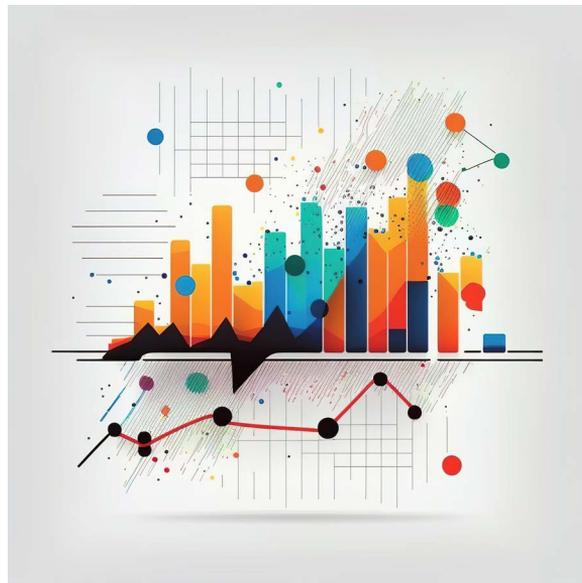


**KATARZYNA CZAJKOWSKA**



**NARRATIVES IN ACCOUNTING AS  
AN IMPRESSION MANAGEMENT TOOL**

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## Narratives in accounting as an impression management tool

### Summary

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### Introduction

Information generated in an accounting system is communicated to stakeholders not only through numbers but also through narrative and graphical means. The products of an accounting system are not limited solely to financial statements. In fact, information supplementing traditional financial statements creates increasingly broader and more diversified narrative reporting.

Based on the literature analysis, the author has identified the issue of narrative in accounting, the significance of which is growing nowadays due to the increasing importance of narrative reporting. Narratives still seem to be marginally addressed in accounting research. In fact, narrative analysis is difficult and requires a considerable amount of work. Moreover, a significant problem in this area is the lack of tools that can be used to verify narratives in accounting.

Research results presented in the literature indicate that economic entities utilise various narratives to present financial and non-financial information included in their reports in a positive and attractive way for the recipient. Using reporting to create the desired image of an entity can be done through impression management, a concept that is still relatively new and not sufficiently examined. Similarly to the topic of narrative in accounting, it requires reference to the achievements of other scientific disciplines, especially psychology and those related to language.

The author has identified an extensive research gap in the study of Polish narrative reporting in the context of impression management. The few studies conducted by Polish researchers on reporting forms written in Polish mainly concerned the short form, such as a letter to shareholders, or were limited to a small number of reports. The scarcity of studies on longer forms of reporting and larger samples may result from the significant amount of time and labour required to analyse this type of documents. Polish researchers have been dealing with the topic of impression management in the reporting of Polish companies for a relatively short time, so the remaining research gap is extensive. Therefore, there is a need to examine forms longer than letters to shareholders as well as to conduct studies on larger research samples.

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More in the monograph in Polish: Czajkowska, K. (2024). *Narracje w rachunkowości jako narzędzie zarządzania wrażeniem*. Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu. <https://doi.org/10.18559/978-83-8211-205-4>

Most of the existing research on impression management in accounting has focused only on a few selected methods of impression management. There is a need for a comprehensive approach to this topic, including research on a wide range of different methods of impression management. Another important issue is the need to refer the achievements of foreign researchers regarding reporting forms in other languages, mainly in English, to texts in Polish provided by Polish business entities. Furthermore, there is also a need to check the tools that are successfully used for examining English-language reports and answer the question about the possibility of using them in the analysis of narratives in Polish.

The author sees the need to develop a comprehensive list of impression management strategies in narrative reporting and the corresponding tools, as well as the need to develop a comprehensive approach to the issue of methods for detecting impression management in narrative reporting and a collective classification. In addition, the author has also identified the need for a quantitative approach to impression management in accounting, which would enable comparison of reporting forms of a given entity for different periods as well as reports of different entities. A particular need concerns an appropriate, synthetic tool for examining impression management in reporting forms written in Polish.

