Chapter 9

Impression Management Strategies in the Chairmen’s Statements: Evidence From the Portuguese Banking Industry

Jonas da Silva Oliveira
https://orcid.org/0000-0001-5374-1062
Instituto Universitário de Lisboa (ISCTE-IUL), Portugal

Graça Maria do Carmo Azevedo
https://orcid.org/0000-0002-6346-4035
University of Aveiro, Portugal

Stéphanie Fernandes Pinheiro
University of Aveiro, Portugal

Maria Fátima Ribeiro Borges
University of Aveiro, Portugal

ABSTRACT

This chapter assesses the influence of organizational performance in the adoption of impression management strategies in the Chairmen’s statements of the Portuguese financial companies. It also evaluates the impact of the financial crisis on the adoption of impression management strategies. To this end, and using the content analysis of the Chairmen’s statements included in the individual annual reports for 2006-2012 of 27 financial institutions, the authors conclude that even throughout the financial crisis period, Portuguese financial companies did not tend to adopt more impression management strategies. However, they have seen that in some years there is some evidence of its adoption.

DOI: 10.4018/978-1-5225-7817-8.ch009
INTRODUCTION

Impression Management has been defined as the “conscious or unconscious attempt to control images that are projected during actual or potential social interactions” (Schlenker, 1980, p.6). Hooghiemstra (2000, p.60) defines IM as “a branch of social psychology that studies how individuals present themselves to others in order to be perceived favourably by them.”

In a context of financial reporting, IM strategies contemplate attempts “to control and manipulate users’ perception of the financial information disclosed” (Clatworthy & Jones, 2001, p.311). The literature on the quality of financial reporting has indicated that these strategies take the form of subliminal, verbal and/or non-verbal messages through manipulation of the content and presentation of financial information (Hooghiemstra 2000, Merkl-Davies & Brennan 2007).

In the annual reports, voluntary information has been increasingly disclosed. However, this information is not audited (Clatworthy & Jones, 2006). In this type of voluntary information, the Chairman’s statement (CS) has been an increasingly important component of these reports and a relevant indicator of firms’ financial performance (Smith & Taffler, 1995). Smith and Taffler (2000) consider that both the keywords and the narrative themes in the CS are useful for discriminating between corrupt and healthy companies.

Much of the existing literature is based on an economic perspective, in which the adoption of IM strategies is related to negative organizational performance (Brennan et al., 2009; Merkl-Davies & Brennan, 2007, Merkl-Davies et al., 2011). According to this perspective, IM is seen as reflecting the opportunistic behaviour of managers to consciously disguise investors’ perception of a company’s performance (Merkl-Davies & Brennan, 2007). However, some studies use a social psychology perspective to try to explain the motivations for the adoption of IM strategies (Merkl-Davies et al., 2011). According to this perspective, IM may derive from the opportunistic behaviour of managers to consciously disguise the corporate image, or simply from the informational process, through which managers contextualize events favourably (Oliveira et al., 2016).

Most of the existing literature is based on samples from Anglo-Saxon companies (Brennan et al., 2009; Merkl-Davies & Brennan, 2007; Merkl-Davies et al., 2011). The literature on the adoption of IM strategies by Portuguese banks is scarce (Oliveira et al., 2016; Costa et al, 2011).

This study intends to analyze the CS of Portuguese financial companies, during a period in which these companies experienced a very unfavourable financial period. More specifically, we analyze the period from 2006 to 2012 in order to assess if, during periods of financial distress, Portuguese financial companies use more IM strategies to manipulate stakeholders’ perception on companies’ performance. In 2008, the global financial crisis had a negative impact on the Portuguese economy, which still resents today. The Portuguese government was bailed out by the International Monetary Fund and was forced to take extreme measures in order to cut public spending, increase market liquidity, basically through higher tax and lower wages. This article is structured as follows: it describes the literature review and develops a set of research hypotheses. Subsequently, it explains the research methodology, discusses results, and it finalizes with conclusions, limitations and proposals for future studies.
Related Content

Deferred Tax Positions under the Prism of Financial Crisis and the Effects of a Corporate Tax Reform

Information Asymmetries in the Context of Restatement Announcements
[www.igi-global.com/chapter/information-asymmetries-in-the-context-of-restatement-announcements/173109?camid=4v1a](www.igi-global.com/chapter/information-asymmetries-in-the-context-of-restatement-announcements/173109?camid=4v1a)

Causality between Credit Deposit Ratio and Credit Share in Major Indian States during 1972 - 2008

Crisis Effects on the Capital Structure Determinants for Manufacturing Companies
[www.igi-global.com/chapter/crisis-effects-capital-structure-determinants/77025?camid=4v1a](www.igi-global.com/chapter/crisis-effects-capital-structure-determinants/77025?camid=4v1a)