

INTEGRATED REPORTS OF IMPRESSION MANAGEMENT TECHNIQUES OF THE SOUTH AFRICAN STATE-OWNED ENTERPRISES

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ABSTRACT

State-Owned Enterprises (SOEs) in South Africa are facing challenges relating to poor governance. This provides the management with an incentive to legitimise the SOEs existence by changing how information is disclosed using impression management techniques. This article outlines the critical issues that emerged in the study that sought to investigate whether key reports in the integrated reports of South African SOEs contain impression management techniques relating to sentiment, time orientation, type of data, internal and external attribution, and neutralisation. Information was gathered by way of content analysis. The reports selected were of the chairman, chief executive officer (CEO), chief financial officer (CFO) reports, and the performance report. The findings indicate that SOEs employ impression management techniques in their integrated reports. The findings add to the growing debate on accountability and transparency by those charged with the governance of SOEs when disclosing information to stakeholders. Further, stakeholders are aware of the possible

influences that management uses when disclosing information and could incorporate this in their decision-making process, allowing more useful decisions to be taken.

Keywords: Impression management, Attribution, Neutralisation, State-owned enterprise, Integrated report, Sentiment.

INTRODUCTION

South Africa is facing numerous challenges with the economy labelled as fragile and economic conditions being viewed as dire (Smit, 2023). In developing countries, citizens are dependent on SOEs for water, electricity, health care, sanitation and employment (Kikeri, 2018; Matsiliza, 2017; Ovens, 2016). However, South African SOEs have failed in their mandate as stakeholder needs have been undermined due to SOEs involvement in overall maladministration (Madumi, 2018; McGregor, 2013; Philip, 2020).

The consequences of the maladministration are increasing unemployment rates, an

unstable power supply, low growth forecasts since 2011 and high crime rates (Smit, 2023). This has resulted in trust being lost in the government and government institutions by individual citizens, businesses, and investors, which ultimately threatens the legitimacy of SOEs. There are increasing calls by stakeholders for the public sector to be held accountable and responsible for their actions. Integrated reporting provides transparency to stakeholders given that it provides information as to what is going right and wrong in the SOE as well as management's plans to fix the issues (Grobelaar, 2021).

The increasing pressure and public scrutiny that South African SOEs are facing in the current times against the uncontrolled surge in corruption, and state capture has placed the SOEs under the spotlight (Kikeri, 2018; Madumi, 2018). This may lead to management adopting techniques such as changing how information is presented or concealing information in their reporting strategies to remain credible in the public eye to salvage their image (Edgar, Beck & Brennan, 2018; Madumi, 2018).

Stakeholders rely on communication in integrated reports to assess the value creation of an entity (IIRC, 2016; Patelli & Pedrini, 2014; Surty *et al.*, 2018; Yasseen, Moola-Yasseen & Padi, 2017). Like most cultural processes, legitimacy management and impression management rely heavily on communication, particularly communication between the organisation and its audiences (Allen & Caillouet, 1994; Suchman, 1995). When impression management techniques are employed, the disclosure becomes biased and therefore detracts from the neutrality

and faithful representation (International Accounting Standards Board (IASB), 2019).

Within a South African context, research on integrated reporting has been mainly focused on the private sector. As a result, the research is able to provide insights into how different reports in the integrated report are used for communication.

In South Africa, there is limited research regarding impression management in the public sector although there is a motive for SOEs to manipulate communication. This study contributes to impression management literature by providing insight into the use of impression management techniques by SOEs who are seeking legitimacy. This will provide useful information to stakeholders so that they are aware of how SOEs may be manipulating key communication. It will also be useful to the auditors to allow them to ensure that the non-financial information conveyed is consistent with the financial information. Lastly, the study will provide evidence as to how key sections in the integrated report may use impression management when communicating.

The literature review follows, where an overview of SOEs and impression management is provided. This includes literature as to the type of impression management techniques studied in this article. The research method is then discussed followed by the results. The article concludes and includes areas of future research.

LITERATURE REVIEW

Discussions regarding the literature review are outlined in a thematic order to provide key aspects guiding the focus of this article.

State-Owned Entities

State-owned entities (SOEs) are an important part of public sector reform (OECD, 2018). The mandate of SOEs is to foster the development of a country by ensuring the necessary delivery of public goods and services is not lacking (Balbuena, 2014; Ovens, 2016). Besides their profit motive, SOEs have attributable social benefits for the purpose of the public service (PricewaterhouseCoopers (PwC), 2015). SOEs have to consider both economic objectives (profit motive, economic growth and fiscal sustainability) and public service objectives (empowerment of citizens) (Nugraha, 2017).

SOEs are accountable to various stakeholders, such as the parliament and its oversight committees, government and government agencies, external monitoring parties, such as credit-rating agencies, investors, creditors and most importantly, the general public (OECD, 2009). When the citizens elect the government, they entrust it with the mandate of governing public resources (Stevens, 2021). This demonstrates the contract of accountability between citizens and the government (Public Service Commission (PSC), 2000). Stakeholders want to be made aware of how public funds and resources are being used to benefit the public (Samkin & Schneider, 2010). It is then the right of the citizens to know how the resources are being managed (PSC, 2000).

The underlying issue of misuse of funds, weak ethics, and lack of appropriate oversight mechanisms (Kikeri, 2018; Madumi, 2018; Matsiliza, 2017; McGregor, 2013) continues to cripple SOEs in South Africa, causing a significant impact on its stakeholders. Tax

contributions from ordinary citizens are being used to bail out SOEs such as the electricity provider, Eskom, but citizens are still not able to get to enjoy the use of basic services such as an uninterrupted supply of electricity (Mutize, 2018). Irregular, fruitless expenditure by the SOEs has led to few unmodified audit opinions and overall poor financial performance (Mutize, 2018). These issues underline the loss of accountability and public trust (Yetano, 2019).

