INFORMATION TO USERS

This manuscript has been reproduced from the microfilm master. UMI films the text directly from the original or copy submitted. Thus, some thesis and dissertation copies are in typewriter face, while others may be from any type of computer printer.

The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleedthrough, substandard margins, and improper alignment can adversely affect reproduction.

In the unlikely event that the author did not send UMI a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.

Oversize materials (e.g., maps, drawings, charts) are reproduced by sectioning the original, beginning at the upper left-hand corner and continuing from left to right in equal sections with small overlaps. Each original is also photographed in one exposure and is included in reduced form at the back of the book.

Photographs included in the original manuscript have been reproduced xerographically in this copy. Higher quality 6" x 9" black and white photographic prints are available for any photographs or illustrations appearing in this copy for an additional charge. Contact UMI directly to order.

UMI
A Bell & Howell Information Company
300 North Zeeb Road, Ann Arbor MI 48106-1346 USA
313/761-4700 800/521-0600
RICE UNIVERSITY

THE ANTECEDENTS, MODERATORS, AND CONSEQUENCES
OF CEO IMPRESSION MANAGEMENT

by

CASSIE B. BARLOW
A THESIS SUBMITTED
IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE
DOCTOR OF PHILOSOPHY

APPROVED, THESIS COMMITTEE

Robert L. Dipboye, Thesis Chair
Professor, Psychology

Kenneth R. Laughery
Professor, Psychology

Miguel A. Quiñones
Assistant Professor, Psychology

Steven C. Currall
Assistant Professor of
Administrative Science and
Psychology

Houston, Texas
May, 1996
ABSTRACT
The Antecedents, Moderators, and Consequences of CEO Impression Management
by
Cassie B. Barlow

To explore how CEOs justify organizational performance to shareholders, this study utilized content analysis of 250 CEOs' letters found in annual reports to shareholders. Results suggest that CEOs disclose a higher proportion of negative information and a lower proportion of positive information to the extent that their company performs poorly. CEOs used more total causal attributions and more external attributions to the extent that their company performed poorly. Variables such as CEO turnover and percentage of outside shareholders were found to moderate the relationship between performance of a company and the impression management techniques used in the CEO's letter. CEO turnover and percentage of outside shareholders moderated the relationship between performance and disclosures. A stronger correlation of negative disclosures with company was found when there was high CEO turnover than when turnover was low. Also, a stronger correlation between these two variables was found when there was a higher proportion of outside shareholders. Results additionally indicate that impressions of the company differ depending on the type of language utilized within the report. That is, subjects had more positive impressions of a CEO and company to the extent that the
CEO disclosed positive information and utilized visionary language in the CEO's letter. These results provided partial support for the hypotheses that CEOs are influenced by previous corporate performance and the type of constituency in the letter of the annual report and that the wording of the letter influences impressions of the company.
Acknowledgments

Many people were involved in the successful completion of my dissertation research and I would like to thank each of you.

I would like to express my sincerest thanks to my advisor, Dr. Robert L. Dipboye, for his academic help, insight and enthusiasm not only on this project but throughout my work at Rice University. I would especially like to thank him for giving me a chance and believing in me. I thank Mickey Quiñones and Steve Currall for their editorial comments which have made my paper better written and have given me valuable instruction for future work. I would also like to thank Ken Laughery for his helpful comments and suggestions.

Most importantly, I want to dedicate this work to my family for their continual loving support. I thank my parents for their faith in me from the beginning and their continual motivation. I also want to thank my husband for his support in all of my endeavors. His patience and strength were the force that kept me going and I dedicate this accomplishment to him.
Table of Contents

Introduction 1

Impression Management 2

Why do People Engage in Impression Management 3

How do People Engage in Impression Management 7

Conveyance of Performance 7

Attributions of Responsibility for Performance 8

Goal Setting 10

Visionary Language 11

Impression Management in Organizations 13

Review of Annual Report Research 17

Conveyance of Performance 20

Attributions of Responsibility for Performance 21

Present Study 25

Company Type, Size and Letter Length as Control Variables 25

Level of Past Performance as the Primary Antecedent Condition 26

The Effect of Performance on Impression Management Techniques 27

Conveyance of Performance 28

Attributions of Responsibility for Performance 28

Goal Setting 29

Visionary Language 30

Shareholder, Leader and Organizational Moderator Variables 31
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Characteristics</td>
<td>30</td>
</tr>
<tr>
<td>Leader Characteristics</td>
<td>31</td>
</tr>
<tr>
<td>Shareholder Characteristics</td>
<td>32</td>
</tr>
<tr>
<td>Outcomes of Impression Management in Annual Reports</td>
<td>34</td>
</tr>
<tr>
<td>Change in Monthly Stock Price</td>
<td>34</td>
</tr>
<tr>
<td>Impressions of Organization</td>
<td>35</td>
</tr>
<tr>
<td>Method</td>
<td>37</td>
</tr>
<tr>
<td>Procedure</td>
<td>37</td>
</tr>
<tr>
<td>Control Variables</td>
<td>38</td>
</tr>
<tr>
<td>Independent Variable</td>
<td>39</td>
</tr>
<tr>
<td>Moderator Variables</td>
<td>40</td>
</tr>
<tr>
<td>Dependent Variables</td>
<td>41</td>
</tr>
<tr>
<td>Analyses</td>
<td>45</td>
</tr>
<tr>
<td>Results</td>
<td>46</td>
</tr>
<tr>
<td>Discussion</td>
<td>70</td>
</tr>
<tr>
<td>References</td>
<td>85</td>
</tr>
<tr>
<td>Appendix A</td>
<td>98</td>
</tr>
<tr>
<td>Appendix B</td>
<td>100</td>
</tr>
<tr>
<td>Appendix C</td>
<td>102</td>
</tr>
<tr>
<td>Appendix D</td>
<td>107</td>
</tr>
</tbody>
</table>
List of Figures

Figure

1. Impression management annual report studies. 19
2. Proposed model. 27
3. Performance x CEO turnover interaction with proportion of negative relative to positive disclosures as the dependent measure. 55
4. Performance x company tenure interaction with proportion of negative relative to positive disclosures as the dependent measure. 56
5. Performance x company tenure interaction with proportion of specific goals stated as the dependent measure. 57
6. Performance x stability of financial soundness reputation interaction with proportion of specific goals stated as the dependent measure. 58
7. Performance x stability of long term investment reputation interaction with proportion of specific goals stated as the dependent measure. 59
8. Performance x percentage of outside shareholders interaction with proportion of negative relative to positive disclosures as the dependent measure. 60
9. Performance x percentage of institutional shareholders interaction with proportion of negative relative to positive disclosures as the dependent measure. 65
List of Tables

Table

1. Cohen's Kappas for Agreement Between Paris of Coders 48
2. Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Negative Relative to Total Disclosures 49
3a. Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Total Attributions 50
3b. Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of External Attributions 50
4a. Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Total Goals 52
4b. Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Specific Goals 52
5. Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Visionary Language 53
6a. Summary of Hierarchical Regression Analysis with Test of Performance Stability as a Moderator 61
6b. Summary of Hierarchical Regression Analysis with Test of CEO Turnover as a Moderator 62
List of Tables Continued

6c. Summary of Hierarchical Regression Analysis with Test of Overall Reputation Stability as a Moderator 62

6d. Summary of Hierarchical Regression Analysis with Test of Percentage of Outside Shareholders as a Moderator 63

7. Summary of Hierarchical Regression Analysis for Variables Predicting the Change in Stock Price the Month After the Annual Report was Published 65

8. Summary of Hierarchical Regression Analysis for Variables Predicting Shareholder Impressions 67

9. Summary of Hierarchical Regression Analysis for Variables Predicting Shareholder Impressions with Test of Expertise as a Moderator 68

10. Summary of Tests of Hypotheses 69
"Impression management consists of any behavior by a person that has the purpose of controlling or manipulating the attributions and impressions formed of that person by others" (Tedeschi & Riess, 1981). People engage in impression management in a variety of situations, including within organizations. Impression management plays an important role in the performance appraisal process (Fandt & Ferris, 1990), the employment interview (Fletcher, 1979), and the exit interview (Goodale, 1982). Impression management is also an important type of behavior used by top managers in the attempt to lead their organizations and impress important constituencies (Nystrom & Starbuck, 1984). The present research is concerned specifically with how individuals in top leadership positions manage impressions in response to past performance of their organizations.

