in Integrated Reports are associated with future performance of a minimal narrative disclosure firm (whether future performance improves or deteriorates) within the context of this research.

Key words: Narrative disclosure, minimal disclosure, minimal narrative disclosure, impression management, concealment, selectivity, Integrated Report

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List of Abbreviations

CF	Conceptual Framework
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
IM	Impression Management
IMS	Impression Management Strategies
IR	Integrated Report
JSE	Johannesburg Stock Exchange
MND	Minimal Narrative Disclosure
MNDF	Minimal Narrative Disclosure Firm
ROA	Return on Assets

Chapter 1: Introduction

1.1. Context

A focal point of corporate financial reporting is the quality of financial statements, specifically transparency in Integrated Reports (Leung et al., 2015). Financial reporting quality refers to the accuracy a firm discloses its position and operations in order to enable users of reports to make informed rational decisions (Cohen, Krishnamoorthy, & Wright, 2004). A key link exists between a firm's financial reporting process, its directors and the overall quality of financial statements.

Recent scandals such as VBS Mutual Bank and Steinhoff retail group scandals have cast a shadow over the reputation of the accounting profession and, more importantly, have raised concerns over South African corporate governance principles (Rossouw & Styan, 2019). Narrative disclosures in financial reports have been emphasised to create a bridge between a management and investors as these disclosures serve as a means of communication which purely numerical information may not convey (Rutherford, 2003). Integrated Reports consist of both regulatory items, such as IFRS and KING IV required narratives that provide insight into the financials of a firm, and non-regulatory or discretionary item. Discretionary narrative disclosures in Integrated Reports provide an important channel for managers to communicate useful information which allows investors to assess the current and future performance of a firm (Leung et al., 2015).

Previous literature of narrative disclosure strategies assumes that these strategies are either used for 'useful incremental information' or for 'impression management techniques' (Merkl-Davies & Brennan, 2007). The impression management school views these narrative disclosures as a median for management to obfuscate and opportunistically disclose information to serve the interests of management and to manipulate corporate reports (Courtis, 2004; Godfrey, Mather, & Ramsay, 2003).

Minimal Narrative Disclosure (MND) is a concealment strategy which results in the presentation of selective information in the Integrated Report (Merkl-Davies & Brennan, 2007). MND in the IR is a common strategy employed by firms and further additional research is required to determine the effect intentional obfuscation of information has on the beliefs associated with the firm and investors and shareholders. The objective of the research will be to determine whether JSE listed entities adopt an impression management strategy to conceal information about persistent poor firm performance to distract users' attention from adverse firm information using minimal narratives in their IR.

1.2. Problem statement

Two crucial aspect to corporate reporting is transparency and accountability (Leung et al., 2015). Narrative disclosures in the Integrated Report forms a part of the annual corporate financial report and serves as a means of communication between management and investors. Narrative disclosers can also serve as a medium for impression management strategies utilised to distract investors' attention away from a firm's weaknesses. Minimal Narrative Disclosures (MND), being a deliberate Impression Management (IM) strategy (Merkl-Davies & Brennan, 2007), also aims to conceal information about poor firm performance and to divert invertors' attention to positive outcomes (Leung et al., 2015).

With the combination of continuance calls to increase corporate disclosure transparency and by investors and policymakers and the potential existence of MND in Integrated Reports, an investigation is required as the intentional selectivity of information presented in Integrated Reports can result in misinformation leading to potential economic losses for investors and shareholders (Leung et al., 2015).

1.3. Purpose of the study

The purpose of this study is to determine whether the top 100 JSE listed companies utilise impression management strategies, specifically through minimal narrative disclosures in their Integrated Reports. This will allow the researcher to explore the phenomenon of concealment strategy through minimal narrative disclosures. Management of a firm may intentionally obfuscate information with the aim of casting a firm in the most positive light. This can subsequently lead to unfavourable decisions made by investors and shareholders alike as the intentional omission of information is a strategy to introduce bias, as it hides information from the reader and gives an incomplete view of the economic conditions present. Minimal narrative disclosure, as a strategy, has the potential of diverting investor attention from the firms' weaknesses resulting in possible bias.

1.4. Significance of the study

The literature on narrative disclosure strategies in corporate documents has assumed that discretionary disclosure strategies are used either for useful incremental information or for impression management (Merkl-Davies & Brennan, 2007). The impression management school views managerial disclosure strategies as opportunistic behaviour where managers

selectively disclose information for self-interest and to manipulate the content and presentation of information in Integrated Reports with the purpose of distorting users' perceptions of corporate performance and prospects (Aerts, 2005; Courtis, 2004; Godfrey et al., 2003). In this study, the researcher focuses on selectivity in neglecting narrative information in the Integrated Report and extends the body of knowledge relating to Impression Management and concealment strategy, specifically discretionary narrative disclosures.

Identifying information that MND firms are significantly more likely than non-MND firms to omit can provide a foundation for regulators to further develop corporate reporting guidelines. Such development may be directed at the greater disclosure of specific items for improving the overall quality of corporate financial reporting, transparency and accountability (Leung et al., 2015).

1.5. Research question

The primary research question is: Does the management of JSE listed firms adopt an impression management strategy through the selectivity in the narrative disclosures presented in their Integrated Reports? The main research question will be answered by investigating the following sub-questions adapted from the original research performed by Leung et al., 2015:

A. Is the current performance of a firm associated with minimal narrative disclosures in Integrated Reports?

B. Is financial distress of a firm associated with minimal narrative disclosure in Integrated Reports?

C. Are minimal narrative disclosures in Integrated Reports associated with future performance of a firm?

The study conducted will be an adaptation of the research performed by Leung et al. (2015).[1]

[1] [1] The study was published in a top-rated journal, the *British Accounting Review Journal* which is a first quartile journal (Q1).

1.6. Limitations of the study

This study is a quantitative study and consists of a sample of JSE listed firms so is not representative of all JSE listed firms and firms in other countries. The period covered is the 2018 financial year. Impression management strategies include obfuscation of information, thematic manipulation, visual and structural manipulation, performance comparisons and attribution of organisational outcomes (Merkl-Davies & Brennan, 2007). The study focuses on obfuscation of information (through Minimal Narrative Disclosure) as an impression management strategy only. The reasons for the adoption of the comprehensive disclosure corpus for the purpose of this study are specified in *chapter 3*. However, the researcher acknowledges the limitations in terms of further dimensions of potentially relevant corporate information which future researchers, corporate regulators and professional accounting bodies may identify for research.

As the study is purely qualitative, the results may only be applicable to a narrow set of firms within certain specific economic climates. As the researcher has performed the data collection manually, the researchers training, skills and individual beliefs could possibly impact the results and data interpretation.

1.7. Assumptions

It will be assumed that impression management is a deliberate managerial strategy to skew reporting by selecting a style of presentation or choice of content in corporate disclosure beneficial to the entity issuing the report (Bowen, Davis, & Matsumoto, 2005). Managers are presumed to engage in either ‘concealment’ by obfuscating bad news (negative outcomes) or emphasising good news (positive outcomes), or ‘attribution’ by claiming positive outcomes to internal factors (entitlements) and negative outcomes to external factors (excuses). It is also assumed that selectivity includes ‘omitting’ or ‘including’ certain information in Integrated Reports (Merkl-Davies & Brennan, 2007).

1.8. Definition of terms

Table 1: Definition of terms

Terms	**Definitions**
Impression management	A strategy involving influencing people about events or the outcomes of events.
Obfuscation of information	The intentional act of making information more difficult to understand.
Minimal narrative disclosures	A concealment strategy which results in the presentation of selective information in the Integrated Report
Narrative disclosures	Qualitative information presented in the Integrated Report based on a firms' performance from a management perspective.
Integrated Report	A means of communication among a firm and its stakeholders which provides both qualitative and quantitative information regarding the firm.

1.9. Overview of research paper

Chapter 1 presents the introduction.Chapter 2 provides a structured literature review which allowed the researcher to obtain an understanding of the research topic and field of impression management. Chapter 2 focuses on three key areas, namely; integrated reporting, the JSE sector and impression management. Chapter 3 provides the methodology and research design used in order to investigate the relevant research questions. Chapter 4 allows for the analysis and interpretation of the results obtained. The report concludes with Chapter 5 in which conclusions relating to the research questions are reached and future areas of research are discussed.

Chapter 2: Literature review

The purpose of the literature review is to provide an overview of the current evidence and body of knowledge relating to the topic. It also aims to provide relevant theoretical underpinnings of impression management. The importance of integrated reporting is that the significance of the JSE sector and the use of impression management will be discussed in greater detail. Information and results from prior studies and, in particular, research conducted by Leung et al. (2015) was used as a foundation to determine whether data collected within a South African context would allow the relevant research questions to be answered. The structure of the literature review is explained in section 2.1 of the report.

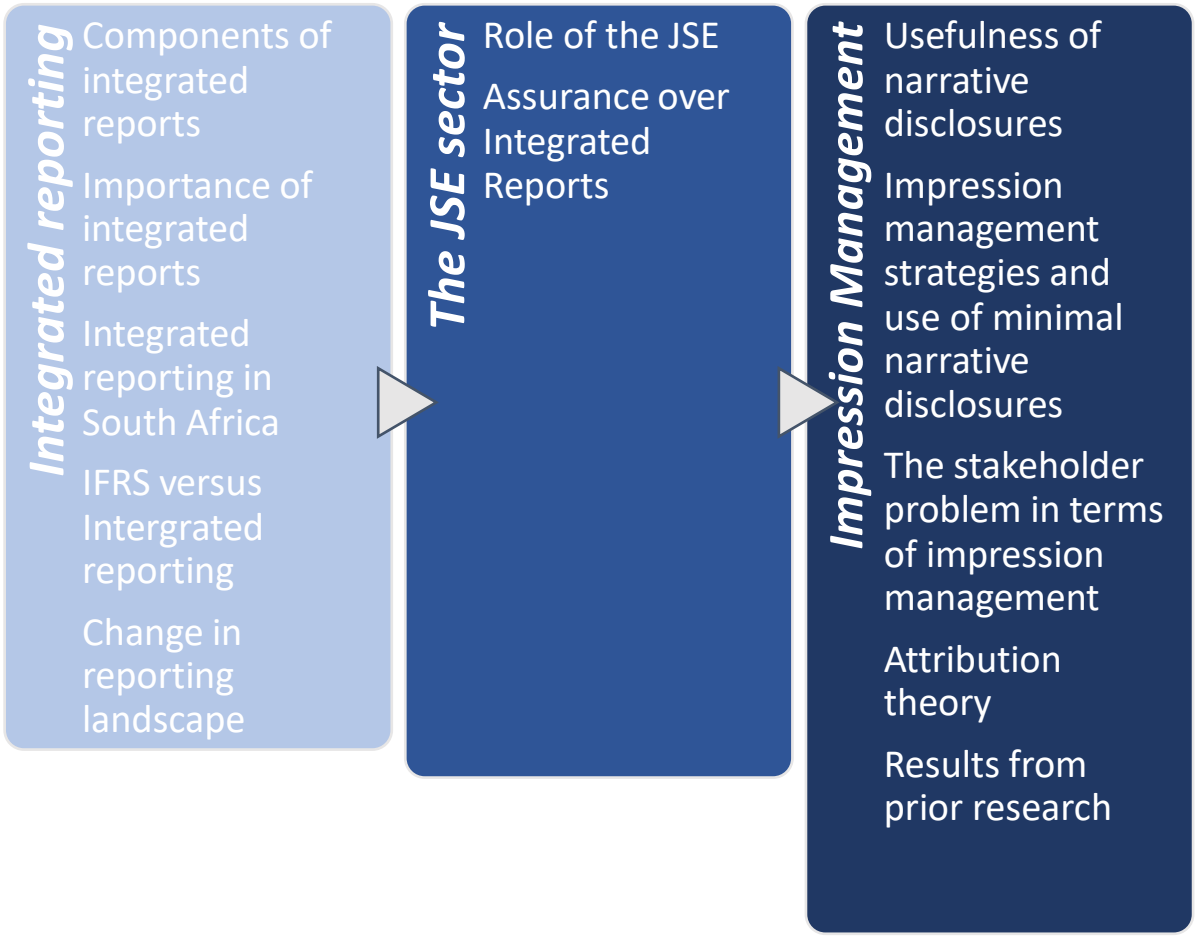
2.1. Structured literature review

A structured literature review was used in order to gain information relating to the use of minimal narrative disclosures as an intended impression management strategy. The necessity for a structured review arises from the requirement to "summarise existing information about a phenomenon in a thorough and unbiased manner" (Kitchenham, 2004). A structured literature review has been used in previous studies which have assessed the contents and aspects of integrated reporting and impression management. These studies were also utilised and referred to for the purposes of this study: (Engelbrecht, Yasseen, & Omarjee, 2018; Mohamed, Yasseen, & Omarjee, 2019; Surty, Yasseen, & Padia, 2018)

The literature review will provide a brief background followed by three main concepts: (*Illustrated within figure 1*)

1. Integrated reporting
2. The Johannesburg Stock Exchange (JSE) sector
3. Impression management

Figure 1: Literature Review Structure



2.2. Background

The theory of impression management is the action taken by an individual in order to control the impressions of others (Bolino, Kacmar, Turnley, & Gilstrap, 2008). The theory of impression management also examines management's attempts to manipulate the interpretation of financial reports by strategically selecting, displaying and presenting narrative information in corporate documents in a manner intended to distort readers' perceptions of corporate achievements (Godfrey et al., 2003). This primarily occurs when management intentionally selects the information to display and present in Integrated Reports. The information is presented in a manner intended to distort readers' perceptions of corporate achievements (Godfrey et al., 2003).