Integrated Report

Management of the SOE is obliged to keep the SOE stakeholders informed about their performance, value creation, and sustained outcomes (Moloto, 2020). The integrated report is a direct communication of public policies (Edgar, Beck & Brennan, 2018) and for SOEs, a direct communication of the use of public contribution for the socio-economic development of the country (Aerts, 2002). The concept of integrated reporting is to provide a holistic view of a company's performance and break down the reporting silos that became synonymous with previous communication as both financial and non-financial aspects are covered (de Villiers, Venter & Hsiao, 2017; Eccles & Krzus, 2010; Watson & Monterio, 2012). The integrated report can therefore serve as a means of accountability for SOEs whereby they can provide explanations for different events to stakeholders (Chang & Most, 1985; Merkl-Davies *et al.*, 2011).

One of the most significant changes in annual reporting has been the inclusion of narrative accounting disclosures (Aerts, 2005). Narratives include different communication types such as texts, images and events that

tell a story and are used for communication (Jameson, 2000). Narrative disclosures are an integral part of the corporate financial reporting package as they are deemed to provide a view of the company "through the eyes of management" (Aerts, 2005). Optional narrative information is viewed as a means by which management communicates to their investors the required information to assess a company's current performance and future outlook (Leung, Parker & Lewis, 2015).

There are different sections included in the integrated report, however, the chairman, chief executive officer (CEO), and chief financial officer (CFO) reports are almost universal in all annual integrated reports and are amongst the most read sections of the integrated report by stakeholders for decision-making purposes (Yasseen, Moola-Yasseen & Padi, 2017). The reports provide an account regarding how those charged with governance executed their responsibilities which in turn determines a company's corporate behaviour (Weick, 1995). It also provides insights relating to the leaders of the organisation and the tone that is created and set by those charged with governance (Craig & Tourish, 2010). The performance report is unique to South African SOEs. However, the purpose of the report is to simply hold the SOEs accountable as they provides disclosure on whether they are delivering public services, by comparing their performance against their budgets and strategic plans (KPMG, 2016).

The above reports are all considered narratives which are typically voluntary in nature and the information is not subject to the same strict auditing regulations as the financial section which has to be

audited mandatorily (Williams & Lodhia, 2021). This leads to other possible issues such as the type and extent of the disclosure being determined by management and the qualitative information making it difficult to verify thereby allowing management to include information, they deem appropriate to suit management's narrative (Hassanein & Hussainey, 2015; Li, 2010).

Impression Management

Impression management is a social concept where individuals aim to achieve congruence between their image and the image that is necessary for their desired goals (Wang, 2016). To maintain an ideal corporate image, the management of an entity is willing to report "good news" but hesitant to report "bad news", this demonstrates that entities may thoughtfully engage in actions to build this ideal corporate image (Bolino *et al.*, 2016; Hooghiemstra, 2000; Leung, Parker & Courtis, 2015; Melloni, Stacchezzini & Lai, 2016; Yasseen, Moola-Yasseen & Padi, 2017). When results or performance is viewed as unsatisfactory, there is a conflict of interest between managers and stakeholders which may cause management to conceal negative performance and, therefore, engage in impression management (Aerts, 2005).

A legitimate organisation is seen as more trustworthy and organisations that are perceived to be legitimate will find it easier to attract resources and support, both social and political (Suchman, 1995). However, in the public sector environment where South African SOEs' behaviour is increasingly under scrutiny, scrutiny renders the enterprise exposed to questions of legitimacy (Roper & Schoenberger-Orgad, 2011).

SOEs have the mandate to justify their legitimacy as they are responsible and accountable for public goods and services (Kikeri, 2018; Matsiliza, 2017; World Bank Group, 2018). To achieve legitimacy, the management of SOEs may make use of impression management techniques within the integrated report to portray the entity and its actions in the most favourable way possible to ensure the ongoing support of stakeholders (Allen & Caillouet, 1994; O'Keefe & Conway, 2008; Samkin & Schneider, 2010). Narrative disclosures have been found to provide management with the opportunity to introduce reporting bias and employ impression management techniques in corporate reporting, with the intention of influencing the perception of users on the performance of the organisation (Edgar, Beck & Brennan, 2018).

Impression Management Techniques

Impression management techniques result in misrepresenting information opportunistically in two ways: omission and commission (Jones *et al.*, 2020). Omission is where entities would selectively omit unfavourable information and replace it with favourable information such as future prospects (Brennan & Merkl-Davies, 2013; Hooghiemstra, 2000; Jones *et al.*, 2020). Misrepresentation by commission, the focus of this study, occurs when entities use attribution as an impression management technique in their integrated report relating to narrative disclosures (Aerts, 2005; Allen & Caillouet, 1994; Boiral, 2016; Brennan & Merkl-Davies, 2013; Hooghiemstra, 2000; Merkl-Davies & Brennan, 2011; O'Keefe & Conway, 2008).

Attribution is a form of impression management that is the tendency to attribute

positive effects or outcomes to the company's own actions or corporate origins (company strategy, decisions, know-how) and negative outcomes to external events or chance factors (business climate, inflation, market prices, government policy, weather) (Aerts, 2002, 2005). Attributing positive outcomes to internal causes and negative outcomes to external causes fits traditional forms of impression management because SOEs can shift the focus to justifications rather than internal poor actions (Boiral, 2016). These attributions can be evaluated in different categories, such as external attribution, internal attribution, or neutralisation (Aerts, 2005; Merkl-Davies & Brennan, 2011). External attributional statements can be further analysed for elements of either excuse (responsibility has been denied and pointed at an external factor), justification (the underlined statement accepts responsibility for the negative outcome but points out to other anticipated/achieved positive outcomes), causality (the underlined statement disassociates the company from the negative and suggests that it happened despite an internal measure) and lastly, positive outcomes attributed to external factors (Aerts, 2005). Internal attributional statements can further be analysed for negative acclaiming tendencies (negative outcome attributed to internal factors), or positive acclaiming tendencies (positive outcome attributed to internal factors) (Aerts, 2005).