Top managers in organizations are accountable to multiple constituencies, both inside (e.g., employees) and outside (e.g., shareholders) the organization. They often need to communicate both positive and negative information on the performance of the organization to these multiple constituencies. Managerial efforts to rationalize and to legitimate organizational actions (Pfeffer, 1981) are directed at internal and external constituencies, and successful efforts to legitimate organizational actions must attempt to satisfy the diverse criteria of these groups.
In the attempt to deal with past performance, top managers can manage impressions in a variety of ways. Managers may either conceal or disclose past performance (Abrahamson & Park, 1994). They may also compare their performance or their firm's performance with other managers or organizations respectively (Bromley, 1977). Managers may rely on causal attributions to explain past success or failure (Bettman & Weitz, 1983; Staw, McKechnie & Puffer, 1983; Salancik & Meindl, 1984). Additional methods of managing impressions that have not been investigated in the research on impression management are surrounding events in a set of goals (Schlenker, 1980) or using visionary language.

In this study I will first review past research on impression management in organizations and then develop a model of impression management as it occurs in CEO annual letters to shareholders. Unlike previous studies of impression management in organizations which have narrowly focused on disclosure/concealment and attributions, this study will examine several impression management strategies including disclosure/concealment, attributions, goals, visionary language, and the interrelationships among those strategies.

Impression Management

It is clearly in an individual's "interest to control the conduct of others, especially their responsive treatment of him" (Goffman, 1959, p. 3). The common way that individuals accomplish this is to engage in impression management or self-presentation. The term impression management simply means the manner in which
individuals plan, adopt, and carry out the process of conveying an image of self and of the interaction context to others. This process is the "inevitable consequence of social perception" (Snyder, 1977, p. 8). People seem to be acutely aware that others are constantly forming impressions and using these impressions to guide social interactions. Therefore, the definition of the situation and oneself that a presenter conveys and the resulting impressions that another forms is instrumental to bringing the others behavior in line with the presenter's interests.

The image that is conveyed depends on the interests or goals of the presenter (Weary & Arkin, 1981). The goals, of course, are varied and many and are related to previous performances of the individual. According to Goffman (1959),

He may wish them to think highly of him, or to think that he thinks highly of them, or to perceive how in fact he feels toward them, or to obtain no clear-cut impression; he may wish to ensure sufficient harmony so that the interaction can be sustained, or to defraud, get rid of, confuse, mislead, antagonize, or insult them (p.3).

Why do People Engage in Impression Management?

Several underlying reasons why individuals engage in self-presentation have been explicitly or implicitly suggested by researchers. This review will examine explanations based on (a) social role playing in symbolic interaction; (b) avoiding blame and gaining credit; (c) strategic self-presentations; (d) power and social influence; and (e) creating connotative impressions.
Symbolic interactionists adopt the view derived from Mead's (1934) social philosophy that individuals learn to take on identities related to the specific roles that they play. In other words, a symbolic interactionist would say that people manage impressions following a performance by playing a particular role. Through social experiences, individuals label themselves, others, the situation and the behaviors that occur in the situation. Therefore, self-presentations function to define the social identities of individuals, and the types of interactions that are appropriate and inappropriate for the situation at hand. Of course, interpersonal interactions take place in a larger social or cultural framework of rules governing social interactions. Standards of propriety, morality, situated identities, stigma, and structure of authority are only some of the factors that govern an individual's behaviors. Symbolic interactionism generally holds that the social context rather than the motives, habits, or information processing of the individual is essential to the understanding of social behavior (Rosenhan, 1973).

In addition to playing roles, individuals are also interested in defending themselves against negative events that could result from predicaments and obtaining credit for their praiseworthy actions (Heider, 1958). According to the "accounts" view of impression management, individuals use self-presentational strategies to both (a) avoid blame and social disapproval by disassociating themselves from negative performances and actions, and (b) gain credit and social approval by associating themselves with positive ones (Tedeschi & Riess, 1981).
Self-presentation techniques also can include trying to make oneself look better or increase one's social attractiveness. E.E. Jones (1964) was an early laboratory-oriented social psychologist who examined the self-presentational aspects of social behavior. He believed that the basic process was ingratiation, which he defined as "a class of strategic behaviors illicitly designed to influence a particular other person concerning the attractiveness of one's personal qualities" (Jones, 1964, p. 2). Therefore, one reason that people engage in impression management in response to a performance, according to Jones (1964), is to increase others' perceptions of their social attractiveness.

Jones and Pittman (1982) proposed several alternatives to ingratiation and distinguished among them in terms of the attributions that the individual wants the audience to make after a performance. The "intimidator" tries to convince the target that he is dangerous in the sense that he has power to produce discomfort for the target. The "self-promoter" seeks attributions of competence, usually in one specific area, such as intelligence, knowledge, or athletic prowess. The "exemplifier" was someone who wants to be respected and admired for his integrity and moral rectitude. Finally, "supplication" is used as a last resort by a person who wishes to convey that he is a weak and dependent person to get help from more powerful others. These individuals are constrained in the amount and type of information they convey to the extent that the target can verify the information. Jones and Pittman (1982) mention that people manage impressions so as not to contradict
information that is publicly known and to avoid excessive use of each strategy. Thus, an individual who is excessive may appear boastful rather than competent, or malevolent rather than powerful.

Individuals may project various identities to others to create the impression that they possess power-related resources (Tedeschi, Schlenker, & Bonoma, 1973). These impressions enable the individual to be more successful in attempts at social influence. For instance, an individual might attempt to convince others that they have expertise with regard to a topic so as to gain their compliance. Another possibility is that individuals may attempt to impress others that they possess the means to reward or punish them. There are as many potential identities as there are power-related resources that can be used in social influence.

In summary, there are many reasons that individuals manage impressions of themselves after a performance. Controlling the identities perceived by others has the effect of defining the situation and thereby establishes the norms and behaviors appropriate for an interaction (Tedeschi & Riess, 1981). Self-presentation may be directed towards receiving credit for positive events or avoiding blame for negative events. Specific strategies may be used to gain immediate objectives in interactions with others. Furthermore, the individual's self-presentation may lead to the development of power or specific reputations that may have an effect on future interactions.
How do People Engage in Impression Management?

Impression management generally results from previous performances which can range from poor to excellent. Schlenker (1980) described impression management techniques by framing them around the notion of a predicament or a previous poor performance. He defines a predicament as a "situation in which events have undesirable implications for the identity-relevant images actors have claimed or desire to claim in front of real or imagined audiences" (p. 125). Typically a poor performance on a task or role poses a predicament in the sense of threatening a valued identity and individuals may attempt to subsequently manage impressions through their conveyance of the performance, their acceptance or denial of responsibility, statement of intention, and visionary language.

Conveyance of Performance. One way in which an individual may handle a previous poor performance, or a predicament is to avoid or conceal the event (Goffman, 1959, 1967). Research demonstrates that people will sacrifice monetary payoffs in order to minimize public embarrassment (Brown, 1968, 1970; Brown & Garland, 1971; Garland & Brown, 1972). An individual may be more likely to conceal a performance to the extent that the information can not be verified. In addition an event may be concealed to the extent that the individual is not forced by peer or regulational pressures to disclose the event. The opposite side of concealment is disclosure, which is also an impression management technique that an individual may choose in order to handle positive or negative
performances (Sutton & Calahan, 1994). In this case, an individual mentions a previous performance and then describes exactly what happened in an attempt to explain outcomes. An individual may disclose a negative event in order to show that he is trying to take control of the consequences of the event. In addition, an individual may disclose negative information because of legal or peer constraints.

Attributions of Responsibility for Performance. Schlenker (1980) describes multiple ways in which individuals can take or deny responsibility for a previous performance. An individual can take responsibility for a previous performance by engaging in ingratiation. In this technique, people use flattery, agree with others' opinions, and do favors to get people with influence to like them (Jones & Wortman, 1973). Individuals could use self-promotion by embellishing their accomplishments and overstating their abilities (Ringer, 1973). When individuals attribute previous performances to internal causes they often take responsibility for that performance. There is evidence that individuals are more likely to attribute previous good performances to internal causes than to external causes (Higgins, Kuiper, and Olsen, 1981; Salancik, 1982). For instance, an individual may attribute his success on a midterm to his superior study skills.

Individuals can use an apology, in which they admit blameworthiness for an undesirable event at the same time they attempt to obtain a pardon to reduce the negative repercussions. Apologies are designed to convince the audience that the event
should not be considered a fair representation of what the individual is really like (Goffman, 1971). Schlenker (1980) described acclaiming as a way in which individuals can claim responsibility for an event. Acclaiming tactics are designed to explain a desirable event in a way that maximizes implications for the individual. To do so, individuals use entitlings, which maximize their responsibility for the event, and enhancements, which maximize the desirability of the event itself (Schlenker & Riess, 1979).