### **Research problem, aims, objectives and questions**

The above-mentioned premises have led to the identification of the research problem within the research area of accounting for business entities, including narrative reporting; the research problem requires determining such issues as:

- the essence, purpose and methods of impression management using narrative in accounting,
- methods for detecting impression management in narrative reporting.

The main aim of the monograph is to assess the relationship between narrative in accounting and impression management as well as to develop a comprehensive measure of impression management in narrative reporting.

In order to achieve this aim, the following specific objectives needed to be set and implemented:

- explaining the relationship between accounting and language as well as the importance and development of narrative in accounting,
- reviewing the definition of impression management and impression management methods with the use of narrative in accounting,
- conducting a review of the achievements and methods specific to the social sciences and humanities in terms of their usability for studying narrative in reporting,

- identifying ways of using narrative for impression management in management commentaries of companies listed on the Warsaw Stock Exchange,
- classifying impression management strategies using narrative reporting,
- developing a classification of methods for detecting impression management in narrative reporting forms.

The author has decided to abandon hypothesis in favour of focusing on achieving the main aim of the work. The preliminary analysis of the research problem has led to the formulation of the following research questions:

1. What methods of impression management identified in narrative reports in other languages and described in foreign literature appear in Polish narrative reports?
2. What impression management methods are used in the management commentaries (written in Polish) of companies listed on the Warsaw Stock Exchange?
3. What impression management research methods can be used for analysing and evaluating narrative reports in Polish?

### **Scope of research and research entity**

The subject of the research is narratives in accounting and impression management.

In the theoretical part, the research entity consists of economic entities which keep accounting books. In the empirical part, the research entity encompasses companies listed on the Warsaw Stock Exchange and included in the WIG-ESG index or sWIG80 index.

The time scope of the study has not been clearly defined in the theoretical part, whereas the empirical research covers the years 2008–2009 and 2018–2019.

### **Methodology and data sources**

The implementation of the main aim and specific objectives determined the choice of research methods. In the theoretical part, in considerations regarding the research area and the research subject, the author utilised mainly the method of critical literature analysis, the method of critical-comparative analysis and the descriptive method. Furthermore, the method of analogy was also used in order to relate the general meaning of concepts to accounting. The conclusions were developed using the methods of synthesis and deduction. In the empirical part, content analysis and the method of comparative analysis were applied to the management commentaries under analysis. Finally, the author also used such computer software as the application Jasnopis.

Research sources used in the monograph include:

- Polish and English scientific works in the field of accounting and other disciplines, including linguistics, in the form of scientific articles, scientific monographs and conference materials,

- Polish and international legal regulations in the field of accounting and accounting standards,
- results of empirical research conducted by the author in the form of an audit of management commentaries.

### **Structure of the monograph**

The structure of the monograph has been subordinated to the designated aim and specific objectives. The study is divided into five chapters, preceded by an introduction and concluded with final remarks. At the end of the monograph there is a bibliography, a list of tables, a list of figures and a list of charts, as well as four appendices containing detailed fragments of management commentaries illustrating examples of impression management; there are also letters to shareholders as an example used in order to demonstrate the application of the developed comprehensive measure of impression management in narrative reporting.

Chapter One of the monograph is devoted to the research area and the first research subject, i.e. narratives in accounting. The considerations are carried out in four points.

First, the author presents various definitions of accounting as an information system presented in the literature. The subject of accounting and its functions, especially the information function, are considered here. The author highlights the qualitative features of information in accounting. Next, the author presents the essence of the communication process and analyses accounting as a communication tool between information senders, i.e. their creators, and information recipients, i.e. their users.

The next section of Chapter One presents considerations regarding the relationship between accounting and language. The author justifies recognising accounting as a language and compares elements of the natural language and accounting language, indicating differences between them. The functions of accounting as a language are considered here. Finally, the possibility of conducting linguistic research on the accounting language is assessed in this section.