Neutralisation is where entities provide information and arguments that rationalise and legitimise unethical behaviour or negative issues that impact the image of an entity (Boiral, 2016). Neutralisation can be divided into net positive A (negative impact not denied but claims that it will be corrected in

future), net positive B (negative impact not denied but claims that there will be improvements in the future that will not restore it to its previous state), denial of existence (claiming that negative performance does not exist even though some performance aspects are negative), distancing (negative impact is not denied but are said to be very small), dilution of responsibility (diluted negative impact by saying it is beyond management control or that the negative is as a result of other players including the organisation) (Boiral, 2016).

In addition to the above, it should be noted that the type of data communicated and the way the data is communicated may be forms of impression management. For instance, whether the underlined information being communicated is either quantitative or qualitative (Melloni, Stacchezzini & Lai, 2016). Qualitative narrative disclosures are found to have a higher level of impression management than quantitative data (Leung, Parker & Courtis, 2015). Another category is time orientation, where the information is either forward-looking or non-forward-looking (Melloni, Stacchezzini & Lai, 2016). Forward-looking information is viewed as important as it allows users to understand what an organisation's performance will be in the future (Bozzolan, Trombetta & Beretta, 2009). However, due to the element of prediction, forward-looking data is seen to be susceptible to employing impression management as SOEs can divert attention from current governance issues to future prospects (Melloni, Stacchezzini & Lai, 2016). Sentiment where the underlined information could be positive (good news for the entity) or negative (non-good news for the entity), or neutral can also be used as a

form of impression management (Melloni, Stacchezzini & Lai, 2016).

Since the annual report may be seen as a reflection of management's performance, management of the SOEs is more likely to attribute positive organisational results and outcomes to the entity's own actions and negative outcomes to external events (Yasseen, Moola-Yasseen & Padi, 2017). Based on the above literature the following research questions were developed:

RQ1: How are South African SOEs employing impression management techniques when communicating with stakeholders (overall level)?

RQ2: Which attribution impression management techniques are employed in the chairman, CEO, CFO and performance reports (report level)?

RESEARCH METHOD

The following discussions consider population and sampling, research design and data analysis as well as results of the empirical study.

Population and Sampling

Selected sections contained in the integrated reports of SOEs listed in Schedule 2 of the Public Finance Management Act (PFMA) were analysed for selected impression management techniques. The period covered was the 2019 and 2020 financial year-ends. The integrated reports of the SOEs were downloaded from the respective SOEs' official website for 2019 and 2020. The chairman, CEO, CFO statements, and

performance reports were analysed in the integrated reports for impression management techniques.

Although there are 21 companies listed in Schedule 2, for various reasons, not all SOEs published integrated reports in either year. Nineteen integrated reports were analysed in 2019 and 17 integrated in 2020. In addition, although there may have been integrated reports issues, certain SOEs did not include certain of the reports. For 2019, 19 chairman reports, 19 CEO reports, 12 CFO reports, and 19 performance reports were analysed. For 2020, 16 chairman reports, 17 CEO reports, 10 CFO reports, and 19 performance reports were analysed. This resulted in 76 reports analysed for 2019 and 69 reports for 2020.

Schedule 2 SOEs play a significant role in the economy, contributing to more than 8.5% of GDP and maintaining networks and services in key sectors such as infrastructure, finance, national security, and social sectors (Balbuena, 2014; National Planning Commission of South Africa, 2019). These SOEs have also been at the centre of public scrutiny due to the mismanagement of public funds and deteriorating performances in recent years which has resulted in an increase in public dissatisfaction (Kikeri, 2018; Madumi, 2018; Matsiliza, 2017; McGregor, 2013). It is therefore important for these SOEs to be studied given their economic significance.

RESEARCH DESIGN AND DATA ANALYSIS

Content analysis was applied to determine whether SOEs engage in impression management when disclosing information in

their integrated reports. This study coded paragraphs instead of sentences to consider the cause and effect that could be reasonably linked to each other (Aerts, 2005; Boiral, 2016; Fahr & Rose, 2017; Melloni, Stacchezzini & Lai, 2016). Each paragraph was analysed for the impression management techniques and sub-techniques listed below based on prior literature. In terms of the analysis for sentiment, the visible surface content of the text is coded as the aim is not to code the underlying meaning of the text as evaluating tone can be complex (Cho & Lee, 2014). For each paragraph analysed, the report (chairman, CFO, CEO or performance report) where the paragraph was found was also recorded.

Impression Management Techniques and Sub-Techniques

1. Type of data
 - Quantitative
 - Qualitative
2. Time orientation
 - Forward-looking
 - Non-forward looking
3. Sentiment of the disclosure
 - Positive
 - Negative
 - Neutral
4. Attribution
 - *Internal attribution*
 - Negative acclaiming tendencies (negative outcome attributed to internal factors)

- Positive acclaiming tendencies (positive outcome attributed to internal factors)
 - *External attribution*
 - Excuse
 - Justification
 - Causality
 - Positive outcomes are attributed to external factors
5. Neutralisation
- Net positive A
 - Net positive B
 - Denial of existence
 - Distancing
 - Dilution of responsibility.

A nominal binary system was used to code the data. If a causal paragraph contained a particular impression management technique, it was given a score of 1, and a score of 0 was given if the impression element was not present. In terms of the scoring, a paragraph may have contained more than one impression management technique. A spreadsheet was used on Microsoft Excel to aggregate the results by obtaining the individual score for each impression management technique and sub-technique. The score for each technique and sub-technique allowed RQ1 to be answered as it allowed for an analysis of how the different techniques were implemented using the scores obtained. These results, where applicable, were tabulated or presented in graphical format.

As the report for each paragraph was coded, this enabled the answering of RQ2. The impression management technique per report was aggregated to identify the techniques present for the different reports. This allowed an assessment of whether there are

differences between the different reports in terms of techniques used.