Excuses are attempts by individuals to minimize their responsibility for predicament-creating events. In an excuse an individual explicitly admits that an event did occur and they played a part (Scott & Lyman, 1968). For instance, a soldier might admit that he killed, but include the statement that he was under orders. Justifications are attempts by individuals to minimize or deny the undesirable nature of a predicament-creating event. An individual explicitly admits that an event did occur and they have some responsibility (Scott & Lyman, 1968). For instance, a soldier may acknowledge killing but may justify it by noting that the enemy deserved his fate. One type of justification is comparison. In this approach the individual tries to minimize the undesirability of the event by comparing his or her own situation with those of others who did the same thing or worse but are not punished (Bramel, 1962, 1963; Holmes, 1978; Steiner, 1968). It is exemplified by statements like "others do worse things," or "everybody does it" (Scott & Lyman, 1968).
An individual may deny responsibility for a performance by accounting. This technique is characterized by attempts to distance the self from negative events (Bettman & Weitz, 1983; Salancik & Meindl, 1984). They may do this by denying responsibility for the problem or by diminishing the problem. Schlenker (1980) describes accounts as explanations of a predicament-creating event designed to minimize the apparent severity of the predicament. The individual provides a more acceptable explanation of the event than that provided in a worst case scenario. Through accounts, the individual tries to influence the audience's views about the event and his responsibility for the event (Mills, 1940). Defenses of innocence are attempts by individuals to show that they had nothing to do with an event. They either state that the event never occurred or they were not responsible (Scott & Lyman, 1968). These defenses completely dissociate the individual from the proposed event and offer the possibility of complete exoneration. One way in which individuals can defend their innocence for a particular event is by making external causal attributions. There is evidence that individuals tend to attribute successful outcomes to their own actions and unsuccessful outcomes to environmental causes (Weiner, 1971; MacArthur, 1972; Ross, 1977; Higgins, Kuiper, and Olsen, 1981; Salancik, 1982). This relationship is not symmetrical in the sense that the former occurs more often than the latter.

Goal Setting. Individuals can deal with past performances by setting goals for the future. Undesirable events can be justified by surrounding them with a larger set of values and goals that are
either admirable or acceptable. Pfeffer (1981) quoted George Gallup as saying: "People tend to judge a man by his goals, by what he is trying to do, and not necessarily by how well he succeeds" (p. 78). It can be suggested therefore that individuals may utilize goal setting in order to impress upon others that they are hard working and ambitious. The literature on goal setting clearly indicates that individuals with specific and challenging goals outperform those with no goals or goals that are easy to achieve (Locke & Latham, 1984). Additionally Dosset & Greenberg (1981), found that supervisors rated subordinates who set a specific goal as being more committed. It can be suggested therefore that in response to a predicament, setting a specific goal may be seen as more admirable because it places the individual in a position of apparent control. Therefore, general goals or specific goals can be brought to bear to justify past events and transform the heinous into the meritorious. Additionally, goals can be set in response to a successful performance as well as a poor performance. That is, after an individual performs successfully they may state goals for the future in order to further impress the audience. The study of goal setting as an impression management technique has been neglected in the past and will be examined in this study.

**Visionary Language.** Another way of dealing with a prior performance is to act in a visionary or charismatic manner. The "visionary charismatic" begins with ideological fervor and then moves on to action, unlike the "crisis charismatic," who begins with solutions to crises and then develops ideological justification for
those solutions (Boal & Bryson, 1987). Visionary techniques include stating a vision, communicating high expectations of followers, amplifying values, and telling organization stories (House, 1977; Conger & Kanungo, 1987; Conger, 1991).

In stating a vision, an individual may describe the seriousness of a current situation and then state their vision as an attractive pathway for the future. A vision is an idealized future state that the leader wants his group to achieve (Conger, 1991). This may be a way of convincing an audience that an individual has control of the situation and has a plan for the future.

In communicating high expectations or concern for followers individuals can gain trust. Individuals are trusted when they advocate their position in a disinterested manner and stress a concern for others needs (Walster, Aronson & Abrahams, 1966). After a poor performance, an individual who transforms his followers needs into a total dedication and commitment is trusted more than an individual with no concern for his followers. Organizational stories can vividly convey the values and behaviors important to an organization (Conger, 1991). After a poor performance an individual could tell a story that perhaps reveals the importance of coping with the unexpected and relates that the organization has recovered before and can do it again. In amplifying values individuals can elevate certain modes of conduct that are central to their mission. For instance, an individual can attempt to make the situation better by appealing to greater values, like conserving energy or preserving the environment.
There are various methods therefore that individuals can utilize to manage impressions. Similar types of impression management techniques have been studied in organizational settings. The applications of impression management in the organization are reviewed in the following section. One application of impression management in the organization that will be the primary focus in this study is impression management of top management or CEOs in response to a past performance.

**Impression Management in Organizations**

Impression management can be observed at all levels of an organization as individuals attempt to be accountable, impress constituents, and gather support. There are trends in the organizational literature that suggest that researchers see the issues of stakeholder management, accountability, and organizational justifications as increasingly important (Heath & Nelson, 1986; Tetlock, 1985). For example, Murray (1978) suggests that strategic choice is a negotiated outcome, and notes the increasing pressure on organizations for accountability. Organizational scholars are becoming more interested in ways in which CEOs signal different types of information to the capital market and the effects of these signals (Feldman & March, 1981; Zajac, 1988). A firm's formal communications (e.g., annual reports, press releases, newsletters to shareholders, interviews in business publications) can offer insights into how organizational agents attempt to manage stakeholder's perceptions of the firm and of the top management team. These formal communications are all ways in
which a CEO can manage impressions pertaining to past performances.

Impression management of top managers in organizations will be discussed in terms of two theoretical literatures that suggest that people in general (i.e., impression management theory) and top managers in particular (i.e., agency theory) may be motivated to present information in ways that protect their own interests or enhance their reputations. Impression management theory looks at self-presentational tactics and their role in social influence processes, and has been defined as "the conscious or unconscious attempt to control images that are projected in real or imagined social interactions" (Schlenker, 1980, p. 6). The theory has its origins in the sociological work of Goffman (1959, 1981) on self-presentational behavior. Social psychologists have further developed and tested impression management theory, usually in laboratory settings (Leary & Kowalski, 1990).

Impression management in organizational settings more recently has been the topic of considerable interest in the organizational behavior literature (Gardner & Martinko, 1988b; Giacalone & Rosenfeld, 1989) and has been linked with political processes in organizations (Ferris, Russ, & Fandt, 1989). Impression management theory posits that individuals are motivated to engage in behaviors that will favorably influence others' assessment of them, whereas agency theory focuses on corporate governance issues that cause top managers in particular to pursue their own interests at the expense of principals (i.e., owners). The
impression management literature suggests that the self-presentational process is very complex. This complexity is evident in Gardner and Martinko's (1988b) framework that includes the major variables found to be important in impression management in organizations. This framework includes factors related to the individual engaging in impression management (e.g., the person's status, physical attributes, abilities, self-concept, and need for approval), characteristics of the audience to which the behaviors are targeted (e.g., the power and status of the audience), situational factors (e.g., favorability and ambiguity of the situation) and environmental factors (e.g., organizational culture).

Impression management applied to organizational settings suggests that efforts to rationalize and to legitimate managerial decisions and performances may be motivated by personal concerns. For instance, managers may fear that their careers would be jeopardized if stakeholders perceived their actions as irrational or irresponsible, or if they were blamed for poor firm performance. On the other hand, if they enhance the perceptions of their managerial abilities it may result in increasing their reputation and could possibly increase their compensation. An impression management approach would suggest that managers may be motivated to represent both the environment and their actions so as to increase their own outcomes (Rosenfeld, 1990).

The agency theory approach suggests a rationale for self-interested behavior in top managers. Originating in microeconomics, agency theory directly considers the problem of the
divergence between shareholder and manager interests that arise as a result of the separation of ownership and control (Berle & Means, 1932). As the number of owners increases, thus dispersing ownership, individual owners (shareholders) can no longer be involved in the day-to-day management of the organization. Owners therefore hire managers to act as their agents in running the firm. This arrangement leaves shareholders with the risk, and managers with the obligation to perform and to be loyal to the shareholders (Eisenhardt, 1985). Agency theory and impression management theory both suggest that management is motivated to present information in a self-serving manner. Research has suggested also that managers act to protect managerial discretion, and that managers "gain discretion by appearing to conform to environmentally preferred ideologies" (Nystrom & Starbuck, 1984, p. 182).