The Integrated Report may be used as a tool by management to present the firm and management in the most positive light and to focus primarily on positive firm performance (Mather, Ramsay, & Steen, 2000). As a result, impression management occurs because of the motivation of management to dictate the corporate reporting agenda and present a self-serving view of performance (Abdul Rahman, Hamdan, & Ibrahim, 2014; Beattie & Jones, 2002; Mather et al., 2000).

Narratives are seen as artefacts which include either texts, events or images which convey an account of the firms events which numerical data might not necessarily convey (Jameson, 2000). The Integrated Report contains several accounting narratives and these can be used to manage the impression a user will gain of the firm's annual performance (Beattie & Jones, 2008).

Discretionary narrative disclosures constitute an important corporate governance and regulatory theme. They have the potential to narrow the information gap between managers and outside investors and serve as a means of communication while increasing their decision usefulness (Leung et al., 2015). However, narrative disclosures are subject to management interventions with regard to the inclusion or omission of certain information included in the Integrated Report (Leung et al., 2015). This can lead to a scenario in which the perception management creates casts firm management in a more positive light. If the facts and circumstances facing a firm were reported, investors' impressions might be less favourable. Impression management seeks to control or modify the impressions of stakeholders to present a self-serving view of corporate behaviour (Courtis, 2004).

2.3. Integrated reporting

2.3.1. Components of Integrated Reports

The International Integrated Reporting Council (IIRC) was formed because of the global financial crisis of 2010 and was mandated with the development and promotion of an Integrated Reporting (IR) framework (Barth, Cahan, Chen, & Venter, 2017; Council, 2016). Two primary goals were identified for an integrated report (Barth et al., 2017):

I. Improvement of information available to external providers of financial capital;
II. Improving decision making within a firm

In addition, the IR framework, which follows a principle-based approach, has set out seven principles together with eight elements of an integrated report. Per the IIRC and IR framework, the aim of a principle based approach is to provide an "*appropriate balance*

between flexibility and prescription that recognises the variety in individual circumstances of different organisations while enabling a sufficient degree of comparability across organisations to meet relevant information needs". The principles and elements refer to the six capitals which a firm uses to create value over time (Barth et al., 2017). In this manner the IR framework extends upon the conventional financial statement framework because of the inclusion of both financial and non- financial information, non-financial information is relayed to users by narrative disclosures (Barth et al., 2017; Leung et al., 2015). The purpose of such a reporting framework is to ensure that all "inputs, resources and relationships" which significantly impact the value creation chain of a firm are adequately addressed and disclosed (Cohen & Simnett, 2015).

The foundation of the IR includes guiding principles which underpin the preparation of the report and the content elements which requires specific key categories to be included in the IR per the framework (Deloitte, 2013). The following tables include these principles and content elements (Deloitte, 2013) :

Table 2: Guiding principles of the IR framework (Deloitte, 2013)

Guiding Principle	**Brief description**
Strategic focus and future orientation	Provides an understanding of organisational strategy
Connectivity of information	Provides a complete and holistic analysis of the factors which affect the organisations' ability to create value over time
Stakeholder relationships	Provides an insight into the nature of relationships with primary stakeholders
Materiality	Discloses information which affects the organisation's ability to create value over time
Conciseness	Provides context to understand the organisations' "strategy, governance and prospects without being burdened by less relevant information"
Reliability and completeness	Includes both positive and negative material information
Consistency and comparability	Information in an IR should be presented on a basis that is "consistent over time and in a

	way that enables comparison with other organisations”

Table 3: Content elements of an IR (Deloitte, 2013)

Elements	**Brief description**
Organisational overview and external environment	The activities within the organisation and circumstances under which operations occur
Governance	The ability to create value over time based on the governance structure in place
Business model	A guide or vision for the operations within an organisation
Risks and opportunities	A means of identifying how current and future risks and opportunities affect value creation in the future
Strategy and resource allocation	The means of attaining the vision laid out
Performance	The strategic objectives for the period and its outcomes in terms of the effects on the capitals
Outlook	Challenges the organisation will face in achieving its strategy and the implications for its business model and future performance
Basis of preparation and presentation	Determination of the content to include in the IR and the evaluation of such items

The IR framework identifies information and content to be included in an IR for use in assessing an organisation’s ability to create value over time (Deloitte, 2013). However, the framework does not set any benchmarks as the primary purpose of the report is to explain to users how value was created based on the organisations’ activities and policies (Barth et al., 2017).

2.3.2. Importance of Integrated Reports

The IR is one of the most important ways in which a firm communicates with their stakeholders (Lord, 2002). The IR is regarded as a vital part of corporate communication as it is a key way to communicate information (Firth, 1979). IR’s aim to provide a fair review of

the company's business development and its position for the respective financial year (Pivac, Vuko, & Cular, 2017). An IR contains elements of both the company's financial and non-financial information (Pivac et al., 2017). Primarily, the purpose of IR is to disclose financial information and, increasingly, non-financial information of the company to its various stakeholders and to explain to providers of financial capital how an organisation creates value (Deloitte, 2013; Padia & Yasseen, 2011).

IR's have the potential to make information easily available in a single document (Hooks, Coy, & Davey, 2002). Stakeholders of the IR include suppliers, employees, business partners, customers, local communities, legislators, parliament, regulators, taxpayers and policymakers (Deloitte, 2013). Notably, the IR comprises non-financial information, such as environmental considerations, as well as financial information such as revenues and profits in order to provide stakeholders with a greater insight on the organisation's functions, activities and corporate structure (Uyar, 2009). Because of an IR allowing for the breakdown of various functions at an organisational level and providing a shared understanding of the value creation process, organisations are able to improve internal decision making and have a more focused means of communicating with various stakeholders (Cheng, Green, Conradie, Konishi, & Romi, 2014).

The main focus of the importance of IR is the external benefits associated with it (Esch, Schnellbächer, & Wald, 2019; James, 2015). However, factors which may lead to internal improvements within an organisation have not received such a level of importance (Esch et al., 2019). The IR prepared for external purposes may be transferred for use within internal corporate processes as the information found within an IR may be used to make internal decisions more "consciously and with an awareness of the associated consequences" (Esch et al., 2019). If assessed correctly, the motivation for preparing an IR could shift from a primarily external reporting tool (Briem & Wald, 2018) to an internally motivated report of which management may take advantage (Esch et al., 2019).

From an organisational view, the IR allows for: the reduction in information asymmetries between stakeholders and the firm (Hoque, 2017), a means of attracting potential investors (Knauer & Serafeim, 2014) as well an additional internal report to be utilised by management for internal purposes (Esch et al., 2019). Research conducted by Burke and Clark (2016) found that companies which adopted the IR framework had a higher return on invested capital along with a high quality management. The importance and advantages of IR were also highlighted by Hampton (2012), as better decision making occurred at companies because of integrated reporting as financial and non- financial information were considered

simultaneously. IR is seen as a key tool externally and internally which reveals “the long-term consequences of decision making in all relevant aspects” (Jensen & Berg, 2012).

2.3.3. Integrated reporting in South Africa

Within the South African context, the King Committee was mandated with the promotion of high quality corporate governance practices and principles (West, 2006). In this manner, IR in South Africa occurred before the establishment of the IR framework by the IIRC as a means of addressing ineffective management techniques post-apartheid (Barth et al., 2017; De Villiers & Viviers, 2018). South Africa was also the first country which required all JSE listed companies to prepare IR’s (Governance, 2009). However, the implementation of IR was not an immediate success as both the IIRC and International Reporting Committee of South Africa (IRCSA) expressed the viewpoint that it will take time to address any the inefficiencies in the reporting environment (Atkins & Maroun, 2015).

Previous studies have confirmed that there have been challenges in implementing and reviewing IR and that an opportunity for better integration of key performance measures and increasing non- financial disclosures exists (Atkins & Maroun, 2015; Solomon & Maroun, 2012). This is also confirmed by the analysis of initial integrated reports which have found inadequate relationships between the “organisational strategy, financial performance and key non- financial measures” (IRCSA, 2011). Initial research conducted within the South African context suggests that preparing an IR is merely due only to compliance, not to the actual goal of an IR (Solomon & Maroun, 2012). The JSE listing requirements relating to the KING code and the requirement for mandatory preparation of IR can be seen to compound this stance. Integrated reporting has subsequently been interpreted as a strategy used by management to meet the information needs of various stakeholders, as well a means to appear as a responsible corporate citizen widely accepted by external parties (Higgins & Walker, 2012).

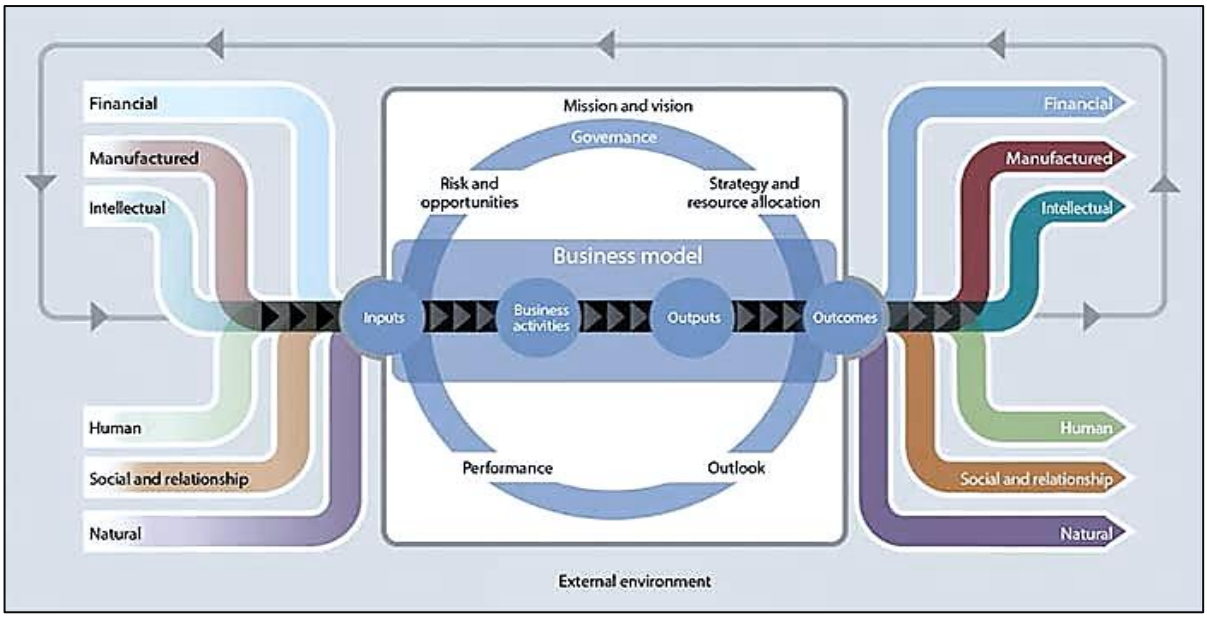
2.3.4. IFRS compared with Integrated Reporting

Both Integrated Reporting and the International Financial Reporting Standards (IFRS) aim to provide reliable and complete information to external providers of capital in order to enable effective decision making (Barth et al., 2017). However, there are significant differences between the two reporting frameworks. The IFRS framework is primarily principle based but

still requires specific instructions on how to account and disclose certain transactions (Barth et al., 2017). In contrast, Integrated reporting is solely based on the IIRC framework and focuses on key guiding principles and content elements (Council, 2016; Deloitte, 2013). The integrated report also focuses on financial and non- financial information simultaneously and how these contribute towards creating value in a single report (Council, 2016), whereas the IFRS applies only to financial information. Communication with investors plays a central and fundamental role in an integrated report (Council, 2016), whereas IFRS stipulates the content of financial reports but not how these reports should be communicated. Lastly, although IFRS has the ability to affect indirectly internal decision making at a firm level (Biddle, Callahan, Hong, & Knowles, 2015), IFRS does not explicitly state how it could impact these decisions. The IIRC, on the other hand, is of the view that the integrated reporting framework and adoption of the framework will result in improved internal decision making because of an “integrated thinking” approach (Council, 2016).