RESULTS

The results contained in this report were produced using a dataset containing a total of 2 279 paragraphs; 1039 (45.6%) from 2019 reports, and 1240 (54.4%) paragraphs from 2020 reports. Apart from the performance report where there were fewer paragraphs, the number of paragraphs increased from 2019 to 2020 by 19%. Paragraphs in the CEO report increased by 46% (2019 = 240 and 2020 = 351), the CFO report had an increase of 61% (2019 = 113 and 2020 = 182), the chairman report increased by 35% (2019 = 209 and 2020 = 283) and the performance report declined by 11% (2019 = 477 and 2020 = 424).

Impression Management Techniques Present – The Overall Level

Type of Data

Time Orientation

For both 2019 and 2020, most of the information disclosed related to non-forward-looking information (2019 = 89.5% and 2020 = 78.5%). In the study by Menicucci (2013), it was found that profitability has a positive association between profitability and the level of disclosure of forward-looking information. Given that the level of financial performance of South African SOEs is in a dire state, this may be a reason for the low level of disclosure of forward-looking information. However, it must be noted there is an increase in forward-looking information when comparing 2019 to 2020 (increase of 11%). The increase in the use of forward-looking information

may suggest that the management of SOEs is considering the use of forward-looking information to engage in impression management. SOEs may also use the qualitative nature of forward-looking narratives to bring the focus of users on soft and non-earning related matters that are in nature, difficult to verify, which was the case in prior research (Schleicher & Walker, 2010).

Quantitative and Qualitative Data

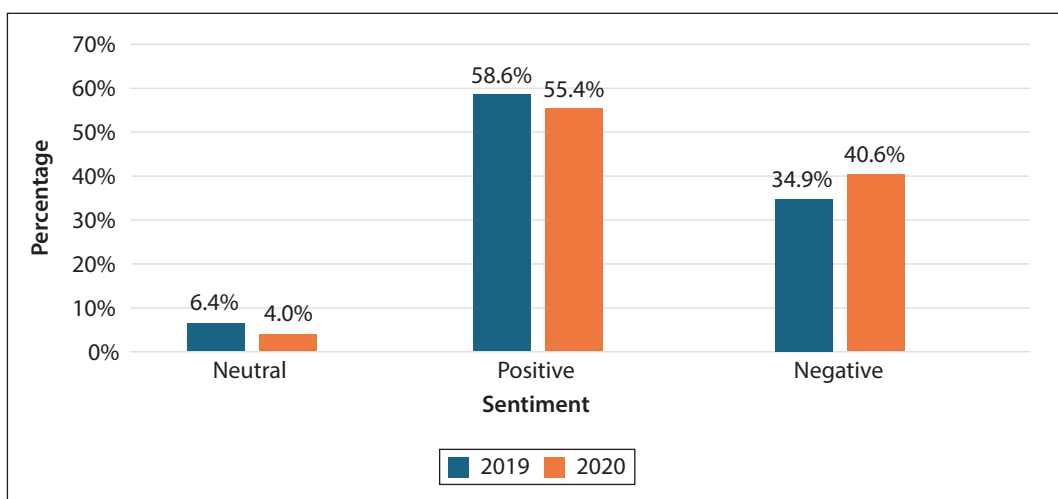
In 2019, most of the paragraphs were quantitative (quantitative = 55.3%, qualitative = 44.7%). However, in 2020, this changed as most of the disclosures were qualitative (quantitative = 45.2%, qualitative = 54.7%). The change in 2020 may be attributed to the Covid-19 pandemic as companies have had to disclose more information given the uncertainty caused by the pandemic (Atkins *et al.*, 2020). Another possible reason is the shift in the change of presentation of the performance report where quantitative

disclosure was supported by more narratives. Like the change in time orientation, there is an increase in qualitative disclosures when comparing 2019 and 2020. As a result, there is a possibility that the management of SOEs is using the type of data to influence users' decisions when 2020 is considered.

Sentiment

Regarding sentiment, Figure 1 provides an overview in terms of the use of sentiment for 2019 and 2022. Most paragraphs had a positive sentiment for both 2019 (58.6%) and 2020 (55.4%). When SOEs have not been performing well and have been in the media for all the wrong reasons, positive information may be used as means to enhance the reputation of the SOE. This is consistent with prior research that where there are adverse financial performances and corporate scandals, management will employ a strategy to present information in a manner that is beneficial to the company

FIGURE 1: Sentiment of Disclosure for 2019 and 2020



Source: Authors

(Merkl-Davies & Brennan, 2007). There is a slight decrease in terms of positive sentiment when comparing 2019 to 2020. In terms of neutral sentiment, this contributed significantly less in terms of the type of sentiment (2019 = 6.4% and 2020 = 4%). Neutral disclosures were minor for both years as they mainly relate to introductory paragraphs, closing statements or where no growth was noted. Based on the above, it does appear that sentiment is used as an impression management technique by SOEs when presenting the information.

Attribution and Neutralisation

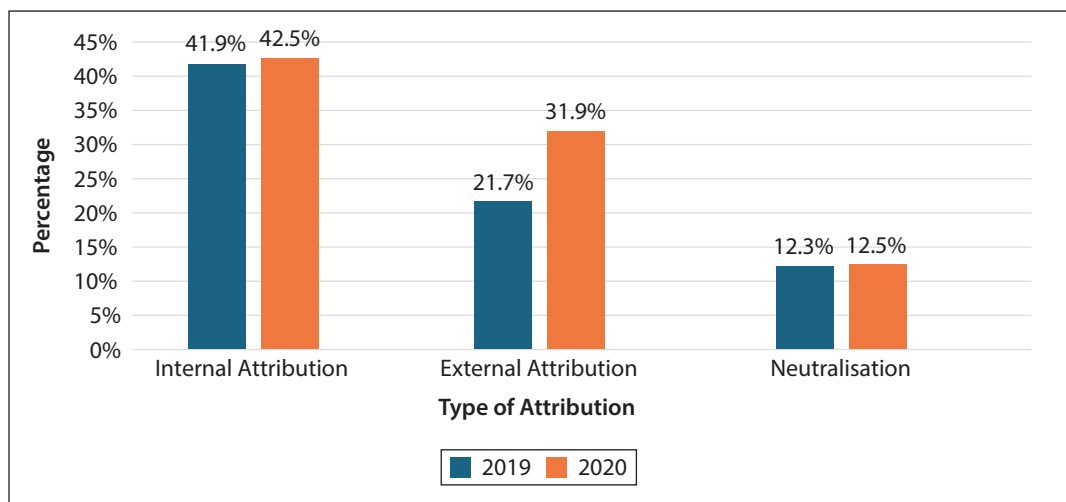
Based on Figure 2, attribution is used as an impression management technique by SOEs when reporting information. Internal attribution is the most dominant attribution technique used for 2019 and 2020. Internal attribution and neutralisation stayed fairly constant in both years, however, it can be seen that the use of external attribution had