It would be difficult to monitor and identify the day-to-day impression management of top managers. However, there is a source of organizational data that seems well suited to the study of impression management -- annual reports, which are issued every year by corporations. In particular, the CEO's letter to shareholders in the annual report is a means of communicating with the public the results of the year and providing reasons for these results. The proposed research will use the letter as a source of information on impression management. What follows is a review of research on impression management in the shareholder letter.
Review of Annual Report Research

The annual report to shareholders and the CEO's letter that accompanies this report are important vehicles for communicating information to shareholders. Evidence of this importance comes from surveys of CEOs in which they have stated that the annual report is their primary means of communication to shareholders (Goodman, 1980). Also, the CEO's letter is the most widely read part of the document (Courtis, 1982; Lee & Tweedie, 1975). A Securities and Exchange Commission (SEC) survey found that 91 percent of shareholders reported reading the CEO's letter at least "somewhat thoroughly," and that 74 percent stated it was at least "moderately useful" for information purposes (House Committee on Interstate and Foreign Commerce, 1977, p. 287). Given its high visibility and broad distribution to important stakeholders, the annual report can be considered representative of a firm's broad array of communication channels (e.g., press releases, newsletters to shareholders, interviews in business publications). The report may offer insights into an organization's approach to managing important shareholders' perceptions of the firm and of the top management team (Russ, 1991).

Publicly held organizations are required to publish annual reports on their performance. If they so desire, managers could simply issue reports of financial data (e.g., the 10K report). Additionally, beginning with 1987 annual reports, corporations are required to include considerably less information in the annual report than previously required. Interestingly, very few firms chose
to move to the summary format, despite its considerable cost-
savings advantages (Byrne, 1988). Far from delivering information
in a terse, boring "businesslike" manner, many firms have chosen to
present shareholders with "a document that looks and reads more
like a magazine than like a dull corporate document" (Byrne, 1988,
p.66).

Given the importance of the shareholder letter, it is
appropriate that several studies have focused on letters to
shareholders from corporate annual reports (Staw, McKechnie, &
Puffer, 1983; Bettman & Weitz, 1983; Salancik & Meindl, 1984;
Abrahamson & Park, 1994). See Figure 1 for a review of these
studies.

Research by Bowman (1976, 1978, 1984) is typical of the
rational approach to organizational communications. The rational
approach suggests a straightforward and reliable source of
information on organizational strategies. A rational approach would
suggest that annual reports are a mechanism for communicating
objective, concrete corporate information to investors in order to
facilitate investment decisions. Bowman (1984) found through
annual report content analysis that line-by-line, the annual report is
a reasonable surrogate for real activity. He accomplished this by
utilizing two tests of validity of annual report content analyses.
Each test utilized different topics (social responsibility,
international activities), different industries, different external
reality sources and different statistical tests. Bowman's
explanation of organization communication, leaves unresolved the
<table>
<thead>
<tr>
<th>Researchers</th>
<th>Study</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abrahamson, E., &amp; Park, C. (1994)</td>
<td>Computer assisted content analysis of 1,000 presidents’ letters from 1989.</td>
<td>Outside directors, large institutional investors and accountants limit concealment, but outside directors who are shareholders prompt it. Low disclosure is associated with subsequent selling of stock by top officers and outside directors.</td>
</tr>
<tr>
<td>Academy of Management Journal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salancik, G.R., &amp; Meindl, J.R. (1984)</td>
<td>Content analysis of presidents’ letters from 18 corporations over 18 year period.</td>
<td>Managements credit themselves for positive outcomes and blame negative effects on the environment. Managements of unstable firms claim responsibility for both positive and negative outcomes more than do managements of stable firms, and they are reluctant to attribute poor performance to uncontrollable environmental events.</td>
</tr>
<tr>
<td>Administrative Science Quarterly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bettman, J.R., &amp; Weitz, B.A. (1983)</td>
<td>Content analysis of presidents’ letters from 181 corporations in 1972 &amp; 1974.</td>
<td>Unfavorable outcomes were attributed more to external, unstable, and uncontrollable causes than were favorable outcomes. Attributions most prevalent when a corporation did worse than expected &amp; chose to talk about unfavorable outcomes.</td>
</tr>
<tr>
<td>Administrative Science Quarterly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Science Quarterly</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 1. Impression management annual report studies
question of why top managers choose to expend time and resources in order to offer more information -- and information of a different type -- than is required. Perhaps top managers are trying to manage impressions in the letter in addition to communicating corporate information.

Especially relevant to the proposed research is the evidence of impression management in annual reports. When a CEO is faced with a previous poor performance often times this represents a predicament (Schlenker, 1980), in the sense that there may be undesirable implications. As discussed previously, there are alternative techniques for dealing with a predicament. Ways in which CEOs can deal with the predicament of a poor organizational performance are comparable to the previously discussed strategies used in dealing with predicaments.

Conveyance of Performance. Abrahamson and Park (1994) performed a computer assisted content analysis of 1,000 CEOs' letters from annual reports to examine if and when CEOs use concealment strategies in their communications with shareholders. They assumed that by examining the effects of shareholders, directors, and accountants on CEO communication with shareholders in the CEOs' letter they could discover if and when concealment occurred. They argued that if they found that specific directors, shareholders, or accountants affected disclosure of negative organizational outcomes, they would have evidence that CEOs conceal such outcomes. They additionally argued that if they found concealment was associated with subsequent short-term stock
sales by organization officers they would have evidence that certain officers conceal information in order to use it for personal gain, and some concealment may be intentional. Their results were consistent with the assumption that accountants and specific types of shareholders and directors prompt CEOs to disclose negative organizational outcomes, whereas others promote concealment. They additionally discovered evidence for intentional concealment by CEO and directors. Specifically, they found that CEOs disclose different amounts of information based on the type of shareholders in their company.

Symbolic management in formal organizational communications is conceptualized as an influence process in which different types of information are presented in an effort to shape others' perceptions of reality (Russ, 1990). Russ suggested that symbolic management may be more than just avoiding unpleasant topics. That is, he argues that top management not only gives or conveys straightforward information in annual reports, they also identify causes of outcomes as well as discuss their own interpretations of those events. In the context of the annual report, institutional constraints affect what is concealed and disclosed (Abrahamson, 1988). The constraint would lead to predict disclosure of negative performances. Therefore, the degree of disclosure is important as well as the extent of responsibility taken for the performance.

Attributions of Responsibility for Performance. Bettman and Weitz (1983) conducted a content analysis of 181 CEOs' letters from
annual reports published in 1972 and 1974. These data were utilized to examine causal reasoning used to explain corporate performance. A good year in the market (1972) and a bad year in the market (1974) were chosen in order to compare causal reasoning under different market conditions. Typical self-serving patterns of attributions found in studies of individual performance were discovered in this study of corporate performance. Specifically, unfavorable outcomes were attributed more to external, unstable, and uncontrollable causes than were favorable outcomes. This effect was magnified in the bad year in the market.

Staw, McKechnie, and Puffer (1983) also found evidence of self-serving attributions in their content analysis of 81 CEOs' letters from annual reports published in 1977. They separated companies into high and low performing groups in order to examine justification of organizational performance. Their results indicated a strong relationship between negativity and causal attributions. Specifically, the more negative the CEO's letter to the shareholders, the greater the attribution to industry and environmental causes and the less the attribution to company causes. The data clearly indicate that positive effects were attributed to company causes and negative effects to industry environmental causes in both the high and low performing organizations. These self serving attributions appeared to be associated with a subsequent improvement in stock price. Enhancement was also associated with subsequent selling of stock by corporate officers.
Salancik and Meindl (1984) examined causal reasoning of CEOs while explaining past performance by content analyzing 18 CEOs' letters over an 18 year period. They compared the causal reasoning of firms with stable and unstable performance. Arguing that unstable firms have managements that lack control over outcomes, they showed that these firms manipulate attributions in the attempt to manage impressions of control. Their results indicated that the unstable firms claim responsibility for both positive and negative outcomes more than the managers of stable firms. The unstable firms are also reluctant to attribute negative outcomes to external causes because this strategy shows a lack of control on behalf of the management. The attributional strategies that showed control resulted in better organizational performance.