The examination and research pertaining to an IFRS report and an integrated report differ in significant aspects. The integrated report is focused on qualitative information, inputs, processes, outputs and the effect on the value creation chain (i.e. forward looking). The IFRS report is primarily focused on historic financial based results. The following figure represents the value creation process embedded within the Integrated Reporting Framework:

Figure 2: Integrated Reporting View of the Value Creation Process (IIRC 2013)



2.3.5. Change in reporting landscape

In prior years, the primary focus of reporting was to provide information related to the financial position of the firm (Guthrie & Murthy, 2009). The needs of stakeholders have constantly changed because of changes in the regulatory environment and the technological advancements (Beattie & Jones, 2008; Guthrie & Murthy, 2009). Results from previous research have also shown that the quantity of voluntary information disclosed in reports have increased by over 100% and that voluntary disclosures have increased at far more rapid rate than regulatory disclosures (Bartlett & Chandler, 1997; Lee, 1994). This is also confirmed by Beattie and Jones (2008) which has shown an increase in the size of the integrated report and the voluntary disclosures.

The increasing concerns over the inability of traditional financial reporting to meet the information needs of various stakeholders (Cohen, Holder-Webb, Nath, & Wood, 2012) have led to a development within the corporate reporting environment in the form of integrated reporting (Y Yasseen, Moola-Yasseen, & Padia, 2017). Because of the probability of a single report being inclusive of both financial and non- financial information, the IIRC was formed in 2009 in order to facilitate a framework in which entities express how value can be created over time and in the future (Deloitte, 2013). One of the key objectives of the integrated report is to strengthen accountability and explain the value chain with specific reference to the six capitals (Busco, Frigo, Paolo, & Angelo, 2013). In addition, corporate scandals have led to a focus on the role of directors and the significance of good corporate governance (Rossouw & Styan, 2019).

The King IV report released in 2016 was aimed at ensuring that organisations promote corporate governance as an integral part of an organisation and delivering governance outcomes such as “ethical culture, good performance, effective control and legitimacy” and ensuring enhanced accountability and transparency (Padayachee, 2017). The listing requirements of the JSE also provide that all listed entities should report in line with the principles and practices set out within the King IV Code to ensure responsible corporate citizenship.

Decision-making by stakeholders was previously influenced by prepared financial statements which evaluated previous year’s performance (Watson & Monterio, 2011). With the progression of time , users’ needs have shifted (DiPiazza Jr & Eccles, 2002). There has been an increased focus on social, governance and environmental issues by stakeholders (Adams & Simnett, 2011). The number of companies producing integrated and sustainability

reports has been steadily rising (Milne & Gray, 2007). The disclosure of non-financial information has increased and includes information such as the business opportunities, risks, key business processes and developments in IT (Robb & Zarzeski, 2001). Stainbank and Peebles (2006) completed a questionnaire-based study in order to determine the relative importance preparers and users of integrated reports in South Africa attach to sources of communication from a company in determining whether to invest or divest in a company. The results showed that reports were ranked as the second most important source of information by users while preparers consider the Integrated Report to be the most crucial source of company reports with the preliminary announcement after it. This contrasts with users who view the preliminary announcement of the company as the most crucial source of company reports followed by the integrated report.

As corporate reporting transforms towards the integration of financial and non-financial information, it is important to assess whether impression management techniques have been employed by management (Y Yasseen et al., 2017). Evidence of these practices in narrative reporting, such as an Integrated Report, distracts a user's attention away from the usefulness of the report and allows management to create a positive image of its organisation (Leung et al., 2015; Y Yasseen et al., 2017)

2.4. JSE sector

2.4.1. Assurance over integrated reports

At the current stage of integrated reporting, a number of challenges exist for the assurance of integrated reports (Cheng et al., 2014). In South Africa, where the majority of integrated reports are currently being produced, the assurance of integrated reports is limited to selected sustainability indicators, Global Reporting Initiatives (GRI) application level checks and, occasionally, the three accountability principles (Cheng et al., 2014). In certain instances, reasonable assurance is being provided on the first two but, at present, assurance providers have not been able to provide reasonable assurance on the accountability principles (Cheng et al., 2014). The amount of professional judgement which currently underlies the preparation of integrated reports jeopardises the criteria of neutrality. In the absence of consensus around the benchmarks which will provide broad guidance as to acceptable levels of interpretations of the IR principles, it is to be anticipated that assurance will trail reporting practice by a material number of reporting cycles (Cheng et al., 2014).

In order for an assurance model over IR to be developed and implemented, auditors will need to improve their understanding of the IR framework which encompasses the value creation process of an organisation (Maroun, 2018; Peecher, Schwartz, & Solomon, 2007). The main focus highlighted by Maroun (2018) regarding interpretive assurance should be on "subjectively evaluating the clients interpretation and analyses processes" and not on the typical assurance model of testing underlying balances and transactions. This also calls for a change in the composition of audit teams, training of both auditors and students and a strong focus being placed on qualitative interpretive data in contrast to the typical financial reporting focus (Maroun, 2018).

2.5. Impression management

2.5.1. Usefulness of narrative disclosures

Narrative disclosures in annual and integrated reporting provide management analyses, footnotes and explanations of monetary data are important elements of financial reports and allow for the view of an organisation from the perspective of management (Frazier, Ingram, & Tennyson, 1984). The information provided within a narrative disclosure is an important tool used by stakeholders in order to make investment decisions pertaining to that organisation (Smith & Taffler, 1992). Because of the direct impact management has in preparing these narrative disclosures, it provides an environment and opportunity in which bias and impression management techniques may be implemented in order to create a desired image of an organisation (Subramanian, Insley, & Blackwell, 1993). This is also amplified by the importance users place on management's reports as it is viewed as a reflection of managements performance (Merkl-Davies, Brennan, & McLeay, 2011).

Bartlett and Chandler (1997) have discovered a shift in the users who read the financial statements as more people are reading and placing higher importance on narrative disclosures. Narrative disclosures provide context to quantitative information in management reports and assistance to stakeholders in predicting future financial performance (Beynon, Clatworthy, & Jones, 2004).

2.5.2. Impression management strategies and use of minimal narrative disclosures

Corporate financial disclosures, including narrative disclosures in corporate annual and integrated reporting, have been a longstanding preoccupation of accounting researchers and

policymakers. As crucial input to corporate governance, transparency and accountability, financial reporting quality has been a focus of attention for investors, regulators and the broader community (Leung et al., 2015). Impression management is primarily focused on how an individual is presented to others in order to be perceived in the most favourable manner (Leung et al., 2015; Merkl-Davies et al., 2011; Y Yasseen et al., 2017). Merkl-Davies et al. (2011) consider impression management to be a bias in which a positive perception is created by the manipulation of impressions of others. The concept of impression management originates in social psychology and is concerned with 'studying how individuals present themselves to others to be perceived favourably by others' (Hooghiemstra, 2000).

Within a corporate reporting environment impression management involves the construction of an impression by organisations with the intention to appeal to their audiences, including shareholders, stakeholders, the general public, and the media. If successful, it undermines the quality of financial reporting and capital misallocations may result (Brennan & Merkl-Davies, 2013). Financial information is frequently communicated through written narratives which are qualitative in nature and which are sometimes referred to as 'soft' or unquantified information (Brennan & Merkl-Davies, 2013). The function of accounting narratives in corporate reports is to amplify quantified accounting information. Most accounting narratives in corporate reports are not subject to external audit which makes it easier for managers to manipulate the information disclosed in them (Brennan & Merkl-Davies, 2013).

Per (Merkl-Davies & Brennan, 2007), Impression management concealment strategies include the following:

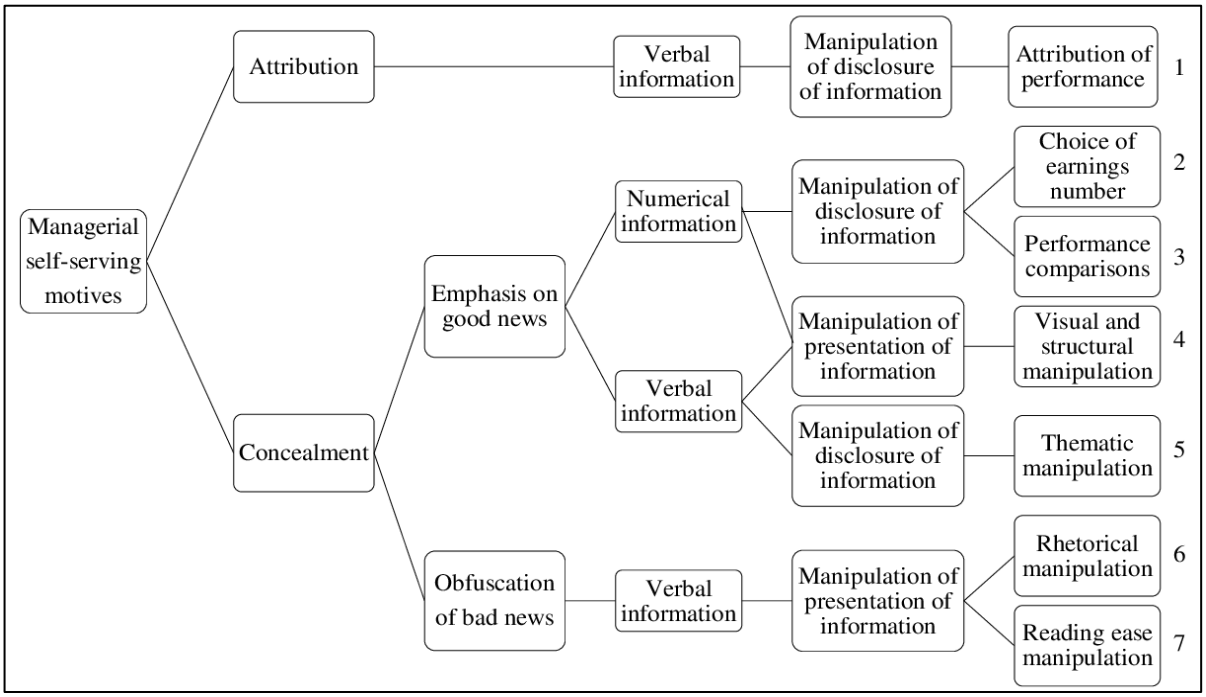
Table 4: Concealment Strategies used in Impression Management

Strategy	**Explanation**
Syntactical and reading ease manipulation	Obfuscating bad news, which involves management deliberately using "more difficult-to-read language to obfuscate negative corporate performance."
Rhetorical manipulation	This includes the obfuscation hypothesis management make "linguistic choices to persuade or impress readers and conceal negative performance."
Thematic manipulation	In accounting narratives this examines "the positive and negative themes used by management."