increased by 2020. Neutralisation was not found to be common. This could be attributed to the fact that with neutralisation techniques, SOEs accept accountability to some extent, which is not necessarily what South African SOEs want to do.

In terms of internal attribution, the majority of paragraphs for both 2019 (74.7%) and 2020 (84.8%) related to internal acclaiming where positive news was attributed to the SOE. This aligned with impression management literature where positive performance is attributed to internal factors to present a better image of management (Bowman, 1976; Brennan & Merkl-Davies, 2009; Edgar, Beck & Brennan, 2018). This finding suggests that SOEs engaged in impression management by attributing the positive outcome to internal factors to appear legitimate.

In terms of negative acclaiming tendencies, the percentage was lower when compared

FIGURE 2: Attribution and Neutralisation Techniques for 2019 and 2020



Source: Authors

to positive acclaiming (2019 = 25.3% and 2020 = 15.2%). The use of negative acclaiming tendencies also declined when comparing 2020 to 2019. SOEs have been surrounded by negativity and not acclaiming the negativity is consistent with impression management. Negative performance creates a conflict of interest between managers and stakeholders and therefore management would not be willing to take responsibility for the negative performance.

External Attribution

Figure 3 provides an overview of external attribution patterns. Regarding external attribution in 2019 causality was used the least (11.6%) and in 2020 decreased to 3.3%. Excuse was the most used external attribution in both 2019 and 2020. Given that SOEs' legitimacy is in question, they would want to avoid scrutiny based on their reasons provided for negative outcomes and attribute the negative impacts to external factors. In 2020 the Covid-19 pandemic occurred, and it was found that SOEs attributed outcomes to the pandemic. This may also be a reason

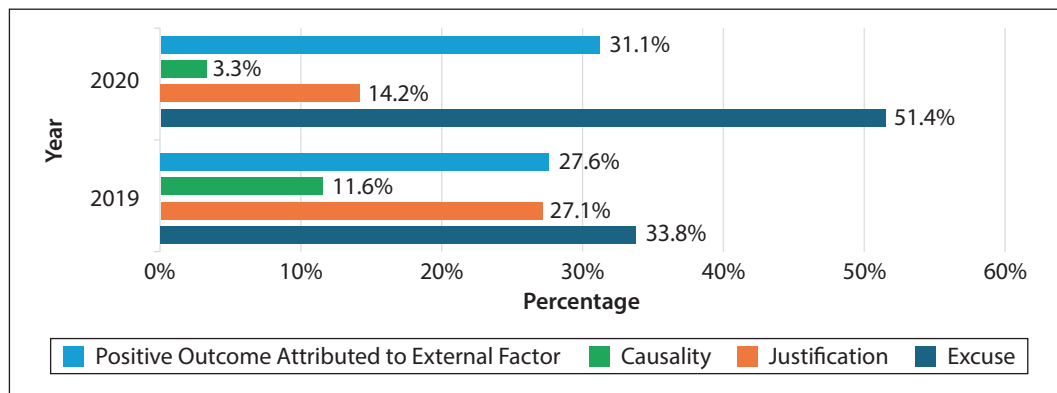
for the increase in the use of excuse when comparing 2019 and 2020. The use of justification reduced when 2019 was compared to 2020 by 8.2%. With legitimacy at stake, SOEs would not want to acknowledge the negative event and consequently, but rather preserve their image, which may explain the decline from 2019 to 2020.

An interesting point to note is that positive outcomes are attributed to external factors, and this means that management is not taking credit for the positive event. Given that South African SOEs face a myriad of challenges if all positive outcomes were attributed to management, this will raise concerns with the stakeholders. The attribution to external factors helps SOEs not to exaggerate and come across as self-promoters (Aerts, 2005).

Neutralisation

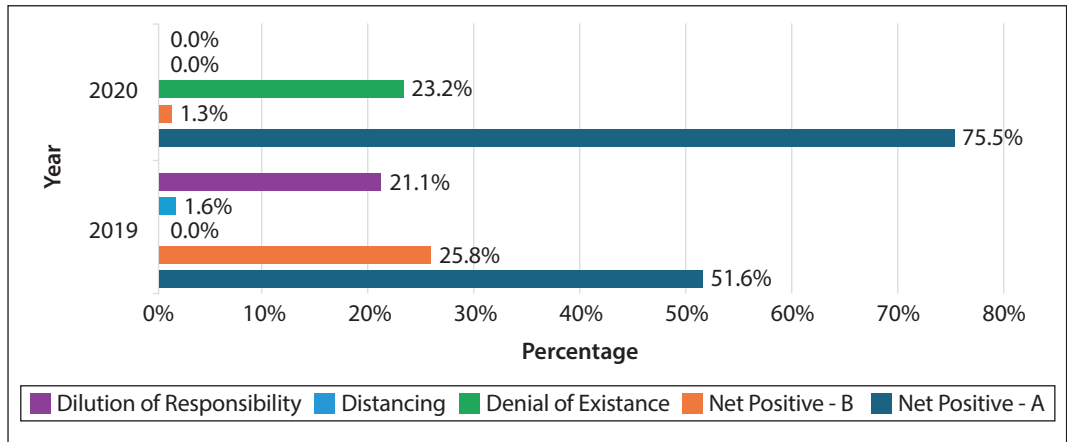
Net positive A was the most dominant technique used in both 2019 (51.6%) and 2020 (75.5%) as can be seen in Figure 4 on the next page. Net Positive A may be strong because the SOE does not essentially deny