The political aspects of formal organizational communications may be more pervasive than indicated. It has been assumed that the influence attempts are primarily externally oriented. That is, the top management team attempts to influence external constituencies. This view rests on the assumption that the chief executive, or at least the top management team, actually writes the "CEO's" letter to shareholders. If, in fact, the letter is really a product of one or more departments in the firm, the letter may really be more of an internal organizational influence mechanism used by one department to manage the impressions of another department. In a survey of top managers in the securities industry, Russ (1990) found that although various individuals usually had input into the letter, overall the primary author was the chief executive.
Upon reviewing the types of impression management tactics outlined above, one can see that past research has focused almost entirely on concealment/disclosure of an organizational performance and the attributions of responsibility for the performance. As discussed previously there are multiple ways of dealing with a predicament, and it is important to examine whether these techniques operate independently. It would seem that an organizational outcome first must be disclosed prior to stating causal attributions for that outcome. Thus, one could expect positive correlations between disclosures and attributions, especially when negative performances are disclosed. One possibility is that impression management techniques are utilized in a compensatory manner. For instance, increased use of causal attributions might be related to less reliance on goals or visionary language. However, it is also possible that CEOs tend to use a variety of techniques and that there is an additive relationship and that one technique fosters the use of other techniques. However, very little research has dealt with the several different types of impression management that could occur together in the letter. The present study will specifically examine the interrelationships among the various types of impression management. In particular, there has been very little attention paid to goal setting and visionary impression management such as what might be involved with charismatic leadership and their relationship to the use of causal attributions. Additionally, few studies have examined the
factors that might moderate the occurrence of these impression management techniques.

Present Study

The extent to which impression management techniques will be utilized depends on many characteristics of the organization, situation, and individual involved. Figure 2 illustrates the proposed model that was tested in this study. The model is discussed in terms of antecedents, moderators, impression management techniques and outcomes.

Company Size, Type and Letter Length as Control Variables

Size of the company was utilized as a control variable for the present model. Compelling anecdotal evidence supports the position that company size is significantly related to organization outcomes. That is, larger companies normally have larger outcomes than smaller companies. In past research companies of the same size have been compared in order to control for potential size effects (Bowman, 1976, 1978, 1984).

Industry type was also utilized as a control variable. It is important to control for different industries because there can be a wide range of sensitivity to the economic environment and a different rate of technological change depending on the industry (Bettman & Weitz, 1983; Dess, Ireland, & Hitt, 1990).

Additionally, length of the CEO's letter was utilized as a control variable. The frequency of occurrence of any type of impression management technique found in the letter may be a
function of the number of words in the letter (Abrahamson & Park, 1994).

The Level of Past Performance as the Primary Antecedent Condition

The antecedent condition that is most studied, is the level of past performance of the organization. The Chrysler Corporation illustrates a perfect example of this antecedent. Iacocca made his appearance in the company when they were contemplating bankruptcy. Impression management was an important part of his strategy. One of his first acts as CEO was to adjust his salary to $1.00 per year in order to give the impression that he was willing to make sacrifices for his company.

The impression management techniques discussed previously seem to be more prevalent when undesirable events (i.e., a previous poor performance) occur (Schlenker, 1980). Attributions are more prevalent in times of crisis (Wong & Weiner, 1981) and when a company has had a previous bad year or poor performance (Bettman & Weitz, 1983; Staw, McKechnie & Puffer, 1983; Salancik & Meindl, 1984). Concealment is also more prevalent when a company has a poor performance (Abrahamson & Park, 1994).

It is both acute and chronic crises that bring out visionary leaders (Hunter, 1972). Erickson (1958) said that people become "charisma hungry" in bad times due to the decline of old values and rituals, shocks to the culture, growing fears, anxieties, and identity crises. For example, Mahatma Gandhi satisfied this public hunger by giving his people a new collective identity and new rituals (Erickson, 1969). When an organization is in a predicament the time
is right for CEOs to state new visions and future goals in order to manage the impressions of shareholders.

Figure 2. Proposed Model

The Effect of Performance on Impression Management Techniques

The specific impression management techniques that were examined in this study are techniques that have been proposed in the previously discussed impression management literature. The techniques are framed in terms of the steps CEOs take to manage impressions after a poor performance or a predicament (Schlenker,
1980). That is, a CEO can first choose to convey or not convey a performance. They can then choose whether or not to take responsibility for the performance. Next, the CEO can state intentions for the future and/or act in visionary manner.

**Conveyance of Performance.** Upon receiving news of a past performance, a CEO can disclose the performance information. In the context of the annual report, disclosure occurs more often than concealment because of institutional constraints and impression management reasons. There are two reasons that it is in the interest of shareholders to see negative outcomes revealed. First, if these outcomes are revealed, members of a firm's board of directors can act in the interests of the shareholders (Jensen & Murphy, 1990; Walsh & Seward, 1990). Second, if negative outcomes are revealed, shareholders can make an informed choice about whether to sell their shares. Therefore, because of institutional constraints, it is expected that the lower the performance of a company the more the CEO will disclose negative information.

**Hypothesis 1** The lower the performance of an organization in the previous year, the higher proportion of negative outcomes that will be reported relative to positive outcomes.

**Attributions of Responsibility for Performance.** The motivation behind attributing positive events to internal causes is to make oneself look better to an audience and in the case of an organization, make the organization look better. Managers must give the appearance of efficacy in a world in which control is elusive (Salancik & Meindl, 1984). CEOs can defend their innocence or
attribute poor performance to external sources in order to protect themselves and their organization (Bettman & Weitz, 1983; Staw, McKechnie & Puffer, 1983; Salancik & Meindl, 1984). This technique obviously takes blame away from the CEO or the organization and attributes it to the government, the economy, other external causes (Bowman, 1976). CEO's therefore attempt to give the appearance of control by offering reasons for their firm's prior performance. When a firm performs poorly, more explanations are offered, than when a firm performs well (Bettman & Weitz, 1983).

**Hypothesis 2a** The lower the performance of an organization in the previous year, the higher the proportion of total causal attributions that will be stated to explain the performance.

**Hypothesis 2b** The lower the performance of an organization in the previous year, the higher the proportion of causal attributions that will assign responsibility for the performance to factors external to the organization.

**Goal Setting.** A CEO can justify past performance through setting goals. That is, an undesirable event can be justified by embedding the event in goals that are admirable. An undesirable event can therefore be covered up and maybe forgotten sooner if a goal for the future is stated. Individuals are more likely to articulate specific goals relating the mission of their organization to deeply rooted values, ideals, and aspirations shared among their followers after a poor performance (House, 1977). Therefore, depending on the severity of a poor performance, a CEO may set a
general goal, or a more specific goal in the case of an extremely poor performance.

**Hypothesis 3a** The lower the performance of an organization in the previous year, the higher the proportion of total goals that will be stated for improving future performance.

**Hypothesis 3b** The lower the performance of an organization in the previous year, the higher the proportion of specific goals that will be stated for improving future performance.

**Visionary Language.** The sociological literature (Weber, 1947) stresses that visionary language is often the result of stressful situations. Often times this visionary language expresses sentiments deeply held by followers. These sentiments are different from those expressed by the established order, and thus their expression is hazardous to the leader (Friedland, 1964). Since their expression is hazardous, the leader is perceived as courageous and is respected by his followers. Thus, it is a poor organizational outcome that leads to the use of visionary language. Visionary language is defined as creating a future state for an organization that is designed both to fit and to mold organizational conditions (Bennis & Nanus, 1985). Tsurumi (1982) pointed out that charismatics appear in societies that have traditions of support for them and expectations about their emergence. Our culture is an example of a culture in which there is a tradition of support for charismatics (Peters & Waterman, 1982).

Visionary techniques include communicating a vision, having trust in and high expectations of followers, amplifying values, and
telling organization stories (House, 1977; Conger & Kanungo, 1987; Conger, 1991). Therefore, another way of dealing with a prior performance is to act in a visionary or charismatic manner.

**Hypothesis 4** The lower the performance of an organization in the previous year, the higher the proportion of total visionary language that is used in the annual report.

Organizational, Leader, and Shareholder Moderator Variables

There are several possible variables that can moderate the relationship between performance and impression management techniques utilized. A review of the variables follows.

Organizational Characteristics. An important moderator variable that could determine impression management tactics is the stability of the past performance. Salancik & Meindl (1984) argued that managers of firms with unstable past performance lack control over organizational outcomes and as a consequence strategically manipulate causal attributions to manage impressions of their control. Extending this to other impression management techniques, one might hypothesize that managements of unstable firms may use more impression management tactics than managements of stable firms in order to try to gain control of outcomes.

**Hypothesis 5a** The relationships stated in Hypotheses 1-3 will increase in strength the lower the stability of the organization's past performance.

An additional moderator of the effect of past performance that has not been studied in the past is the prior stability of the CEO position. That is, it may be that if a firm has had high turnover in
the past, a CEO may feel more insecure and engage in impression management to retain his position. Thus, the CEO is more likely to engage in impression management tactics in order to make himself look good and stay in his job longer to the extent that there is instability in the organization's past performance.

**Hypothesis 5b** The relationships stated in Hypotheses 1-3 will increase in strength the higher the turnover rate of the organization's CEOs.