Visual and structural manipulation	Visual and presentation effects can be used for "deliberate emphasis, such as presenting information to make it more obvious (through colour) and the use of repetition and reinforcement."
Choosing performance comparison benchmarks	"The use of performance comparisons is based on the choice of benchmarks that portray current performance in the best possible light"
Choice of earnings numbers	Choice of earnings number as an impression management strategy "including pro forma earnings number and its strategic placement in a press release generally affects the judgements of less sophisticated investors."
Attribution of performance	The attribution strategy is to introduce "a self-serving bias by attributing positive organisational outcomes to internal factors and negative outcomes to external circumstances."

The following figure represents a summary of the managerial impression management strategies in corporate narrative documents:

Figure 3: The Managerial Impression Management Strategies in corporate narrative documents adapted Merkl-Davies and Brennan (2007)



The argument made by Merkl-Davies and Brennan (2007) is that selectivity involves ‘omitting’ or ‘including’ certain items of information. This, in turn, forms part of an impression management strategy. They also specify that the current studies of managerial impression management strategies for ‘concealment’ in discretionary narrative disclosures focuses on the content analysis of disclosed narratives and mainly relates to selectivity in the presentation of information.

An additional concealment strategy used for impression management which correlates with selectivity in the content of information is known as Minimal Narrative Disclosures ((Merkl-Davies & Brennan, 2007). The key strategy employed by MND firms is to divert investor attention from any of the firm’s weaknesses or to retain or omit discretionary narrative information and explanations which are relevant to the performance evaluation of the firm as well as future prospects(Leung et al., 2015).

The reasons which MND firms employ these strategies include, but are not limited to, the protection of management interests and reputation (Leung et al., 2015). In order to sustain its position of power, management can withhold information, discussions or explanations on both performance and opportunities from investors by using their own discretion (Conway, O'Keefe, & Hrasky, 2015). Besides self-interest, managers may be driven to deliberately conceal corporate information by employing the tactic of minimal disclosure(Cho, Roberts, & Patten, 2010; Leung et al., 2015).

There have been mixed findings in the studies relating to the association between disclosure readability and firm performance. While Subramanian et al. (1993), Courtis (2004) and Li (2008) have found an inverse relationship between reading difficulty and firm financial performance, Courtis (1995),Smith and Taffler (1992), Clatworthy and Jones (2001) and Rutherford (2003) have not concurred and find no such relationship. The conclusion drawn by Sydserff and Weetman (2002) is that management is even-handed in presenting narrative information regardless of financial performance. With regards to the concept of earnings surprises Yuthas, Rogers, and Dillard (2002) note that firms with both positive and negative earnings surprises exhibit a higher level of rhetorical features in narrative disclosure than do firms without earnings surprises.

By analysing the narrative disclosures provided in integrated reports Tennyson, Ingram, and Dugan (1990) compared a matched sample of bankrupt and non-bankrupt companies. The obvious finding is that a robust company is more likely to disclose its internal operations, growth and expansion factors, but that this strategic information is often withheld by firms in

financial distress. Boo and Simnett (2002) similarly show that firms in financial distress will avoid disclosing management's prospective comments in their integrated reports because of lack of an optimistic outlook.

These studies illustrate that managers of financially distressed firms may purposely attempt to divert attention from the firms' financial stress by engaging in the nondisclosure of voluntary narratives in integrated reports. This is a deliberate attempt to avoid realistic description of their firms' unsatisfactory financial positions (Leung et al., 2015).

Despite financially distressed companies employing such means, it has been observed that these companies face a stronger market demand for information regarding the firm's performance and future prospects as their need for financing support from bankers and suppliers is far greater(Leung et al., 2015).

In order to reap the benefits of high disclosure while avoiding the damage to managerial reputation and exposure to litigation costs associated with non-disclosure, financially distressed firms are anticipated to adopt a different disclosure policy (Miller, 2002).

In an attempt to understand what motivates poor-performing firms to commit MND, Leung et al. (2015) examined the relationship between MND behaviour and future corporate performance needs. They believe this needs to be taken into consideration as management may ascertain that current poor performance is only temporary and MND may be a tactic of impression management with the good intention of reducing investor uncertainty.

Contrarily, MND may be an intentional management tactic to conceal deliberately poor performance which is not temporary or persistent because unsatisfactory performance is derived from the weaknesses present in core operations.

The prevalence of MND in integrated reports is not an uncommon occurrence but the phenomenon of concealment of information is not well understood (Leung et al., 2015). The pivotal reason non- disclosure in integrated reports warrants an investigation is that the intentional omission of useful and relevant information can result in misinformed beliefs with associated potential economic loss incurred by investors and shareholders.

Preceding impression studies within the South African context, are mainly focused on agency theory or attribution theory perspectives in Chairmen statements (Yaeesh Yasseen, Mohamed, & Moola-Yasseen, 2019).

This study aims to extend two bodies of literature, namely, the voluntary disclosure literature, based on disclosure indices and the impression management literature within the

South African context. Additionally this study will focus on the strategy of impression management as a deliberate concealment tool utilised by firms, by following the methodology of Leung et al. (2015) conducted in Hong Kong. By identifying the disclosures firms omit, regulators are provided with a foundation to further develop corporate reporting guidelines and possible legislation.

2.5.3 The stakeholder and agency problem in terms of impression management

The stakeholder theory developed by Freeman (1984) argues that other groups (for example, employees, suppliers, customers and the public) can affect the success of an organisation. Management are expected to act in the best interest of the company and its stakeholders but as management has better information in terms of the company's financial performance, they can take action to act in managements' best interests (Osma & Guillamón-Saorín, 2011).

Impression management is an action of the stakeholder theory as it involves voluntary disclosure which can be motivated by management's self-serving, biased reporting (Leung, Parker, & Courtis, 2015). Different impression management strategies are adopted for different stakeholders (Marcus & Goodman, 1991). The objective of impression management is to depict the integrated reports in a manner which is self-serving (D Neu, Warsame, & Pedwell, 1998). Recent financial and service delivery issues have placed the spotlight on management of corporate entities. Management performance cannot occur under direct observation and those individuals who provide finance rely on reports developed by management to evaluate management performance and effort (Bannister & Newman, 2006; Lewellen, Park, & Ro, 1996). Management is motivated to manipulate performance directly or indirectly, the former via financial statements, the latter through manipulation of corporate communications, for example, the front section of the Integrated Report to create a favourable perception of performance (Subramanian et al., 1993). Corporate narrative documents which include integrated reports are regarded as a description of the decision behaviour of the firm's management and reflect the performance of management (Prakash & Rappaport, 1977). As a result, managers may be tempted to engage in impression management with the expectation that shareholders and stakeholders may respond in more positive ways (Prakash & Rappaport, 1977). In order to maintain their management position, justify their compensation and present to stakeholders that their actions are in best interest of the company, managers tend to disclose information (Inchausti, 1997). The disclosure of

favourable information and omission of negative information through narrative disclosures causes information to be manipulated and, as a result, biased (Leung et al., 2015).

2.5.4. Attribution theory

Attribution theory refers to management taking ownership of positive outcomes while shifting responsibility for negative outcomes (Aerts, 2005). Negative outcomes are blamed on external events (Aerts, 2005). Examples of external events include political uncertainty or economic recession (i.e. not within management's control) in the country where operations are based (Aerts, 2005). However, Aerts (2005) argues that attributional bias may be the result of informational processes and not necessarily impression management processes.

The informational model claims that human beings tend to expect to achieve the targets they set because of self-belief (Aerts, 2005). Therefore, attribution bias may not be because of impression management techniques (Aerts, 2005). When entities meet their set targets it is expected that management will be proud of their actions and decisions and completely disregard that the success could be due to external events (Aerts, 2001).

The motivation to instigate the attribution process is linked to a number of conditions as highlighted by Kelley and Michela (1980). Key motivational conditions that were noted included the dependence of the "perceiver on another person" "self- enhancement and self-enrichment"; and the positive impression or presentation of one's self to others (Kelley & Michela, 1980). A person (or in the context of the research, a firm) would more likely attribute positive news to internal operations and procedures and it has the potential of enhancing self- esteem (or in the context of the research, perceived corporate image and reputation) (Kelley & Michela, 1980). Similarly as negative performance would have the potential to deteriorate a firm's corporate image, there is a greater motivation to attribute these factors and events to external factors that may or may not have been within the control of the firm (Kelley & Michela, 1980).

Prior studies, however, place emphasis on the impression management model being the root cause of the attribution theory as a result of major corporate scandals experienced (Aerts, 2005). There are different ways of applying attributional bias techniques in terms of positive outcomes. The narrative statements may have enhancement or entitlement characteristics in how they are worded (Aerts, 2005). Positive outcomes might be disclosed within the context of a negative external environment (Aerts, 2005). There is an intention by management to attribute positive news to the entity's actions.

Attribution theory has ,in previous research, being used as an underpinning basis for understanding management and leaderships processes and the performance measurement used within firms (Martinko, 1995). An interlink between impression management strategies and the attribution theory is apparent. Attribution theory would be of importance in evaluating the reasons why a firm may or may not have employed impression management strategies in order to achieve a specified or targeted corporate image. However, within the context of this research, the underpinning argument relates to whether a firm employs impression management by means of MND within their integrated reports and evaluating the plausible link to the respective firm's current financial performance. The research does not investigate if positive and negative performances are attributable to internal or external factors respectively but has been noted as a consideration within the "Future areas of research" section.

2.5.5. Results from prior research

2.5.5.1. Research question A: Is the current performance of a firm associated with minimal narrative disclosures in integrated reports?

The findings of studies of the association between disclosure readability and firm performance have been mixed. Subramanian et al. (1993), Courtis (2004) and Li (2008) find that reading difficulty is inversely related to firm financial performance, whereas (Courtis, 1995),(Smith & Taffler, 1992), (Clatworthy & Jones, 2001) and (Rutherford, 2003) find no such relationship. (Sydserff & Weetman, 2002) conclude that management is even-handed in presenting narrative information, irrespective of financial performance. (Yuthas et al., 2002) find that firms with both positive and negative earnings surprises exhibit a higher level of rhetorical features in narrative disclosure than firms without earnings surprises.

2.5.5.2. Research question B: Is financial distress of a firm associated with minimal narrative disclosure in integrated reports?

Tennyson et al. (1990) analyse the "narrative disclosures in the Integrated Reports of a matched sample of bankrupt and non-bankrupt companies and find that healthy companies voluntarily disclose internal operations, growth and expansion factors, whereas financially distressed firms are reluctant to disclose this strategic information. (Boo & Simnett, 2002) show that financially distressed firms avoid disclosing management's prospective comments in integrated reports if these are negative. Accordingly, these studies suggest that managers of financially distressed firms may deliberately attempt to avoid a realistic description of their

firms' unsatisfactory financial positions, attempting to divert attention from financial stress by engaging in the nondisclosure of voluntary narratives in Integrated Reports (Leung et al., 2015). In contrast, companies experiencing financial distress have a greater need for financing support from bankers and suppliers and face stronger market demand for information regarding firm performance and future prospects (Leung et al., 2015). It is anticipated that there is a greater incentive for financially distressed firms to adopt a disclosure policy which would enable them to reap the benefits of high disclosure while avoiding the damage to managerial reputation and exposure to litigation costs associated with non-disclosure (Miller, 2002).

2.5.5.3. Research question C: Are minimal narrative disclosures in integrated reports associated with the future performance of a firm?

Per Leung et al. (2015) in order to understand what motivates poorly performing firms to commit MND, examination of the relationship between MND behaviour and future corporate performance needs to be considered as on the one hand, MND may be a tactic of impression management with the good intention of reducing investor uncertainty if management believes that current poor performance is only temporary. On the other hand, MND may be an intentional management tactic to conceal bad news which is not temporary or persistent because unsatisfactory performance is derived from the weaknesses present in core operations. The current study would allow the researcher to determine if Minimal Narrative Disclosures in Integrated Reports are associated with future performance within a South African context.