FIGURE 3: External Attribution 2019 and 2020



Source: Authors

FIGURE 4: Neutralisation 2019 and 2020



Source: Authors

the possibility of negative impacts but rather claims that these impacts will be corrected; in this way, an optimistic view is created that raises social expectations (Boiral, 2016). Net-positive B was also used in 2019 (25.8%) but this dropped by a large percentage to 1.3% in 2020. Net-positive B indicates that the situation of the company will not be restored to its previous state and therefore this does not create a positive image of the company, which may explain the decline from 2019 to 2020. In terms of denial of existence, it is interesting to note that there was an increase from 2019 (0%) to 2020 (23.2%). This indicates that SOEs appear to be claiming in some instances that negative outcomes do not exist although publications and news resulting from SOEs are widespread.

Impression Management Technique Per Report

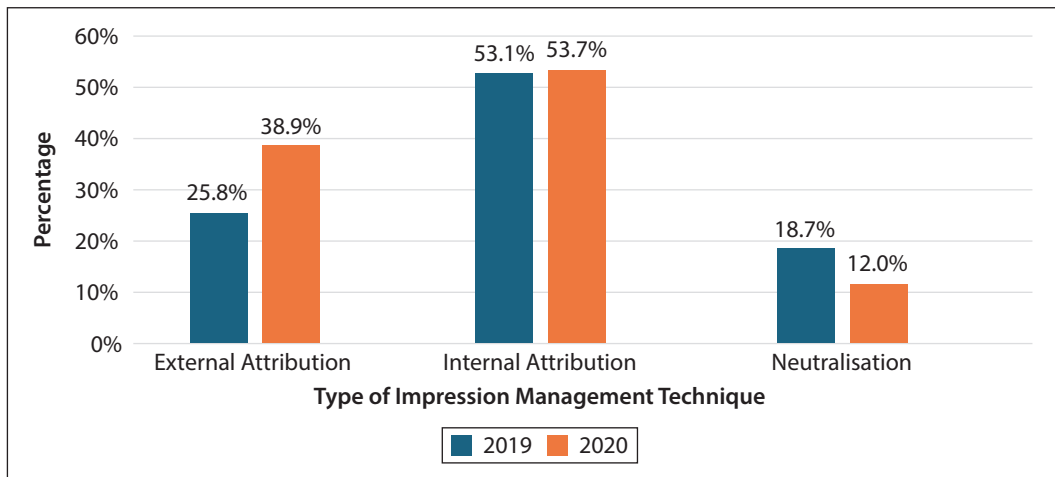
Chairman's Report

In terms of the chairman's report, the majority of information for both 2019 (81.8%)

and 2020 (66.1%) was non-forward-looking. However, the overall trend in terms of the shift from non-forward to forward-looking information is also evident in the chairman's report. In terms of quantitative and qualitative information, the majority of information is qualitative for both 2019 (87.1%) and 2020 (86.9%). The content of the chairman reports focuses on past achievements, future events, environment, growth and operating philosophy, which may explain the use of qualitative information (Moreno *et al.*, 2019). However, the use of predominantly qualitative information does allow the chairman to alter narratives to create a better perception of the SOE. It is interesting to note that there was an increase in negative information from 2019 (23.4%) to 2020 (33.2%).

From Figure 5 on the next page, it can be seen that internal attribution is the most common impression management technique used and this stayed consistent in 2019 and 2020. In both 2019 (45%) and 2020 (47.3%), positive statements in the chairman's report

FIGURE 5: Impression Management Technique - Chairman's Report



Source: Authors

were attributed to internal factors. There was an increase in the use of external attribution when comparing 2019 to 2020. For external attribution the most used technique was the attribution of positive outcomes to external factors in 2019 (11%) and 2020 (17.7%). As the chairman is meant to be an independent party, there may be some effort by them to appear to be independent. Excuse was also found to be used in 2019 (9.1%) and 2020 (17.3%). The increase may be attributed to the Covid-19 pandemic where negative news was attributed to the pandemic. In 2020, it appears that excuse was used to a larger extent indicating a change in the use of impression management techniques.

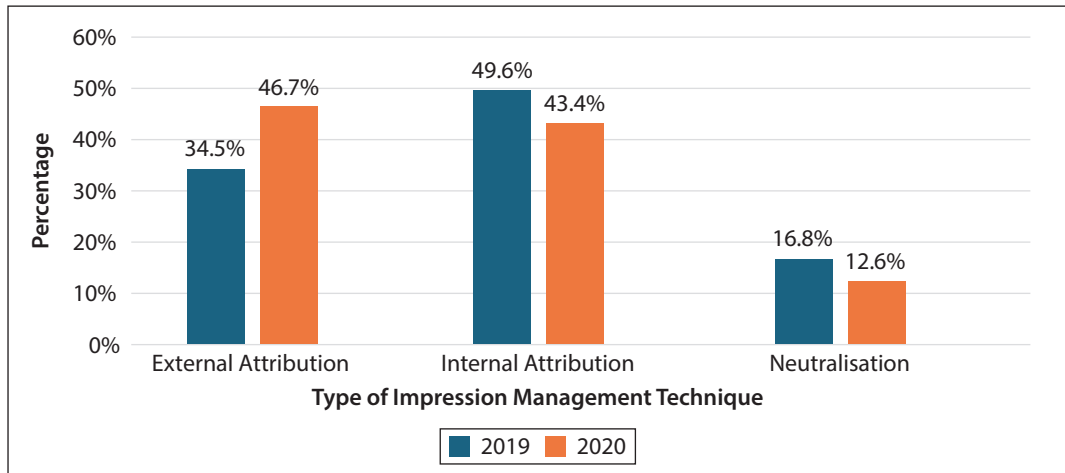
Based on the above there is impression management employed as positive news is attributed to the SOE mainly. However, there appears to be some attempt by the chairman to attribute positive information to the underlying as opposed to taking credit for everything positive.