The stability of a firm's reputation can also be an important moderator of the effect of past performance. Reputation of a firm, or corporate image are very important parts of the total environment of the firm. Interested parties judge the behavior of an organization by the extent to which it appears to further the organization's aims (Bromley, 1993). The stability of the firm may relate to impression management tactics in that if a firm is very stable over time, the CEO may be less likely to engage in impression management tactics. A measure of reputation is provided in *Fortune's* annual ranking of Fortune 500 companies. This ranking is produced by more than 10,000 senior executives, outside directors and financial analysts ratings of organization reputations and is published annually by *Fortune*. In pointing out the importance of corporate reputation, Bromley (1993) states that in a free-market economy, commercial and industrial reputations need to be well established, protected, and when possible, enhanced. This reputation is sometimes stable and at other times in a state of flux. An
organization's reputation is shaped by its interest groups or stakeholders.

**Hypothesis 5c** The relationships stated in Hypotheses 1-3 will increase in strength the lower the stability of the organization's reputation among the CEOs of other organizations.

**Leader Characteristics.** The leader's tenure as CEO and the leader's tenure with the company are proposed as moderators. A more tenured individual has more of a commitment to the organizational status quo (Aluotto & Hrebiniaik, 1975; Staw & Ross, 1980; Stevens, Beyer & Trice, 1978) and to organizational values (Schmidt & Posner, 1983) and therefore may utilize different impression management techniques than a less tenured individual. For instance, a more tenured individual may disclose more information because his position in the organization is stable and he has less to lose. Additionally, long tenure in one organization may lead to a narrow focus (Katz, 1981; Pfeffer, 1983). This focus may lead a CEO to use less impression management because he may be focused on one variable such as performance instead of focusing on explaining the performance. Staw, et. al., (1983) proposed that CEO tenure could affect the extent of self-serving attributions. The longer the tenure of the CEO the fewer fears he should have of being made to step down and the pressures to enhance his career should be less. This may translate into a decreased tendency to take credit for success and to avoid blame for failures. For instance, a CEO might engage in less protective impression management techniques (i.e., concealment, apologies) because he has proven himself in the
company and has less to lose in the organization. Although Staw, et. al (1983) did not find evidence of their proposal concerning CEO tenure and causal attributions, it was tested in this study in relation to other impression management tactics.

**Shareholder Characteristics.** Different types of shareholders may exert different pressures on corporate officers. For instance outside shareholders and institutional investors may pressure CEO’s to disclose information more than inside shareholders (Galen, 1989). Therefore, the type of shareholder may be a moderator to the effect of past performance on the types of impression management techniques utilized by a CEO. As discussed previously, agency theorists note that in the corporate form of organization, shareholders contract-out control over an organization’s daily operations to corporate officers (Berle & Means, 1932). This separation of ownership by shareholders from corporate officers can create agency problems. One problem occurs when conflicts of interest arise such as might occur between corporate officers and shareholders. Another problem arises with information differences. That is, shareholders do not control the information necessary to verify that corporate officers are acting in the shareholders interests (Eisenhardt, 1985). Theorists predict that under these conditions, corporate officers are opportunists, favoring their interests over the shareholders' interests. These interests may lead corporate officers to use impression management tactics in order to pursue their objectives. For instance, corporate officers may conceal valuable information in order to protect themselves from
negative consequences (Starbuck, Greve, & Hedberg, 1978; Sutton & Calahan, 1987; Abrahamson & Park, 1994). Agency theory would predict that as the proportion of outside shareholders increases, a larger conflict of interest arises. This conflict leads a CEO to act in a self-serving manner. Included in these self-serving behaviors are concealment of negative information, use of a high proportion of total attributions, use of a high proportion of external attributions, use of more total goals, and use of more specific goals.

**Hypothesis 5d** The relationships stated in Hypotheses 1-3 will increase in strength the greater the proportion of total shares held by outside shareholders.

**Outcomes of Impression Management in Annual Reports**

There are several potential outcomes to the use of impression management techniques. One outcome is the fact that stock sales are effected by impression management techniques (Abrahamson & Park, 1994). Additionally, other outcomes of impression management are the impressions that are formed by the shareholders.

**Change in Monthly Stock Price.** Outcome of impression management was examined in the traditional way it has been examined in previous research on impression management in annual reports -- by examining stock price. Previous research has illustrated that the use of impression management techniques was associated with changes in stock price (Staw, McKechnie & Puffer, 1983). That is, a firm's use of self-serving attributions was associated with subsequent improvements in stock price. They
utilized the change in stock price between the month before and the month after the report was published as a consequence of self-serving attributions.

Buhner and Moller indicated that their results illustrated that "stock market reactions coincide with the annual corporate report announcement of changeover to multidivisional structure" (1985, p. 309) in the CEO's letters. Therefore it can be seen that CEOs explain their firm's performance not merely for causal understanding, but for accounting purposes. The CEO's explanations can help investors decide on their future relations with the company. The present study will additionally examine goals and visionary language as possible impression management techniques leading to changes in stock price.

**Hypothesis 6a** The stock price of the organization will increase in the month following the annual report to the extent that the letter assigns responsibility to the company for both positive and negative outcomes.

**Hypothesis 6b** The stock price of the organization will increase in the month following the annual report to the extent that specific goals are stated for future performance.

**Hypothesis 6c** The stock price of the organization will increase in the month following the annual report to the extent that visionary language is used in the report.

**Impressions of Organization.** The most immediate outcome of impression management tactics are the impressions of the organization perceived by the reader of the letter. Therefore, the
present study gathered perceptions of potential shareholders after they read the CEO's letter in order to understand the effect of impression management tactics on shareholders. This study was the first to examine shareholder impressions in relationship to impression management techniques and company performance. It was expected that potential shareholders would have positive impressions to the extent that the CEO stated positive outcomes, took responsibility, stated goals and used visionary language.

_Hypothesis 7a_ Readers of the annual report will have more positive impressions of the company to the extent that a higher proportion of positive outcomes are stated.

_Hypothesis 7b_ Readers of the annual report will have more positive impressions of the company to the extent that the CEO takes responsibility for both positive and negative outcomes.

_Hypothesis 7c_ Readers of the annual report will have more positive impressions of the company to the extent that specific goals are stated for future performance.

_Hypothesis 7d_ Readers of the annual report will have more positive impressions of the company to the extent that visionary language is used in the annual report.

The experience of the shareholder was investigated as a potential moderator of the effect of impression management techniques on shareholder impressions. It has been suggested that novel audiences are more often the target for impression management techniques than are familiar audiences (Gardner & Martinko, 1988). Based on Gardner and Martinko's (1988) results it
may be that inexperienced shareholders are somewhat more impressionable than experienced shareholders.

**Hypothesis 8** The expertise of the reader in interpreting annual reports will moderate the relationships stated in hypothesis 7. Specifically, the relationship stated in Hypothesis 7d will be stronger for those low in expertise than for those high in expertise.

Subject’s impressions of the CEO and organization were additionally examined as a potential mediator of change in stock price.

**Method**

Annual report data were gathered from the Compact Disclosure database produced by Disclosure Incorporated for FY 1993. This database contains information on all publicly owned corporations that have filed a Securities and Exchange Commission document containing financial information in the last 18 months and have at least 500 shareholders and $5 million in assets. In order to get a representative sample of Fortune 500 companies, 250 companies on which there was complete information for the independent and dependent variables were randomly selected for inclusion in the study.

**Procedure**

**Coding.** Two pairs of undergraduate coders independently read 125 different Fortune 500 CEO’s letters and content coded instances of impression management on a coding sheet (Appendix A). Coders were trained by the experimenter over a period of two weeks. They were taught definitions of the impression management techniques.
(Schlenker, 1980) and then practiced identifying and coding techniques in previous annual reports until intercoder agreement was near perfect. A coding booklet was developed by the experimenter and coders for reference throughout the coding process. The unit of analysis was the specific instance of impression management rather than the entire letter. This approach is consistent with other analyses of performance attributions in real-world settings (Lau & Russell, 1980; Bettman & Weitz, 1983; Staw, McKechnie & Puffer, 1983; Salancik & Meindl, 1984). Research by Staw, et al. (1983) illustrated that in order to provide greater validity, coders should define the length and division of all impression management events. That is, during the training process coders decided on the criteria for unitizing impression management techniques. This procedure allowed data to be compared across an entire shareholders' letter via the proportions of various impression management tactics measured by each coder. A proportion was calculated for each impression management variable by computing the relative incidence of each coding across all incidents in the letter. Cohen's (1960) Kappa was used in order to assess intercoder reliability because it controls for the chance assignment of ratings to categories (Jones, Johnson, Butler, & Main, 1983; Abrahamson & Park, 1994). Both pair of coders met independently to discuss all discrepancies in coding and calculate Cohen's Kappas. The pairs subsequently randomly checked letters from the other pair to ensure no bias and calculate Cohen's Kappas between the two groups. The
final measure of impression management was a consensus decision between the coders.