2.6. Summary

The literature review has illustrated that the integrated report serves as an important medium by which a firm communicates with its stakeholders on key economic matters, internal decision, making as well as past and projected outcomes. Because of the shift in the reporting landscape and the evolving needs of stakeholders, narrative disclosures have been used as means of communicating non-financial financial information. The information within narrative disclosures are an important means for stakeholders in making investment decisions. However, considering the direct impact management has in preparing these narrative disclosures, this provides an opportunity for which bias and impression management techniques may be implemented in to create a desired image of an

organisation. Impression management is well researched within the corporate reporting environment and entails the construction of an impression by organisations with the intention to shareholders, stakeholders, the general public, and the media. If successful, it undermines the quality of financial reporting and capital misallocations may result.

Chapter 3: Methodology

Methodology is the strategy which frames the choice and use of particular methods (Crotty, 1998). It involves the knowledge of how to answer the research question and how the data will be obtained. The following research adopts a quantitative as it focuses on the quantification in the collection and interpretation of data (Rahman, 2020). This quantitative approach also allowed the researcher to use statistical methods to interpret the data collected which is time effective.

This was an adaptation of a study conducted by Leung et al. (2015). The main purpose of this study was to determine if the top 100 JSE listed companies utilise impression management strategies, specifically through minimal narrative disclosures relating to discretionary narratives.

3.1 Overview of research method

This study was of a quantitative nature which involved the systematic investigation of the research questions by using statistical methods on the data collected.

The study performed involved two phases.

3.1.1. Phase one:

This phase involved the identification of MND firms. Measuring the omission of voluntary narrative disclosure in integrated reports and identifying MND behaviour and firm's required a comparison between actual and expected voluntary discourse in the Integrated Report. This comparison, in turn, required the development of a benchmark of comprehensive narrative disclosure items about a firm's operational performance , activities and strategies facilitating investors assessment of firm risks and performance in making informed investment decisions.

As there is no theory guiding the construction of a comprehensive corpus of discretionary narrative disclosure, the topics and subtopics of the narrative disclosure corpus were based on the judging criteria for *Best Integrated Report Award* competitions which are considered by regulators, professional bodies and market participants as exemplary voluntary disclosures an excellent company should provide in its integrated reports. The best integrated report judging criteria cover various narrative descriptions, discussions and explanations regarding company objectives and strategies, operating and financial reviews and other corporate information used by investors to make decisions.

In this study, the researcher adopted the detailed criteria used by the Working Committee of the Annual Report Award Competition in Singapore (ARA, 2007) as the full checklist of voluntary narrative disclosure corpus. The reasons behind this are as follows based on the study performed by (Leung et al., 2015):

I. It contains a comprehensive list of 76 informational items covering 'company overview, objectives and strategies', 'operating review', 'financial review' and 'general disclosures'.
II. The checklist is professionally based, being a "comprehensive amalgam of voluntary disclosure checklists developed by the Certified Public Accountants of Singapore, the Singapore Institute of Management, Securities Investors Association of Singapore, the Singapore Exchange Ltd., the Singapore Institute of Directors, Business Times and the Investment Management Association of Singapore."
III. The checklist items are not tailor-made for Singaporean firms and can be generically applied to firms in other countries as an exemplary narrative disclosure corpus.

The comprehensive disclosure corpus is presented below. For each item in the comprehensive disclosure corpus, a company received a score of 1 if it disclosed information in the integrated report on the item, and 0 if the item was not disclosed . In this study, MND firms were those with a relatively low total disclosure score out of the 76 corpus items. A firm was classified as an MND firm if its total disclosure score was less than 55% of the possible maximum score of 77, otherwise it was considered a non-MND firm. This differed from the classification parameters set by Leung et al. (2015) for the following reasons:

I. The application of King IV is a requirement of listed firms, requiring a greater number of disclosures in the integrated report.
II. When the original study was performed it was the first year IFRS was required in Hong Kong (2005), whereas currently within the South African context, IFRS is a long outstanding requirement for firms listed on the JSE
III. The IIRC has increased the scope of non-financial disclosures in the Integrated Annual Report.
IV. The quantity of non-financial information in the integrated report is argued to have increased over the years and managers have stressed that non-financial information will be increasingly more important in the future as stakeholders in general and stock-market actors in particular will continue to demand more non-financial information (Arvidsson, 2011).

Table 5: Comprehensive disclosure corpus

Description
1. “Company overview, objectives and strategies”
1.1. “Industries and geographical locations of operation”
1.2. “Main products and services, business processes and distribution methods, and intellectual property”
1.3. “Major markets and competitive position within those markets”
1.4. “Company structure, main operating facilities, resource capacity and utilisation and operating efficiency”
1.5. “Legal, social, political and regulatory environments' features”
1.6. “Key dependencies, i.e., alliances and customer relationships, suppliers, financiers and key employees”
1.7. “Changes in company structure and philosophy/strategy”
1.8. “Management and corporate structure, group chart and list of branches and agencies”
1.9. “Financial performance objectives”
1.10. “Non-financial performance objectives”
1.11. “Goals, milestones or benchmarks”
1.12. “Critical success factors”
1.13. “Business strategies”
1.14. “Turnover and related data”
1.15. “Dividends and dividend cover”
1.16. “Shareholders' funds and total funds (where there are external liabilities)”
1.17. “Return on shareholders' funds and total funds”
1.18. “Per share data in respect of earnings”
1.19. “Dividends and net assets” (adjusted for all capital issues, and shown before and after diluting for any outstanding convertibles, warrants, etc.)
1.20. “Actions taken during the year to achieve the goal discussed”
2. “Operating review”
2.1. “The year's trading results, i.e., trade conditions or policy”
2.2. “Extraordinary items on the balance sheet and the reasons for the treatment adopted, i.e., major write offs”
2.3. “Material changes in the nature of the business”
2.4. “Significant factors affecting the valuation of assets, taxation, dividend policy and capital commitments”
2.5. “Principle risks and uncertainties in the business”
2.6. “Change in activities financial position; divisional performance such as turnover, market share and profit”
2.7. “Material constraints on growth, i.e., materials, labour, capacity”
2.8. “Material implication of government policy”
2.9. “Company's material legal proceedings, if any”
2.10. “Major contracts/development and their provisions”
2.11. “Orders in hand and trading conditions”
2.12. “Future trends and outlook”
2.13. “Review of the economy and industrial commercial sector”
2.14. “Comparison of performance measures with past and industry trends”
2.15. “Technological change and other operational risks”
2.16. “Dependence on major suppliers or customers”

2.17. “Access to markets”
2.18. “Changes in market conditions and competitive challenges”
2.19. “Product liability”
2.20. “Legal and regulatory issues”
2.21. “Changes in demographic, political and/or macro-economic conditions”
2.22. “Corporate reputation and brand equity”
2.23. “Patents, copyright and trademarks”
2.24. “Market position and dominance”
2.25. “Changes in market conditions”
2.26. “Introduction or announcement of new products and services”
2.27. “Changes in cost structure, price of inputs or outputs, exchange rates and inflation rates”
2.28. “New activities, discontinued activities and other acquisition disposals”
2.29. “Results of any material acquisition, and the extent to which published expectations, at the time of acquisition, have been realised”
3. “Financial review”
3.1. “Capital structure”
3.2. “Capital management policies”
3.3. “Treasury policy”
3.4. “Dynamics of the company's financial position and its sources of funding”
3.5. “Company's liquidity”
3.6. “Financing requirements arising from its investment plans”
3.7. “Rating, relevant ratios such as interest cover, debt/equity ratios and, both short and long-term, funding plans”
3.8. “Strategies for the management of market, interest rate and currency risk, including the existence of nature hedges and use of risk transfer instruments”
3.9. “Capital management, including share buy-backs and capital restructuring; control process for treasury activities”
3.10. “Cash flow from operations”
3.11. “Cash flow from investing”
3.12. “Cash flow from financing”
3.13. “Level of borrowings”
3.14. “Seasonality of borrowing requirements”
3.15. “Undrawn financing facilities”
3.16. “Maturity profile of both borrowings and undrawn committed borrowing facilities”
4. General
4.1. “Relevant financial highlights, historical summary and profitability ratios”
4.2. “Information on employees including training, welfare, share-ownership, collective agreements, skill-upgrading, qualifications and age distribution”
4.3. “Value added statement”
4.4. “Environmental activities and disclosures”
4.5. “Energy conservation and products' energy efficiency”
4.6. “Fair business practices”
4.7. “Community involvement”
4.8. “Product safety and product-related social information”
4.9. “Other social responsibility disclosures”
4.10. “Information technology improvements implemented and under development”
4.11. “Commentary on the company's focus on existing and potential investors and how it manages these relationships should be disclosed”

3.1.2. Phase two:

After a firm was identified as an MND firm, phase two allowed the researcher to explore research questions A-C, as in “1.5 Research questions”, namely:

A. Is the current performance of a firm associated with minimal narrative disclosures in integrated reports?
B. Is financial distress of a firm associated with minimal narrative disclosure in integrated rports?
C. Are minimal narrative disclosures in integrated reports associated with the future (negative) performance of a firm?

This was performed using a multivariate regression analysis and involved controlling for the costs associated with disclosure, demand for external financing, market competition and political cost. Two regression models were used. Regression model 1 was used to assess the relationship between a MND firm and a firm’s current performance and a firm’s financial distress. Regression model 2 was used to assess the relationship between a MND firm and future performance of a firm. Regression models 1 and 2 are found under section “3.4 Data analysis; Regression models”. In order to measure a firms current performance, data on a firm’s return on assets (ROA) and Tobin’s Q (the ratio of the sum of the market value of equity and total debts over total assets) were gathered. In order to measure the financial distress of a firm the Altman's Z-score was used. Lastly, to assess the future performance of a firm data relating to changes in ROA, total assets (TA), Altman’s Z-score, equity issued, and liquidity were gathered.

3.2. Population and sample selection

The population is all entities listed on the JSE. The integrated reports which will be investigated are for the 2018 financial year. Only the narrative disclosures will be examined by the researcher. A purposive sample was used in this research as it was time and cost effective. This sampling technique was appropriate as the researcher chose the sample size based on the entities with the highest market capitalisation. Companies with the highest market capitalisation usually have the largest number of shareholders and users of integrated reports. The tactic of impression management through minimal narrative disclosures would be most apparent, if applied, by these companies. The integrated reports of the top 100 JSE listed companies were obtained. However, the sample size was 79 firms (n= 79) as it excluded firms in the financial sector as they are subject to different regulatory

and disclosure regimes, as well as firms in which reliable market related data could not be obtained.

3.3. Data collection

The integrated reports were available to the public on the respective JSE listed firm's websites. The financial data for the variables to be used in the regression were obtained from the JSE, the IRESS South African Financial reporting database or by manual collection where applicable. The data were kept on a password protected Cloud storage file and on a backup USB drive. The statistical results derived from these methods were completed on an Excel spreadsheet with the help of a statistician.

3.4. Data analysis

For each item in the comprehensive disclosure body, a company received a score of 1 if it disclosed information in the integrated report on the item, and 0 if the item was not disclosed. In this study, MND firms were those with a relatively low total disclosure scores out of the 76 body items. A firm was classified as an MND firm if its total disclosure score was less than 55% of the possible maximum score, otherwise, it was considered a non-MND firm. In other words, an MND firm refused to communicate with investors on more than 45% of the possible disclosure items in integrated reports. The percentage of disclosures (per the disclosure body) on each item by these two groups of firms, namely MND firms and non MND-firms, were observed and the t-stat significance levels for the differences. This itemised analysis allowed the researcher to identify which items were more disposed to non-disclosure in MND firms by using the disclosure pattern of non-MND firms as the benchmark.

3.5. Regression models

The following logistic regression model was estimated in testing research questions A and B:

A. Is the current performance of a firm associated with minimal narrative disclosures in integrated reports?

B. Is financial distress of a firm associated with minimal narrative disclosure in integrated reports?

3.5.1. Regression model 1:

"MNDFi = ai + b1ROAi + b2TOBINQi + b3DISTRESSi + b4FAMOWN + b5NEWEQUITYi + b6DEBTi + b7LIQUIDi + b8HHIi + b9SIZEi + b10BIG4i + b11LISTi + b12SEGi + b13GROWTHi + b14LCEOOWNi + b15DUALITYi + b16PINDi + INDDUMMIES + ei" (Leung et al., 2015)

Where:

MNDF= a dummy variable for MND firms that equals 1 if the firm's total actual disclosure score was less than 55% of the maximum possible scores of the full disclosure corpus and 0 otherwise.