CFO Report

In terms of time orientation, the results are similar to the chairman's report. Non-forward-looking information dominated in both 2019 (89.4%) and 2020 (73.6%). However, an increase in forward-looking information is also noted (2019 – 10.62% and 2020 – 26.4%). In terms of the type of information, most of the information was qualitative for both 2019 (52.2%) and 2020 (50.5%). However, it should be noted that the percentage of quantitative information was similar to the percentage of qualitative information. Due to the CFO's broader involvement, there is now higher importance placed on the CFO's words, which may explain the use of both quantitative and qualitative information (Johnsson, 2021). The CFO report contained a similar amount of positive (2019 – 47.8%, 2020 – 49.5%) and negative information indicating there is not an emphasis on a specific tone. See Figure 6.

Based on this, it does not appear that the CFO reports use tone, type, or time orientation as

FIGURE 6: Impression Management Technique - CFO Report



Source: Authors

a means of manipulation to the same extent as the CEO and chairman's reports.

In 2019 the CFO's report contained more than internal attribution, however, this changed in 2020 when external attribution was used to a slightly greater extent. Attributing positive outcomes internally was common in both 2019 (33.6%) and 2020 (36.3%). The use of negative acclaiming tendencies declined when comparing 2019 (15.9%) to 2020 (7.1%) suggesting a move away from attributing negative issues internally. Excuse was most used in both 2019 (14.2%) and 2020 (24.2%) with an increase in 2020 noted supporting the above statement that the CFO does not want to be associated with negative news. Neutralisation was not used as much as internal and external attribution.

Overall, it can be concluded that the CFO's report does contain certain impression management techniques. As the CFO is responsible for the overall management of the SOE, there

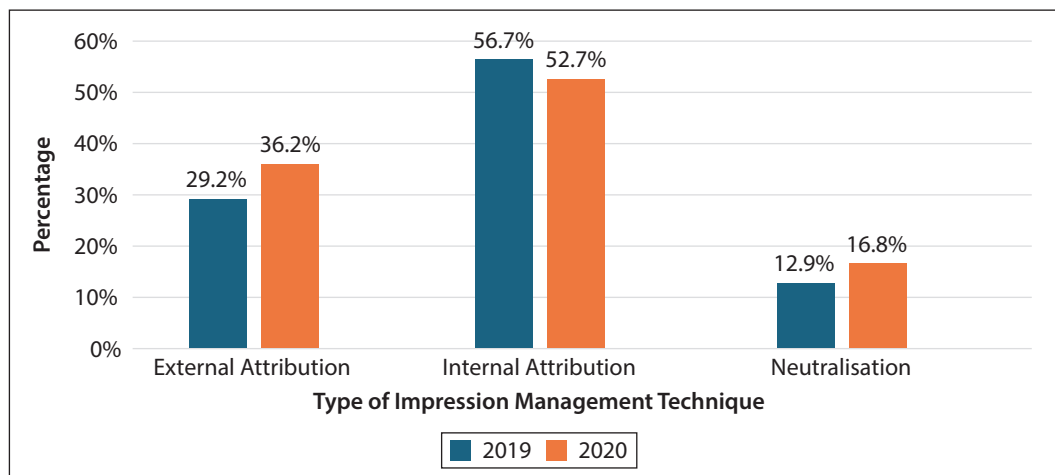
is more of an attempt to enhance the SOE's image and create a distance from the negative information.

CEO Report

The CEO report mainly contained non-forward-looking information in 2019 (80.0%) and 2020 (67.8%). An increase in forward-looking information is also noted which is the same pattern identified in the Chairman and CFO reports. The type of information was mainly qualitative in 2019 (73.3%) and 2020 (78.1%). Positive information was more common in both 2019 (64.6%) and 2020 (61.3%). The CEO report does appear to be using certain impression management techniques such as the use of positive and qualitative information when disclosing information. See Figure 7 on the next page.

Internal attribution dominated in 2019 and 2020. Some changes noted are that external attribution and neutralisation increased in both 2019 and 2020. In terms of internal

FIGURE 7: Impression Management Technique - CEO Report



Source: Authors

attribution, 47.1% of paragraphs in 2019 and 46.7% in 2020 attributed positive information to the SOE. Negative acclaiming tendencies reduced from 9.6% in 2019 to 6% in 2020. This indicates that the CEO's report contains impression management techniques that allow the SOE to be portrayed in a better view by stakeholders.

In 2019 the CEO report contained more justification (11.7%) with only 7.5% of paragraphs containing excuse. In 2020 this shifted as 16.8% of paragraphs contained excuse and only 4.8% contained justification. The possible shift to excuse could be attributed to the Covid-19 pandemic where negative information could be attributed to the pandemic.

Performance Report

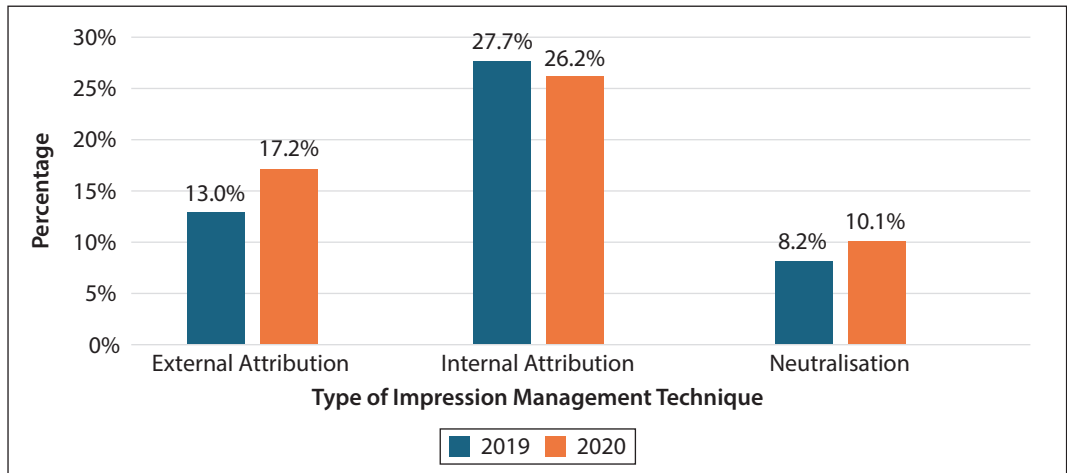
The performance report contained majority non-forward-looking information in both 2019 (97.7%) and 2020 (97.9%). Non-forward-looking disclosures seem reasonable since the performance reports are based