**Control Variables**

**Industry type.** Firms were grouped based on their two digit Standard Industry Classification (SIC). The SIC was developed for use in the classification of establishments by type of activity in which they are engaged. The two digit SIC classifies companies by major groups such as, forestry, metal mining and tobacco products. The industries ranged from major group 10 (Metal Mining) to major group 80 (Health Services).

**Firm size.** Bantel and Jackson (1989) discovered in pilot interviews that when executives were asked their opinion about the most appropriate way to assess organizational size, the consensus opinion was to use total assets and liabilities. This information was gathered from the Disclosure database produced by Disclosure Incorporated. The mean firm size was $8,834,165 with a standard deviation of $26,421,300 and variance of $6.98E+14.

**Independent Variable**

**Change in FY Stock Price.** Past research on CEO's letters in annual reports has indicated that utilizing a change measure is the appropriate method for accurately capturing company performance (Staw, McKechnie, & Puffer, 1983; Bettman & Weitz, 1983; Salancik & Meindl, 1984; Abrahamson & Park, 1994). The specific measure used in this study was percent change in average annual stock price from FY 1992 to FY 1993 (Staw, McKechnie & Puffer, 1983). This measure of corporate financial performance was selected because of
its popularity as a performance measure in previous studies (Staw, McKechnie, & Puffer, 1983; Brown & Perry, 1990; Fombrun & Shanley, 1990; McGuire, Schneeweis, & Branch, 1990). Relative change was utilized because it offers a comparable index across firms and because performance is discussed relatively in annual reports. This measure indicates how a company performed relative to the previous year. This information was gathered from the Bloomberg Database, published by Bloomberg Incorporated for FY 1993. This database contains financial markets commodities news for all publicly owned corporations listed with the Securities and Exchange Commission.

**Moderator Variables**

**Ownership of Shares.** This measure was the percentage of shares held by outsiders, officers, and institutional shareholders. This information was gathered from Disclosure. The percentages were calculated by dividing the number of shares held by outsiders, officers, and institutional shareholders by the total number of shares (Abrahamson & Park, 1994).

**CEO Tenure.** This variable was operationalized as the number of years the present CEO has been in that position. This information was gathered from the annual *Business Week* article, The Corporate Elite (1994).

**CEO Tenure with company.** This variable was operationalized as the number of years the individual has worked for the firm. This information was gathered from the annual *Business Week* article, The Corporate Elite (1994).
Stability of Performance. Three measures of each firm's performance were collected from the COMPSTAT Database, published by Standard & Poor's COMPSTAT Services Incorporated. The measures included in order to calculate stability were profit margins, sales and earnings per share (Salancik & Meindl, 1984). These performance measures were selected because comparable figures were published for all firms. The three also represent the common domains of corporate performance: growth/size; profitability/efficiency; and investment/capital market potential. The firm's performance stability was calculated by taking the standard deviation of each performance measure for each firm. Each firm's standard deviation was then divided by the appropriate mean to create the "coefficient of variation," which adjusts for differences in scales for the various performance measures (Salancik & Meindl, 1984).

CEO Turnover. CEO turnover was calculated by counting the number of times the CEO changed over the past ten years. This information was gathered from the annual Business Week article, The Corporate Elite (1994).

Stability of Reputation. The stability of reputation was calculated by taking the standard deviation in reputation for a firm over the past ten years. This reputation measure is the Fortune 500 firm reputation ratings published annually by Fortune. This measure was produced by more than 10,000 senior executives, outside directors, and financial analysts. They were asked to rate the ten largest companies (or sometimes fewer) in their own industry on
nine attributes using a scale from zero (poor) to ten (excellent). The attributes were overall reputation, quality of management; quality of products or services; innovativeness; long-term investment value; financial soundness; ability to attract, develop, and keep talented people; responsibility to the community and the environment; and wise use of corporate assets. These attributes were used separately in the analyses.

**Dependent Variables**

**Impression Management Techniques.** Content coding of the annual report produced these independent variables which were discussed previously. The number of times each technique occurred in each report was tallied on a coding sheet as shown in Appendix A and then a proportion was calculated based on the total number of impression management tactics used in that particular letter. Each specific impression management technique was coded as follows.

**Conveyance of Performance.** A CEO's statement was coded as disclosure when he mentioned a performance from the previous year. A statement coded as a positive disclosure of an event would be as follows: "1993 was a very good year for your Company, a year when our soft initiatives turned increasingly into hard results" (General Electric, 1993). On the other hand, a statement coded as a negative disclosure of an event would be as follows: "1993 was a major disappointment" (Corning, 1993). The proportion of negative disclosures reported relative to positive disclosures was calculated by dividing the proportion of negative disclosures by the sum of the
proportion of negative disclosures and the proportion of positive disclosures.

Attributions of Responsibility for Performance. A CEO can also make attributions in the letter, which were coded as external or internal. Internal causation refers to results being attributed to corporate actions, policies, products, structure, or decision making. An example of an internal attribution for past success would be as follows: "Improving our international and U.S. domestic performances were key to fiscal 1993 results" (Federal Express, 1993). External causation refers to results being attributed to industry trends, competition, general economic conditions, regulation, and government policies. A statement coded as an external attribution for past failure would be as follows: "We turned in disappointing results, partially due to the erratic purchasing which emerged in the toy industry" (Questor Corporation, 1978).

Goal Setting. Goals were coded in one of two ways, either general or specific. Specific goals in this study were defined either as those that stated quantitative information (i.e., We will improve sales by 30%) or those that emphasized a goal in a particular department, division, or country. A general goal was defined as one that stated overarching improvements for the future. An example of a general goal is: "We are determined to make the most of our strengths in the coming year" (Federal Express, 1993). An example of a specific goal is: "We will build customer enthusiasm in FY 1992 by focusing our people and our processes on teamwork and
continuous improvement in all areas of the business" (General Motors, 1993).

**Visionary Language.** Four different types of visionary language were coded. First, a statement coded as a vision statement would be as follows: "Our vision is for GM to be the world leader in transportation products and services" (General Motors, 1993). Vision statements were identified easily when the word "vision" was stated. Vision statements included those that espoused company values and those that did not have a time dimension. That is, vision statements are continually pursued unlike goals that are forgotten after achieved. Second, a statement coded as stating trust in employees would be as follows: "We have a worldwide team of diverse, capable, and motivated employees" (General Motors, 1993). Third, a statement coded as amplifying values would be as follows: "People continue to turn to American Greetings for products that touch their hearts and help them communicate in a personal way" (American Greetings, 1993). Fourth, a statement coded as an organizational story would be as follows: "Our experience in the computer business is worth a case study by itself. Because our long distance network was so highly computerized, we thought customers would jump at the chance to buy computers from us. We were wrong-and finally we merged with an established computer company" (AT&T, 1993).

**Change in Monthly Stock Price.** For each firm, the average stock price was calculated for the month the annual report was published and the month after. The percent change between the
average stock price the month the annual report was published and the average stock price the month after was used to measure monthly change in stock price (Daft, Sormunen, & Parks, 1988). All data on stock prices were obtained from the Bloomberg Database published by Bloomberg Incorporated.

**Impressions of CEO and Organization.** Fifty undergraduates and fifty MBAs reviewed 10 randomly selected Fortune 500 CEO's letters and filled out a survey on each letter. The undergraduate subjects received extra credit in a psychology course and the MBA subjects were volunteers. Appendix B illustrates the survey that subjects completed. It asks about their impressions of the company and CEO. A principle components factor analysis with varimax rotation of the survey revealed one main factor. Ten of the questions on the survey (2,3,4,5,6,7,8,11,13,14,15) created this factor called shareholder impressions of CEO and organization (Alpha = .93). The eigenvalue for the first factor was 9.1 and .75 for the second factor.

Additionally, an experimenter developed test (Appendix C) was given in order to distinguish between experienced (M =12.5) and inexperienced (M = 7.6) subjects, F(1,48) = 8.2, p < .01. The highest possible score on the test was 15, and it was designed to differentiate between subjects with knowledge concerning annual reports and business concepts and those without this knowledge. It is assumed that those with technical knowledge (MBAs) will better understand the subtleties in the letter to shareholders and may be influenced less by impression management. The undergraduates and MBAs differed on age (M = 24) versus (M = 30), F(1,48) = 3.6, p < .01,
the percentage that read annual reports previously (M = 27%) versus 
(M = 80%), F(1,48) = 5.7, p < .01, and the percentage that own stocks 
(M = 20%) versus (M = 43%), F(1,48) = 2.0, p < .05.