ROA and TOBINQ were two measures of current performance.

ROA = returns on assets, measured as the ratio of net income (before tax and interest) over total assets.

TOBINQ = Tobin's Q, measured as the ratio of the sum of the market value of equity and total debts over total assets.

DISTRESS = financial distress measured by Altman's Z-score (Altman & La Fleur, 1981). The Altman's Z-score was used as a tool used to measure the risk of bankruptcy that a company faces through the following calculation:

Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5,

Where:

X1 was the ratio of working capital to total assets.

X2 was the ratio of retained earnings to total assets.

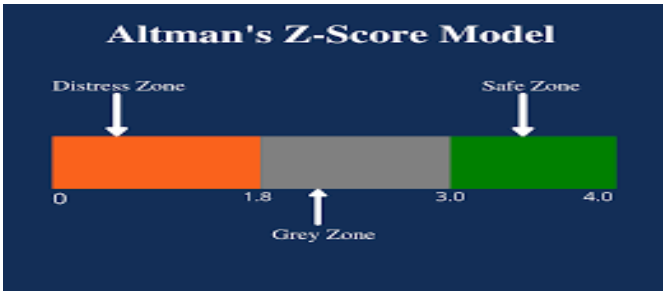
X3 was the ratio of earnings before interest and taxes to total assets.

X4 was the ratio of the market value of equity to the book value of total liabilities.

X5 was the ratio of sales to total assets.

The Altman's Z-score is generally interpreted using the following scale:

Figure 4: Altman's Z-score model scale[2]



FAMOWN = the fraction of family ownership of a firm

Data was not readily available for calculating the cost of equity, so the researcher used new equity issue, leverage and liquidity to control for the demand of debt directly and the cost of capital indirectly.

NEWEQUITY= a dummy variable which equalled 1 if the firm issued more than 5% of common equity during the year.

DEBT = the debt ratio of long-term debts to total assets.

LIQUID = the liquidity ratio of the sum of cash and short-term investment to total assets.

HHI = the Herfindahl Hirschman Index which is a widely used measure of market competition, calculated as the sum of the squared market share based on net sales in the 2-digit SIC industry.

Other control variables were selected, based on previous studies on voluntary disclosure (Ahmed & Courtis, 1999; Lang & Lundholm, 1993) and include:

BIG4 = dummy variable which equalled 1 if a firm was audited by a Big-4 auditor, and 0 otherwise. LIST= a dummy variable which equalled 1 if a firm was cross listed on an overseas exchange and 0 otherwise.

SEG, which is the number of business and geographic segments to proxy for business complexity.

GROWTH = which is firm growth in total assets.

The literature also suggests that voluntary disclosure or nondisclosure is also related to corporate governance (Eng & Mak, 2003). The researcher included in the model the

[2] Image sourced from: https://corporatefinanceinstitute.com/resources/knowledge/credit/altmans-z-score-model/. The Altman's Z-scores Grey zone has several differing interpretations of the Grey Zone (example 1.1>Grey Zone>2.6). The scale presented under Figure 5 is used within this Research Paper.

percentage of CEO ownership (CEOOWN), CEO duality (DUALITY = 1 if the CEO was also Chairman of the firm) and the proportion of independent nonexecutive directors (PIND). Likewise, the researcher included the 2-digit SIC industry dummies (IND_DUMMIES) to control for industry effects on the likelihood of nondisclosure in integrated reports.

A negative coefficient of ROA and TOBINQ suggests that firms with poor performance are more likely to engage in concealment of voluntary narrative information and this will assist the researcher in answering research question A.

A positive coefficient of DISTRESS will suggest that a firm with a higher bankruptcy risk will tend to obfuscate to investors and shareholders through minimal narrative disclosures in the integrated report. This assists the researcher in answering research question B.

The results of the control variables also provide valuable insight into the other factors which may influence minimal narrative disclosures in firms despite not answering the research questions.

The t-stat significance and a confidence level of 95% was used in order to assess the statistical significance of variables.

The mean, median, standard deviations and minimum and maximum values were observed for each variable in regression model 1 and for the different categories in the disclosure body namely:

- Actual disclosure score for the “company overview, objectives and strategy” category.
- Actual disclosure score for the “operating review” category.
- Actual disclosure score for the “financial review” category.
- Actual disclosure score for the “general” category.

These descriptive statistics allowed the researcher to observe whether voluntary disclosure regarding specific categories are high or low and provide insight to users regarding specific topics or information firms choose to be silent or avoid disclosing. These results will be discussed in *Chapter 4.*

3.5.2. Regression model 2:

To test whether the future performance of non-disclosure firms improves or deteriorates (question C), the researcher estimated the following change model:

“DPERFi = ai + b1MNDFi + b2DTAi + b3DDISTRESSi + b4DEWEQUITYi + b5DDEBTi + b6DLIQUIDi + INDDUMMIES + ei” (Leung et al., 2015)

Where:

All the change variables are calculated as the differences between the 2019 and 2018 financial years.

∆PERF = the changes in ROA (∆ROA)

MNDF = the dummy variable classifying MND and non-MND firms.

∆TA = the changes in total asset over the two years.

∆DISTRESS = the changes in Altman's Z-score.

∆EWEQUITY = the changes in the issue of new equity over the two years.

∆DEBT = the changes in leverage.

∆LIQUID = the changes in liquidity over the two years. IND_DUMMIES controls the variation in industry performance in the subsequent year.

A significant statistical (measured by using a t-stat significance and a confidence level of 95%) negative coefficient on MNDF for both ∆ROA suggests that, compared with the rest of the sample firms, those engaging in concealment through MND in integrated reports will report deteriorating performance in the following year. This suggests that the current poor performance is not transitory but rather is persistent. This will assist the researcher in answering research question C.

3.6. Reliability and validity

3.6.1. Validity:

Validity refers to the determination of whether the research accurately measures that what it is intended to measure and if the results were truthful (Joppe, 2000). The study should also meet its objectives and answer its research questions. This will allow confidence to be placed in the research by other researchers (Straub, Boudreau, & Gefen, 2004). The data collected were from integrated reports which are publicly available reducing any concerns relating to subjectivity of the data and all positive and negative results are communicated in the report.

3.6.2. Internal validity:

Internal validity refers to how well the study tests the relationship between the events described and the quality of the conclusions reached (Gordon & Porter, 2009). The supervisors of the research have experience in multivariate regressions and in analysing narrative disclosures within integrated reports. The supervisors have also conducted studies within the context of impression management allowing for a degree of internal validity. On the other hand, as a sample were used, the internal validity will be of a medium level.

3.6.3. External validity:

External validity refers to how well the results from a study can be generalised from a sample to the population (Gordon & Porter, 2009). A factor increasing the external validity would be that the study is an adaptation of Leung et al. (2015)'s report and that the methodology can be used within different countries globally. A factor decreasing the external validity is that statistical techniques will have to be applied to the sample to obtain results regarding the entire population.

3.6.4. Content validity:

Content validity examines whether the questions adequately cover all the content needed to meet the objectives of the study (Heale & Twycross, 2015). The research design combined with the data collected will allow the researcher to meet the objectives of the study and investigate the research questions and express a conclusion.

3.6.5. Reliability:

Reliability refers to the extent to which data and results reflect an accurate representation of the entire population and whether the study can be replicated (Joppe, 2000). Reliability is concerned about consistency and whether another researcher can obtain the research and re-perform the study. The reliability of the study will be achieved as the data relating to narrative disclosures were obtained from the audited integrated reports of 100 listed companies and their respective websites. Subjectivity of the researcher will be reduced as the study follows a quantitative research design (Bagdonienė & Zemblytė, 2005). The study follows the methodology of a previously conducted study by (Leung et al., 2015) and this increases reliability on the research design as it has been performed before. The manual

data collected will be subject to review by the supervisors of the research increasing reliability on the data gathered.

3.7. Ethical considerations

Objectivity was maintained during the preparation of the research report, as well as in the collection of data. None of the JSE listed firms names has been disclosed within the report and firms were selected to be included within the sample based on their 2018 market capitalisation only. Per Neuman (2007), it is important that objectivity and integrity are maintained while conducting research. In a quantitative study, objectivity and integrity are achieved by minimising the researcher's subjectivity in the study. The researcher has ensured transparency by communicating both positive and negative findings in the analysis of the data, and no pre- determined outcomes or expectations which may could have influenced any of the results or findings.

3.7. Summary

The research methodology followed a quantitative approach and is an adaptation of the study performed by Leung et al. (2015). The data required were manually collected by the researcher and the collected data were used to derive statistical results for purposes of interpretation. A two-phase approach was adopted by the researcher which involved the use of a disclosure corpus and a multivariate regression model in order to explore the primary and sub research questions. The sample size for purposes of the research consisted of 79 Integrated Reports from the top 100 JSE listed firms only. A quantitative approach was used as emphasis was placed on the quantification of the data collected and the subsequent analysis.

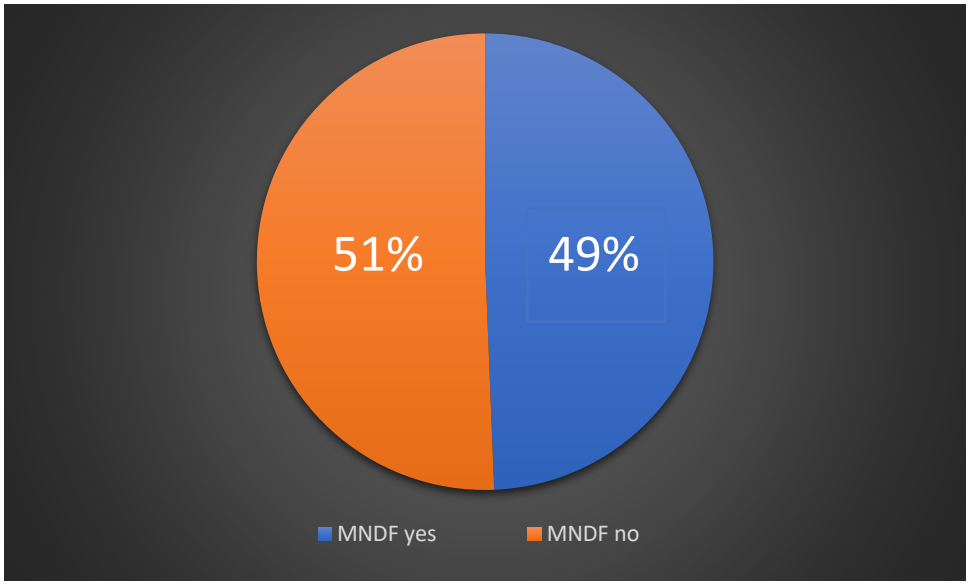
Chapter 4: Analysis of results

In this chapter the results and data obtained are analysed. *Section 4.1* involves the identification of MND firms and the proportion of MND firms to non- MND firms, based on the disclosure index scores. This is followed by *Section 4.2* which will provide key information about nondisclosure and allow for insight into the specific topics and information MND firms choose to be silent on or avoid disclosing (that is selectivity in the narratives disclosed in integrated reports) compared with non-MND firms. *Section 4.3* focuses on the analyses of the regression model results.

4.1. Disclosure Index Score results

The purpose of the study was to determine if the top 100 JSE listed companies utilise impression management strategies, specifically through minimal narrative disclosures in their integrated reports in order to explore concealment strategy through minimal narrative disclosures.

Figure 5: Proportion of MND firms and non-MND firms



A firm was classified as an MND firm if its total disclosure score was less than 55% of the possible score of 77 on the disclosure index per *Phase 1* under *Methodology Chapter 3*.

Otherwise, a firm was considered a non-MND firm. The results obtained and represented in *Figure 5* show that from the selected sample of JSE listed firms, 49% of the sample firms were classified as MND firms as their disclosure score was less than 55%. This illustrates to the researcher that the MND firms refused to communicate with investors on more than 45% of the possible disclosure items in integrated reports. Non- MND firms represented 51% of the sample firms as their disclosure score was 55% or more. These findings suggest that some firms from the selected sample are selective in the information disclosed within integrated reports.