The third section focuses on presenting the essence of narrative in accounting and indicates places of its occurrence. The author proposes her own definition of narrative in accounting and makes considerations on the factors of its development.

The last stage of considerations in Chapter One is the scope of accounting, especially reporting, and the reporting forms accompanying financial statements using narrative. The purposes of using narrative in accounting are considered here. The advantages and disadvantages of narrative reporting indicated in the literature are identified. Finally, the author assesses narrative reporting in the context of the qualitative characteristics of information and indicates directions for its improvement.

Chapter Two focuses on the second subject of the monograph, i.e. impression management. This chapter consists of four parts.

The first part of the chapter focuses on the essence of impression management. The author presents definitions of impression found in the literature and the relationship between this term and the concept of image. Next, based on the definitions available in the literature, the meaning of the term “impression management” is presented.

The next stage of considerations includes an analysis of the definition of impression management in accounting. The author presents the aims of impression management in accounting and compares tools for creating the image of a business entity in accounting, including impression management.

The third section of Chapter Two focuses on the methods of impression management using narrative in accounting presented in the literature.

The last element discussed in Chapter Two is the management commentary, which is a potential subject of impression management. In this section, the author explains why such a report is treated as a potential subject of impression management.

Chapter Three is devoted to searching for ways to study narrative in accounting and methods for detecting impression management in narrative reporting forms in the context of the achievements of the social sciences and humanities. This chapter is divided into five parts.

The first section concerns narrative reporting in the light of the achievements of the social sciences. The focus here is on behavioural and psychological aspects. The author highlights human cognitive processes and their importance in the context of preparing reports, with particular emphasis on cognitive errors that create the possibility of being used for manipulating information. Next, the influence of behavioural factors on narrative reporting is explained.

The second part of the chapter discusses the achievements of humanities in relation to narrative in reporting and its research. In this section, the author also considers the possibility and necessity to study accounting from the perspective of language sciences.

The third section presents considerations for external verification of narrative reporting. An analysis of the legal status in the field of examining reports using narrative has been carried out here. Furthermore, the author assesses the need to subject narrative reporting forms to an external audit. Finally, considerations are made on the examination of narrative reporting by an external entity.

The next part presents methods of examining narrative shown in the literature, which have already been successfully used for research in the area of narrative or which could be adapted to examine the texts of statements and reports created in the accounting system. In this section, the author makes considerations on the narrative research methods and the possibility of their application in accounting.

The last part of Chapter Three presents methods for detecting impression management in narrative reporting forms. The author explains selected methods for detecting impression management presented in the literature, divided into ways of

managing impression. The author highlights the scarcity of examples of attempts at a synthetic approach to the study of impression management in accounting.

Chapter Four is empirical in nature and contains conclusions from the empirical study. It is divided into five parts.

The first section of the chapter presents the aims of the empirical study. The main aim of the study was to identify ways of using narrative for impression management in management commentaries of companies listed on the Warsaw Stock Exchange, which corresponds to the fourth specific objective of the monograph. The following specific objectives of the study have also been formulated:

- highlighting impression management methods (described in the literature) in Polish reports published by companies listed on the Warsaw Stock Exchange,
- examining what impression management research methods can be used for analysing and evaluating a management commentary in Polish,
- indicating differences between the management commentaries for 2008–2009 and the reports for 2018–2019, as well as differences between the management commentaries of companies from the WIG-ESG index and the reports of companies from the sWIG80 index in the context of impression management.

Determining the objectives of the empirical study led to the establishment of the research sample. Ultimately, the research sample included 336 management commentaries for 2008, 2009, 2018 or 2019 of companies listed on the Warsaw Stock Exchange and included in the WIG-ESG or sWIG80 indices.

The next part of the chapter presents a description of the empirical study, which is innovative mainly for the three following reasons:

- it covers a wide range of different ways of impression management and is a comprehensive approach to the topic,
- the author examined management commentaries which have so far been the subject of very few studies,
- reports written in Polish were subjected to extensive examination.