on past goals. Most of the information was also found to be quantitative (2019 – 90.1% and 2020 – 84.2%). For the performance report 53.7% of paragraphs contained positive information in 2019. In 2020 the number of negative information paragraphs (48.3%) slightly exceeded positive paragraphs. As a result, in 2020 sentiment was not used as a major impression management technique when compared to the CEO and chairman reports.

The performance report was an exception where quantitative, non-forward-looking information was most prevalent for both years. Given that the performance report is a report on targets set versus what was achieved, it would be difficult to manipulate this information as a result this may be the only report which truly reflects the state of SOEs.

The percentage of paragraphs containing impression management is less when

FIGURE 8: Impression Management Technique - Performance Report



Source: Authors

compared to the other reports as can be seen in Figure 8. Internal attribution was the most common technique used in both 2019 and 2020. The use of internal acclaiming tendencies was used in both 2019 (16.8%) and 2020 (19.6%). There was a decline noted in negative acclaiming tendencies (2019 – 10.9% and 2020 – 6.6%). Although neutralisation is not as common, an increase is noted with dilution and not-positive A found to be most used.

The use of these techniques indicates that the SOE is using information in the performance report to some extent to enhance the SOE's image. Although the techniques used are not as prevalent as the other reports, bias and manipulation is present.

Overall View of Impression Management for the Different Reports

Across all reports, there was some type of impression management technique found. Across all reports, non-forward-looking

information was prevalent in 2019 and 2020. However, increases in forward-looking information were evident across all reports apart from the performance report. This indicates time orientation was perhaps not used to manipulate information; however, there appears to be a move to using more forward-looking information, which may make manipulation easier.

In terms of the type of information, qualitative information was more prevalent indicating that the different reports may be using qualitative information to influence users' decisions as it allows explanations of negative information. Positive information was also commonly found in reports for both 2019 and 2020. An exception was the performance report in 2020 where negative information slightly exceeded positive information. This indicates that for most reports the findings are aligned with prior literature, which indicates that positive information is usually emphasised by management as this allows a better

image of the SOE to be formed (Hooghiemstra, 2000; Leung, Parker & Courtis, 2015; Melloni, Stacchezzini & Lai, 2016).

Across all reports, internal attribution was the most utilised technique, particularly internal acclaiming tendencies where positive news is attributed to the SOE. Although negative acclaiming tendencies were also found, these were not as high, and declines were noted, suggesting a move by SOEs to be disassociated with negative news. Regarding external attribution, excuse was found to be the most predominant impression management technique in 2019 and 2020.

The above indicates that the different reports of SOEs are being used as a means of impression management. The findings are aligned with prior findings that indicate that narrative information allows management to employ bias when communicating information to stakeholders (Edgar, Beck & Brennan, 2018).

CONCLUSION

The purpose of this study was to analyse whether certain impression management techniques were employed by South African SOEs in their integrated reports when disclosing information in key sections of the integrated report. Despite the challenges that SOEs in South Africa have faced in recent years, the narratives disclosed create a notion of optimism, a conception of trust, and a sense of accountability, all to achieve legitimacy, and this is intricately achieved by managing the impression the words make in the chairman, CEO, CFO and performance reports.

SOEs are changing the way they are reporting as is evident from 2020 where it appears that

thematic manipulation is used when disclosing information. In 2020 it was found that qualitative and positive information were mainly disclosed. Further, although there was more non-forward-looking information in 2020, a trend was identified where an increase in forward-looking information was used (an increase of 11%). Given the increased scrutiny SOEs are under, the change to positive, qualitative and forward-looking information allows SOEs to change the narrative that is disclosed to stakeholders to allow perceptions to be changed.

The findings also indicate that SOEs use internal attributional statements extensively, specifically in the form of a positive acclaiming tendency for both 2019 and 2020. This once again indicates that SOEs are using the integrated report to present an optimistic image of the SOEs. External attribution was the second most used technique with excuses commonly used. The attribution of positive information to the SOE and the blaming of negative information on an external cause can be viewed as a means to legitimise SOEs' position to stakeholders. Neutralisation was the technique least used as it appears that SOEs are refraining from acknowledging challenges and negative behaviour.

Qualitative, positive information dominated almost all the sections examined indicating that each of the key sections are used as tools to further the interests of the management of SOEs. Further, the increase in forward-looking information and decline in non-forward-looking information was noted in most reports. Some increases in negative information were recorded across the reports. This may indicate that management is aware that if only positive information is disclosed

it may result in suspicions being raised by stakeholders as the state of SOEs is not hidden and is regularly discussed in the media.

Further research can be conducted by expanding the scope and studying all SOEs in South Africa to identify if there are differences amongst types of SOEs, depending on their mandate. The study can also be expanded to other developing economies in Africa. In the past, South African SOEs were known to be

efficient and considered to be value creators. The period could be extended to years when SOEs were in a better position to understand if there has been a change in reporting and the use of impression management techniques. Lastly, the study only focused on a few impression management techniques. Future studies can consider other forms of impression management and how these are employed by SOEs, for instance, concealment in reports of SOEs.

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