4.2. Key informational characteristics of nondisclosure

Within this section, the researcher aims to provide insight into the selectivity of the narratives disclosed in integrated reports by comparing the disclosure pattern for each checklist item of the narrative disclosure checklist between MND firms and the rest of the sample firms non-MND firms. An important aspect for users of integrated reports relates to the specific topics or information which MND firms choose to be silent or avoid disclosing, compared with other firms. *Table 6* below represents and reports the percentage of disclosure on each item by these two groups of firms (MND firms and non- MND firms), and the t-stat significance levels for the differences. This itemised analysis allowed for the identification of items which are more likely to avoid disclosure in MND firms using the disclosure pattern of non-MND firms as the benchmark.

Table 6: Itemized percentage disclosures and t- stat Significance

	MNDF firms Disclosure (%)	Non-MNDF firms Disclosure (%)	t-stat Significance
1. "Company overview, objectives and strategies"			
1.1. "Industries and geographical locations of operation"	39.24	46.84	0.470
1.2. "Main products and services, business processes and distribution methods, and intellectual property"	49.37	50.63	0.911
1.3. "Major markets and competitive position within those markets"	39.24	17.72	0.010***
1.4. "Company structure, main operating facilities, resource capacity and utilization and operating efficiency"	39.24	15.19	0.003***
1.5. "Legal, social, political and regulatory environments' features"	46.84	50.63	0.735
1.6. "Key dependencies, i.e., alliances and customer relationships,	49.37	1.27	0.000***

suppliers, financiers and key employees”			
1.7. “Changes in company structure and philosophy/strategy”	50.63	1.27	0.000***
1.8. “Management and corporate structure, group chart and list of branches and agencies”	41.77	31.65	0.296
1.9. “Financial performance objectives”	50.63	49.37	0.911
1.10. “Non-financial performance objectives”	49.37	50.63	0.911
1.11. “Goals, milestones or benchmarks”	43.04	50.63	0.489
1.12. “Critical success factors”	43.04	11.39	0.000***
1.13. “Business strategies”	49.37	50.63	0.911
1.14. “Turnover and related data”	49.37	49.37	1.000
1.15. “Dividends and dividend cover”	37.97	24.05	0.117
1.16. “Shareholders' funds and total funds” (where there are external liabilities)	45.57	7.59	0.000***
1.17. “Return on shareholders' funds and total funds”	46.84	6.33	0.000***
1.18. “Per share data in respect of earnings”	44.30	46.84	0.815
1.19. “Dividends and net assets” (adjusted for all capital issues, and shown before and after diluting for any outstanding convertibles, warrants, etc.)	46.84	3.80	0.000***
1.20. “Actions taken during the year to achieve the goal discussed”	50.63	48.10	0.822
2. “Operating review”			
2.1. “The year's trading results, i.e., trade conditions or policy”	49.37	50.63	0.911
2.2. “Extraordinary items on the balance sheet and the reasons for the treatment adopted, i.e., major write offs”	49.37	1.27	0.000***
2.3. “Material changes in the nature of the business”	35.44	31.65	0.683
2.4. “Significant factors affecting the valuation of assets, taxation, dividend policy and capital commitments”	48.10	50.63	0.822
2.5. “Principle risks and uncertainties in the business”	48.10	50.63	0.822
2.6. “Change in activities financial position; divisional performance such as turnover, market share and profit”	50.63	2.53	0.000***
2.7. “Material constraints on growth, i.e., materials, labor, capacity”	49.37	50.63	0.911
2.8. “Material implication of government policy”	48.10	50.63	0.822
2.9. “Company's material legal proceedings, if any”	46.84	10.13	0.000***
2.10. “Major contracts/development and their provisions”	50.63	1.27	0.000***
2.11. “Orders in hand and trading conditions”	46.84	21.52	0.006***
2.12. “Future trends and outlook”	49.37	44.30	0.645
2.13. “Review of the economy and industrial commercial sector”	54.43	2.53	0.000***
2.14. “Comparison of performance measures with past and industry trends”	49.37	35.44	0.181
2.15. “Technological change and other operational risks”	50.63	49.37	0.911
2.16. “Dependence on major suppliers or customers”	51.90	0.00	0.000***
2.17. “Access to markets”	50.63	49.37	0.911
2.18. “Changes in market conditions and competitive challenges”	49.37	49.37	1.000

2.19. “Product liability”	48.10	2.53	0.000***
2.20. “Legal and regulatory issues”	45.57	50.63	0.649
2.21. “Changes in demographic, political and/or macro-economic conditions”	50.63	49.37	0.911
2.22. “Corporate reputation and brand equity”	49.37	50.63	0.911
2.23. “Patents, copyright and trademarks”	31.65	43.04	0.244
2.24. “Market position and dominance”	39.24	13.92	0.002***
2.25. “Changes in market conditions”	36.71	44.30	0.457
2.26. “Introduction or announcement of new products and services”	55.70	16.46	0.000***
2.27. “Changes in cost structure, price of inputs or outputs, exchange rates and inflation rates”	50.63	1.27	0.000***
2.28. “New activities, discontinued activities and other acquisition disposals”	49.37	48.10	0.910
2.29. “Results of any material acquisition, and the extent to which published expectations, at the time of acquisition, have been realized”	44.30	11.39	0.000***
3. “Financial review”			
3.1. “Capital structure”	43.04	30.38	0.191
3.2. “Capital management policies”	51.90	1.27	0.000***
3.3. “Treasury policy”	44.30	13.92	0.000***
3.4. “Dynamics of the company's financial position and its sources of funding”	50.63	0.00	0.000***
3.5. “Company's liquidity”	31.65	46.84	0.128
3.6. “Financing requirements arising from its investment plans”	53.16	0.00	0.000***
3.7. “Rating, relevant ratios such as interest cover, debt/equity ratios and, both short and long-term, funding plans”	35.44	35.44	1.000
3.8. “Strategies for the management of market, interest rate and currency risk, including the existence of nature hedges and use of risk transfer instruments”	48.10	50.63	0.822
3.9. “Capital management, including share buy-backs and capital restructuring; control process for treasury activities”	50.63	0.00	0.000***
3.10. “Cash flow from operations”	49.37	50.63	0.911
3.11. “Cash flow from investing”	49.37	50.63	0.911
3.12. “Cash flow from financing”	49.37	50.63	0.911
3.13. “Level of borrowings”	50.63	49.37	0.911
3.14. “Seasonality of borrowing requirements”	37.97	44.30	0.539
3.15. “Undrawn financing facilities”	35.44	22.78	0.141
3.16. “Maturity profile of both borrowings and undrawn committed borrowing facilities”	37.97	12.66	0.001***
4. “General”			
4.1. “Relevant financial highlights, historical summary and profitability	50.63	0.00	0.000***

ratios”			
4.2. “Information on employees including training, welfare, share-ownership, collective agreements, skill-upgrading, qualifications and age distribution”	48.10	50.63	0.822
4.3. “Value added statement”	41.77	13.92	0.001***
4.4. “Environmental activities and disclosures”	49.37	50.63	0.911
4.5. “Energy conservation and products' energy efficiency”	34.18	34.18	1.000
4.6. “Fair business practices”	34.18	25.32	0.310
4.7. “Community involvement”	46.84	50.63	0.735
4.8. “Product safety and product-related social information”	44.30	10.13	0.000***
4.9. “Other social responsibility disclosures”	30.38	35.44	0.582
4.10. “Information technology improvements implemented and under development”	35.44	21.52	0.101
4.11. “Commentary on the company's focus on existing and potential investors and how it manages these relationships should be disclosed”	49.37	8.86	0.000***

*** The difference is significant at the <0.05 level, that is, the factor was significant with regards to the MNDF score and whether a firm was classified as an MND firm or non- MND firm.

Table 7 below provides the descriptive statistics for the variables. The mean disclosure score for “Company overview, objectives and strategies”; “Operating review”; “Financial review” and “General” were 11.278 (out of 20 items), 16.785 (out of 29 items), 8 .278 (out of 16 items) and 5.101 (out of 11 items) respectively. The mean total disclosure score for the sample of firms was 41.4 out of the maximum possible score of 76 representing 54.53% of the disclosure checklist. The highest total disclosure score was 53 and the lowest total disclosure score was 31. The descriptive statistics show that the disclosure pattern of the sample JSE listed firms is moderate as the average score obtained was 54.53%. 39 firms of the sample firms were classified as MND- firms as their disclosure score was less than 55% of the possible maximum score.

Table 7: Descriptive Statistics of the variables

	N	mean	Std dev	minimum	maximum	Median
MNDF	79	0.494	0.503	0.000	1.000	0.000
Category 1	79	11.278	1.560	7.000	15.000	11.000
Category 2	79	16.785	1.669	13.000	21.000	17.000
Category 3	79	8.278	1.724	5.000	12.000	8.000
Category 4	79	5.101	1.549	2.000	10.000	5.000
ROA	79	0.079	0.089	-0.200	0.430	0.070

TOBINQ	79	1.009	0.826	0.150	4.520	0.760
DISTRESS	79	3.050	2.710	-0.141	17.377	2.292
FAMOWN	79	0.000	0.000	0.000	0.000	0.000
NEWEQUITY	79	0.101	0.304	0.000	1.000	0.000
DEBT	79	0.246	0.153	0.010	0.920	0.240
LIQUID	79	0.336	0.236	0.010	0.960	0.310
HHI	79	0.297	0.021	0.280	0.354	0.289
Market Capitalization	79	53517905654.07	123865979625.09	2357232152.34	1018640464802.77	22792238799.50
Size (Natural log)	79	23.849	1.186	21.581	27.649	23.850
BIG4	79	0.949	0.221	0.000	1.000	1.000
SEG	79	3.190	3.393	1.000	21.000	2.000
GROWTH	79	0.051	0.169	-0.557	0.720	0.042
CEOOWN	79	0.060	0.134	0.000	0.803	0.008
DUALITY	79	0.000	0.000	0.000	0.000	0.000
PIND	79	0.608	0.140	0.182	0.857	0.636
LIST	79	0.228	0.422	0.000	1.000	0.000

4.2.1. Company overview, objectives and strategies

The results reveal that, compared with the rest of the sample, MND firms tend to avoid disclosing information on the “Major markets and competitive position within those markets”; “Company structure, main operating facilities, resource capacity and utilisation and operating efficiency”; “Key dependencies”; “Changes in company structure and philosophy/strategy”; “Critical success factors”; “Shareholders' funds and total funds”; “Return on shareholders' funds and total funds” and “Dividends and net assets”.

4.2.2. Operating review

Within the category of “operating review”, MND firms omit information on the “Extraordinary items on the balance sheet and the reasons for the treatment adopted”; “Change in activities financial position; divisional performance such as turnover, market share and profit”; “Company's material legal proceedings, if any”; “Major contracts/development and their provisions”; “Orders in hand and trading conditions”; “Review of the economy and industrial commercial sector”; “Dependence on major suppliers or customers”; “Product liability”; “Market position and dominance”; “Introduction or announcement of new products and services”; “Changes in cost structure, price of inputs or outputs, exchange rates and inflation rates” and “Results of any material acquisition, and the extent to which published expectations, at the time of acquisition, have been realised”.

4.2.3. Financial review

Regarding the “financial review” category, MND firms tend to omit any information related to, “Capital management policies”; “Treasury policy”; “Dynamics of the company's financial position and its sources of funding”; “Financing requirements arising from its investment plans”; “Capital management, including share buy-backs and capital restructuring; control process for treasury activities” and “Maturity profile of both borrowings and undrawn committed borrowing facilities”.

4.2.4. General

Within the “general” category, MND firms have a lower inclination to reveal the following:

- Relevant financial highlights, historical summary and profitability ratios
- Value added statement
- Product safety and product-related social information
- Commentary on the company's focus on existing and potential investors and how it manages these relationships should be disclosed

At an overall level, the itemised analysis of the disclosure index illustrates that the MND firms within the sample are more likely to commit concealment within the categories of “Company overview, objectives and strategies” and “Operating Review”. This result is also consistent with the findings of the original study performed by Leung et al. (2015). These findings incline towards an attempt to conceal information relating to the management of the firm and how the business is managed within an integrated report.