Next, the author presents the results of the empirical study in its individual stages and the conclusions drawn on the basis of these results.

Chapter Five contains the author's response to the identified research gaps indicating the need to develop a comprehensive classification of impression management methods in accounting and a thorough classification of methods for detecting impression management in narrative reporting, as well as a comprehensive measure of impression management in narrative reporting. Chapter Five consists of four parts.

The first part of this chapter presents the author's definitions of impression management strategy in accounting and impression management in accounting. The classification of impression management methods found in the literature is reviewed in this section, followed by a presentation of selected methods. The author has made

her own classification of impression management strategies and proposes additional divisions of these strategies.

The next section defines the impression management detection method. The author has made her own classification of methods for detecting impression management in narrative reporting forms.

The third part of the chapter presents the Impression Management in Narrative Reporting Index (IMNR) developed by the author, which is a summary measure of this management. The method of interpreting the IMNR index and its possible applications are presented in this section. Additionally, the author indicates the limitations of this index and sets the directions for its further development.

The last part of Chapter Five presents an example of the use of the Impression Management in Narrative Reporting Index with a detailed explanation. A letter to the shareholders of an imaginary company XYZ SA was created using selected sentences from authentic letters to shareholders of Polish joint-stock companies. Using this letter to shareholders as an example, the author presents the subsequent steps of text analysis and calculating the Impression Management in Narrative Reporting Index.

The conclusion is a summary of the considerations contained in the monograph. The conclusions made in individual chapters of the study as a result of literature and empirical research are presented in a synthetic manner in this part of the work. The author's assessment of the cognitive values of the work is also presented in the conclusion together with the directions for further research.

## Results

The literature and empirical research conducted as part of this monograph has made it possible to achieve the main aim and specific objectives, and the conducted empirical study as well as the presented considerations have made it possible to answer the research questions.

The result of the literature and empirical research carried out by the author are numerous conclusions regarding narrative in accounting and impression management, in particular impression management strategies using narrative reporting as well as methods for detecting and measuring impression management in narrative reporting forms.

The first specific objective was achieved following the literature research conducted in Chapter One. Based on the analysis of the literature and her own reflections, the author indicated that accounting has very strong connections with language. Thus, narrative in accounting was defined. Furthermore, the literature research allowed the author to identify factors for the development of narratives in accounting. Further literature research led to the conclusion that there was no commonly accepted definition of narrative reporting in the literature, so the author proposed her own definition. In addition, the author discussed the views of the scientific community on

narrative reporting and on this basis distinguished its advantages and disadvantages. Narrative reporting was also assessed in the context of the qualitative characteristics of the information.

Chapter Two is devoted to the discussion of the second subject of the monograph, i.e. impression management, and thus the implementation of the second specific objective. Additionally, the reasoning carried out in this chapter in relation to the considerations from Chapter One allowed for the implementation of the first part of the main aim, i.e. the assessment of the relationship between narrative in accounting and impression management. Based on the results of the analysis of general definitions of image as well as definitions specific to other disciplines, the concept of “image” was defined for accounting purposes. In the next stage of considerations, the definition of impression was related to accounting. The analysis of the literature on the subject allowed the author to conclude that there is no agreement when it comes to defining the framework for impression management or its assessment. On the basis of literature studies, the objectives of impression management in accounting were indicated.

The third specific objective of the monograph was achieved thanks to the analysis of the literature and the considerations presented in Chapter Three. The author identified the need for and the possibility of examining accounting from the perspective of the language sciences. The analysis of legal provisions regarding the examination of reporting by an external entity and the literature review show that the development of narrative reporting is much faster than the development of the scope and methods of examining information transmitted via narrative. Furthermore, the author made considerations on examining narrative reporting by an external entity, indicating her opinions, proposals and recommendations. The above reflections led to the proposal of a new concept, i.e. an audit of narrative reports. Next, the author indicated the reasons for the high degree of difficulty in examining narrative reports.

The fourth specific objective of the monograph was achieved in Chapter Four devoted to the empirical study conducted by the author. The empirical study allowed for the achievement of the main aim of the study as well as its specific objectives. The study shows the presence of the practice of impression management in the management commentaries of Polish listed companies. The presence of all searched impression management strategies in the management commentaries of Polish companies listed on the WSE was identified and examples of their application were shown. These examples were found in fragments of reports from all the examined years and companies from both indices under analysis. The author highlighted selected impression management methods described in the literature in the above-mentioned management commentaries written in Polish and published by Polish companies listed on the Warsaw Stock Exchange. The conducted research indicates that impression management strategies distinguished in English and

presented in foreign literature have their equivalents in Polish. It was established in the study that the selected and used impression management research methods can be utilised to analyse and evaluate a management commentary written in Polish. Differences were identified between the management commentaries for 2008–2009 and 2018–2019 in the context of impression management. The author also indicated differences between the management commentaries of companies from the WIG-ESG index and the management commentaries of companies from the sWIG80 index.

The fifth and sixth specific objectives of the monograph were achieved as a result of developing and presenting two classifications in Chapter Five. The literature studies carried out earlier allowed the author to propose a definition of the impression management strategy in accounting and impression management in accounting. The following terms were also proposed: economic impression management, reporting impression management and narrative impression management. The author's own classification of impression management strategies using narrative reporting was developed based on the subject under impression management. According to this criterion, impression management strategies were divided into three groups. A total of eleven impression management strategies were identified. Each strategy was assigned impression management tools. Subsequently, supplementary divisions of strategies were proposed: impression management causing an increase or decrease in the volume of narrative reporting forms, withholding or concealing negative information, as well as positive or negative impression management. Next, an impression management detection method was defined and a way of understanding this detection was presented. The author developed her own classification of methods for detecting impression management in narrative reporting forms. The detection methods were divided according to the strategies whose presence in the narrative report was examined. A total of eleven groups of impression management detection methods were identified.

While fulfilling the main aim of the monograph, a comprehensive measure of impression management was developed in the form of the Impression Management in Narrative Reporting (IMNR) Index. The index was used for a comprehensive examination of impression management in the analysed text, as it refers to all distinguished impression management strategies. The Impression Management in Narrative Reporting Index developed by the author can be utilised to examine and determine the level of impression management in all types of narrative reporting forms. The proposed index may be applicable in its nature and support expert auditors, auditors specialising in narrative reports as well as audit institutions in the process of examining narrative reporting. It can also be used for independent examination of narrative reports by their users, e.g. investors, and for checking the level of impression management in reports prepared by the reporting entities themselves. In order to fully explain the IMNR index developed by the author, an example of

its application was presented. The author presented the subsequent stages of text examination and calculation of the Impression Management in Narrative Reporting Index using the example of a written letter to shareholders.

### **Originality and value**

In sum, in the author's opinion, the main cognitive advantages of this monograph include:

- developing a classification of impression management strategies using narrative in reporting,
- preparing a classification of methods for detecting impression management in narrative reporting forms,
- creating the Impression Management in Narrative Reporting Index,
- proposing original definitions of such concepts as: narrative reporting, impression management in accounting, impression management strategies in accounting, methods for detecting impression management, image in accounting, impression management tools,
- relating the definition of narrative, image and impression to accounting,
- assessment of impression management in accounting,
- proposal for dividing impression management in accounting into positive and negative,
- proposal of new concepts relating to impression management with definitions, such as economic impression management, reporting impression management, narrative impression management and an audit of narrative reports,
- recommendations regarding external verification of narrative reporting,
- considerations regarding the subject of the research relating to impression management in accounting, which is rarely undertaken in Polish scientific literature,
- research on the occurrence of ways of using narrative for impression management in management commentaries written in Polish.

The author hopes that the monograph will strengthen the discussion present in the scientific community about narrative in accounting and draw attention to the issue of impression management in narrative reporting.

**Keywords:** narratives, accounting, narrative reporting, impression, impression management.

*Translated by Krzysztof Stec*