4.3. Regression results

This section allowed the researcher to analyse the results from *Phase 2* of the *Methodology Chapter 3.* After a firm was identified as an MND firm, phase two allowed the researcher to explore research questions A-C, as mentioned under section *1.5 Research questions*. The results from *regression model 1* are reported under *Table 8.* The results relating to *regression model 2* are reported under *Table 10*.

4.3.1. Regression Model 1 results

The results of the logistic regression under *Table 8* are used to explore research questions A and B. For DISTRESS and SIZE, the significance statistic indicates that the relationship is significant at the 95% confidence level and that LIQUID is significant at the 90% confidence level.

Table 8: Logistic Regression results

		Coefficients	Significance	Exp(B)
Step 1[a]	ROA	4.167	0.371	64.500
	TOBINQ	0.675	0.278	1.965
	DISTRESS	-0.664	0.034*	0.515
	NEWEQUITY	-0.272	0.790	0.762
	DEBT	2.436	0.347	11.425
	LIQUID	3.387	0.071**	29.568
	HHI	-13.164	0.405	0.000
	Market Capitalisation	0.000	0.163	1.000
	Size (Natural log)	1.179	0.014*	3.252
	BIG4	1.794	0.190	6.013
	SEG	-0.098	0.273	0.907
	GROWTH	1.189	0.553	3.284
	CEOOWN	0.025	0.326	1.025
	PIND	-0.009	0.635	0.991
	Constant	-25.435	0.042	0.000

*, and ** denote statistical significance at the 0.05 and 0.1 levels respectively.

In terms of both variables used as a measure for current performance, namely, ROA and TOBINQ, the results reveal that these variables are not statistically significant (at both the 0.05 and 0.1 level). There is no association between a firm's current performance and its MNDF score. Consequently, these results do not support the statement that firms with poor current performance are more likely to engage in concealment of voluntary narrative disclosures in integrated reports.

The DISTRESS variable which was used a measure for financial distress is statistically significant at the 0.05 level. There is an association between a firms financial distress levels and its MNDF score. However, the results for financial distress show a significantly negative coefficient (-0.664). This indicates that firms with a higher bankruptcy risk tend to disclose more information in integrated reports. This supports the statement that financial distress of

a firm is associated with minimal narrative disclosure in integrated reports but firms choose to disclose more information when facing increasing levels of financial distress. This conforms with Miller (2002) research as it is anticipated that there is a greater incentive for financially distressed firms to adopt a disclosure policy which may enable them to reap the benefits of high disclosure while avoiding the damage to managerial reputation and exposure to litigation costs associated with non-disclosure.

The results on the control variables show that the SIZE variable is statistically significant at the 0.05 level and has a positive coefficient (1.179). This confirms that smaller firms do not obfuscate and conceal behaviour but tend to disclose more information in the form of voluntary narratives. A possible reason for smaller firms disclosing more information is an attempt to legitimise the entity to obtain future capital and funding (Di Paola, Spanò, Caldarelli, & Vona, 2018).

The results of the liquidity control variable (LIQUID) are significant at the 0.1 level and have a significant positive coefficient (3.387). This illustrates that, despite the firms liquidity increasing and firms requiring less external funding, firms still choose to disclose more information by means of voluntary narratives and not decrease or conceal information in integrated reports. This may be because of voluntary disclosures having a beneficial effect on both liquidity and firm value and that these effects are plausibly causal, providing a justification to firms for voluntarily disclosing more information than is mandated (Balakrishnan, Billings, Kelly, & Ljungqvist, 2014).

The results also show that all other control variables such as CEO ownership and other corporate governance variables are not associated with minimal disclosure behaviour as these variables are not statistically significant at the 0.05 and 0.1 levels.

Table 9: Regression Model 1 summary

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	87.720[a]	0.241	0.321

The Cox and Snell pseudo R^2 statistic reported in the model summary above (*Table 9*) is generally interpreted to mean that *the 14 independent variables in the logistic model together account for 24.1% of the MNDF scores.* The higher the pseudo R-squared statistic, the better the model fits the data. The pseudo R^2 statistic in the original study performed by

Leung et al. (2015) was 0.149 which is lower than the current reports of 0.241. In this case, the model built "moderately" fits our data (in other words, although the model accounts for a significant amount of the variation, there are also several other variables not in the model which influence this decision).

4.3.2. Regression Model 2 results

Regression model 2 was used in order to assess whether the future performance of non-disclosure firms (MND firms) improves or deteriorates in order to explore research question C. The results from regression model 2 are reported under *Table 10* below which reports the analysis of whether MND firms experience performance deterioration (or improvement) in the subsequent year. All the change variables were calculated as the differences between the 2018 and 2019 financial years. In the original study by Leung et al. (2015), firms which reported deteriorating performance in the following year signalled that current poor performance was not brief but rather long-lasting.

Table 10: Regression model 2 results for changes in future performance of MND firms.

Coefficients						
Model		Unstandardized coefficients		Standardized Coefficients	t	Significance
		B	Std. Error	Beta		
1	(Constant)	-0.161	0.141		-1.142	.257
	MND Firm	-0.018	0.198	-0.009	-0.094	0.926
	ΔTA	1.487	0.749	0.243	1.984	0.051
	ΔDISTRESS	0.935	0.165	0.554	5.671	0.000*
	ΔEWEQUITY	-0.089	1.278	-0.008	-0.070	0.944
	ΔDEBT	-0.277	0.249	-0.106	-1.111	0.270
	ΔLIQUID	-0.161	0.272	-0.058	-0.592	0.556

*, denotes statistical significance at the 0.05 level.

Contrary to the results of the study performed by Leung et al. (2015) the results in *Table 10* reveal that there is no statistical significance for the MND firm variable at the 0.05 level (or 0.1 level). This illustrates that for purposes of research question C, there is no change in a

MNDF performance based on MNDF score in comparison with the rest of the sample firms. This also illustrates that minimal narrative disclosures in integrated reports are not associated with future performance of an MND firm (whether future performance improves or deteriorates).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.599[3]	0.359	0.306	0.8593883

The results also reveal that the ΔDISTRESS variable is statistically significant at the 99% confidence level and has a positive co-efficient. This, expectedly, results in the deterioration of an MNDF future performance as the firm experiences more financial distress (measured using the Altman's-Z score as expressed within *Chapter 3 Methodology*) and a higher bankruptcy risk.

All other change variables within the results are shown not to be statistically significant and do not affect the firms' future performance (ΔPERF).

Table 11: Regression Model 2 summary

ANOVA[3]						
Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	29.800	6	4.967	6.725	0.000[4]
	Residual	53.175	72	0.739		
	Total	82.975	78			

Table 11 shows that the F-test is statistically significant which means that the model is statistically significant. The R-squared is 0.359 means that approximately 36% of the variance of ΔPERF(ROA) is accounted for by the regression model. This is higher than the R-squared of 0.094 of the original study Leung et al. (2015) which means that only

[3] Change in Performance, measured by ROA
[4] Predictors: (Constant), ΔLIQUID, ΔDEBT, ΔTA, MND Firm, ΔDISTRESS, ΔEWEQUITY

approximately 9% of the variance of ΔPERF(ROA) was accounted for by the regression model.

4.4. Summary

The results from the collected data reveal that from the sample of 79 firms selected, 49% of these firms were classified as Minimal Narrative Disclosure firms based on their disclosure score obtained from the disclosure checklist. The study also revealed that there is no association between a firm's current performance. However, the Minimal Narrative Disclosure Firm score revealed that there is an association between a firm's financial distress levels and the Minimal Narrative Disclosure Firm score of the firm. No evidence was obtained to support that Minimal Narrative Disclosures in integrated reports are associated with future performance of a Minimal Narrative Disclosure Firm in the next financial year (whether future performance improves or deteriorates) within the context of this research. The results obtained differ from the findings of Leung et al. (2015). Both studies concluded that the management of firms utilise impression management as a strategy by selectively choosing the type of information disclosed within the integrated report. However, within the South African context, the possible reasons for selectivity in the information disclosed by the sample MND firms differs from the reasons expressed by Leung et al. (2015).

Chapter 5: Conclusion

5.1. Conclusion of the study

The purpose of this study was to determine if the top 100 JSE listed companies utilised impression management strategies, specifically through Minimal Narrative Disclosures in their integrated reports in order to explore concealment strategy through Minimal Narrative Disclosures. This study linked the impression management literature on concealment strategy literature and was based around the utilisation of a disclosure checklist to explore MND behaviour in the integrated annual report. The research also focused on the types of information management of a firm chose to conceal and also explored possible reasons for the non- disclosure especially because of annual reporting frameworks calling for greater transparency in reports.

Firstly, the research illustrated that from the sample firms selected, 49% were classified as MND firms based on their disclosure score. This also illustrated that the MND firms refused to communicate with investors on more than 45% of the possible disclosure items in integrated reports.

A further analysis allowed for the identification of items which are more likely to chose non-disclosure in MND firms. It was noted that concealment by means of non-disclosure in these MND firms was most prominent within the categories of "Operating Review" and "Company overview, objectives and strategies" as the results obtained displayed statistically significant disclosure differences between MND and non-MND firms for numerous items within these categories. This illustrated to the researcher that, in terms of the primary research question, the management of the sample JSE listed firms adopted an impression management strategy through selectivity by means of non-disclosure of specific categories of items in the narrative disclosures presented in their integrated reports.

The results obtained from the regression analysis enabled the researcher to conclude on research questions A-C. Regression model 1 revealed that there is no association between a firm's current performance and its MNDF score. There is no evidence, in terms of "*Research question A",* to support the statement that firms with poor current performance are more likely to engage in concealment of voluntary narrative disclosures in integrated reports.

In terms of *"Research question B",* the findings from regression model 1 revealed that there is an association between a firms financial distress levels and the MNDF score obtained by the firm and illustrated that firms with a higher bankruptcy risk tend to disclose more information in. This supports the statement that financial distress of a firm is associated with

minimal narrative disclosure in Integrated Reports, but firms choose to disclose more information by means of narratives when facing increasing levels of financial distress.

Regression model 2 was used to investigate "*Research question C"*. The results illustrate that that there is no change in an MND firms performance based on their MNDF score in comparison with the rest of the sample firms. This further illustrated that there is no evidence to support that minimal narrative disclosures in integrated reports are associated with future performance of an MND firm (whether future performance improves or deteriorates) within the context of this research.

The results of this research report differ from the findings of Leung et al. (2015) research. Both studies concluded that the management of firms utilise impression management as a strategy by selectively choosing the type of information disclosed within the integrated report. However, within the South African context, the possible reasons for selectivity in the information disclosed by the sample MND firms differs from the reasons expressed by Leung et al. (2015). A limitation of this study was that only the top 100 JSE listed firms were examined and that the results are not conclusive for all listed firms on the JSE. The study also primarily focused only on concealment as an impression management strategy.

5.2. Limitations of this study

This study is a quantitative study and consists only of a sample of JSE listed firms and is not representative of all JSE listed firms and firms in other countries. The period covered is the 2018 financial year. Focus was placed primarily on obfuscation of information (through Minimal Narrative Disclosure) as an impression management strategy. As the study is qualitative, the results may only be applicable to a narrow set of firms within certain specific economic climates. As the researcher has manually performed the data collection, the researcher's training, skills and individual beliefs may bias the results and data interpretation.

The researcher also acknowledges the limitations in terms of further dimensions of potentially relevant corporate information which future researchers, corporate regulators and professional accounting bodies may identify as desirable.

5.3. Areas of future research

Future areas of research can include expanding on investigating impression management strategies (through selectivity) in narrative disclosures within other countries and regions, in order to expand on the body of knowledge. Additionally, within a South African context future research can focus on specifically exploring the reasons, such as incentives and disincentives, linked to a firm being classified as an MND firm. The study may also be expanded to include a greater number of years evaluated in order to determine whether performance is linked to selectivity in the narrative disclosures within an integrated report over the long term. This will assist in eliminating aspects of the limitations of this study. Future research may also involve obtaining an understanding of Impression Management Strategies and MND behaviour.

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