Analyses

A series of multiple regressions were conducted in order to 
test the hypotheses. The moderator effects were tested by inserting 
the moderator and the interaction term of the moderator and the 
other independent variable into the original equation (Cohen & Cohen, 
1983).

In addition, mediation of the impression management 
techniques were tested with hierarchical regression. This was 
accomplished by using change in monthly stock price as the 
dependent variable and entering performance as the first 
independent variable. The impression management techniques were 
then added to the equation in a hierarchical manner in order to see if 
they account for any additional variance.

Results

Intercoder Reliability

Cohen's (1960) Kappa was used in order to assess intercoder 
reliability (Jones, Johnson, Butler, & Main, 1983; Abrahamson & 
Park, 1994). The Cohen's Kappas for the two pairs of coders are 
listed in Table 1.
Table 1
Cohen's Kappas for Agreement Between Pairs of Coders

<table>
<thead>
<tr>
<th>Impression Management Technique</th>
<th>κ</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Disclosures</td>
<td>.95</td>
<td>.00</td>
</tr>
<tr>
<td>Negative Disclosures</td>
<td>.93</td>
<td>.00</td>
</tr>
<tr>
<td>Internal Attributions</td>
<td>.92</td>
<td>.00</td>
</tr>
<tr>
<td>External Attributions</td>
<td>.97</td>
<td>.00</td>
</tr>
<tr>
<td>Specific Goals</td>
<td>.90</td>
<td>.00</td>
</tr>
<tr>
<td>General Goals</td>
<td>.88</td>
<td>.00</td>
</tr>
<tr>
<td>Visionary Statements</td>
<td>.88</td>
<td>.00</td>
</tr>
<tr>
<td>Amplification of Values</td>
<td>.98</td>
<td>.00</td>
</tr>
<tr>
<td>Organizational Stories</td>
<td>.99</td>
<td>.00</td>
</tr>
<tr>
<td>High Expectations of Followers</td>
<td>.96</td>
<td>.00</td>
</tr>
</tbody>
</table>

Tests of Hypotheses

The means, standard deviations, and correlations for all variables in the study are presented in Appendix D.

In order to test the hypotheses a series of two or three-step hierarchical multiple regression analyses were performed (Cohen & Cohen, 1975, 1983). In each analyses, three control variables (firm size, industry type and letter length) were entered into the equation in the first step. The independent variable to be tested was entered in the second step and interaction term between the independent variable and the moderator was entered in the third step.

Hypothesis 1. In support of hypothesis 1 performance was found to explain a significant amount of variance in the proportion of negative outcomes reported relative to positive outcomes, $\Delta R^2 = .12$, $p = .00$. Results indicate that to the extent that a company had a
poor performance, the CEO reported a higher proportion of negative outcomes relative to positive outcomes in the CEO's letter. See Table 2 for a summary of the regression analysis for hypothesis 1.

**Hypothesis 2.** Confirming hypothesis 2, a company's performance explained a significant amount of variance in causal attributions stated to explain the performance, $\Delta R^2 = .02, p = .03$. Additionally, performance explained a significant amount of variance in external causal attributions, $\Delta R^2 = .04, p = .00$. In effect, when a company had a poor performance, the CEO explained the performance by making more causal attributions. Additionally, to the extent that companies performed poorly, CEOs attributed their company's performance more to external factors. Tables 3a and 3b summarize the results from the test of hypothesis 2.

**Hypothesis 3.** Contrary to hypothesis 3, a company's performance did not explain a significant amount of variance in goals stated for improving future performance, $\Delta R^2 = .01, p = .12$.

<table>
<thead>
<tr>
<th>Table 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Negative Relative to Total Disclosures (N = 241)</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Step 1</strong></td>
</tr>
<tr>
<td>Industry Type</td>
</tr>
<tr>
<td>Firm Size</td>
</tr>
<tr>
<td>Letter Length</td>
</tr>
<tr>
<td><strong>Step 2</strong></td>
</tr>
<tr>
<td>Performance</td>
</tr>
</tbody>
</table>

\textit{a} Betas reported are from Step 2

** $p < .01$  \hspace{1cm} * $p < .05$
Table 3a
Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Total Attributions (N = 241)

<table>
<thead>
<tr>
<th>Variable</th>
<th>$\beta^a$</th>
<th>$\Delta R^2$</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.06</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Firm Size</td>
<td>-.15*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>-.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>-.14*</td>
<td>.02*</td>
<td>.04*</td>
</tr>
</tbody>
</table>

$^a$ Betas reported are from Step 2

** $p < .01$

* $p < .05$

Table 3b
Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of External Attributions (N = 241)

<table>
<thead>
<tr>
<th>Variable</th>
<th>$\beta^a$</th>
<th>$\Delta R^2$</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>-.01</td>
<td>.01</td>
<td>.01</td>
</tr>
<tr>
<td>Firm Size</td>
<td>-.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>-.20**</td>
<td>.04**</td>
<td>.05**</td>
</tr>
</tbody>
</table>

$^a$ Betas reported are from Step 2

** $p < .01$

* $p < .05$
In addition, performance did not explain a significant amount of variance in specific goals stated for improving future performance, $\Delta R^2 = .01, p = .06$. Tables 4a and 4b summarize the results for the test of hypothesis 3.

**Hypothesis 4.** Contrary to hypothesis 4 a company's performance did not explain a significant amount of variance in the total visionary language, $\Delta R^2 = .00, p = .57$, in the visionary statements, $\Delta R^2 = .00, p = .35$, in the amplification of values, $\Delta R^2 = .00, p = .29$, in the organizational stories, $\Delta R^2 = .00, p = .59$, or in the employee support statements, $\Delta R^2 = .01, p = .27$. The predicament (Schlenker, 1980) of a poor performance did not increase the amount of visionary language used in the CEO's letter. Table 5 summarizes the results from the test of hypothesis 4.

**Hypothesis 5.** Contrary to hypotheses 5a, and c, there were no moderating effects of the organization's past performance stability and the organization's past reputation stability found for the relationships stated in hypotheses 1-3. In partial confirmation of hypothesis 5b, there was a moderating effect of CEO turnover rate on the relationship between performance and proportion of negative relative to positive disclosures, $\beta = -.19, p = .02, \Delta R^2 = .02, p = .02$. Specifically, the higher the CEO turnover rate, the higher the proportion of negative relative to positive disclosures stated in response to a poor performance and the lower the proportion of negative relative to positive disclosures stated in response to a good performance. Figure 3 graphically depicts this relationship.
Table 4a
Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Total Goals (N = 241)

<table>
<thead>
<tr>
<th>Variable</th>
<th>β^a</th>
<th>ΔR^2</th>
<th>R^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>-.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>-.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>.10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

^a Betas reported are from Step 2
** p < .01
* p < .05

Table 4b
Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Specific Goals (N = 241)

<table>
<thead>
<tr>
<th>Variable</th>
<th>β^a</th>
<th>ΔR^2</th>
<th>R^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>-.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>-.18**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>-.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>.12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

^a Betas reported are from Step 2
** p < .01
* p < .05
Table 5
Summary of Hierarchical Regression Analysis for Variables
Predicting the Proportion of Visionary Language (N = 241)

<table>
<thead>
<tr>
<th>Variable</th>
<th>( \beta )</th>
<th>( \Delta R^2 )</th>
<th>( R^2 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>a: Total Visionary Language</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>-.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b: Visionary Statements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>-.01</td>
<td>.07**</td>
<td>.07**</td>
</tr>
<tr>
<td>Firm Size</td>
<td>.12**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.23**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>-.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c: Amplification of Values</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>.00</td>
<td>.01</td>
<td></td>
</tr>
<tr>
<td>d: Support Statements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>-.07</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 5 continued

Summary of Hierarchical Regression Analysis for Variables Predicting the Proportion of Visionary Language (N = 241)

<table>
<thead>
<tr>
<th>Variable</th>
<th>β</th>
<th>ΔR²</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>e: Organizational Stories</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.05</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Firm Size</td>
<td>.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td>.00</td>
<td>.02</td>
</tr>
<tr>
<td>Performance</td>
<td>-.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Betas reported are from Step 2

\(** p < .01\)

\(* p < .05\)

The amount of time that a CEO worked in a company (company tenure) was tested as an additional moderator to the relationships stated in hypothesis 5. Company tenure was found to moderate the relationship between performance and proportion of negative relative to positive disclosures, \( \beta = -.22, p = .03, \Delta R^2 = .02, p = .03 \). That is, the hypothesized relationship of performance of a company in the previous year, to the proportion of negative outcomes, was moderated by company tenure. Specifically, the lower the company tenure of a CEO the more likely the CEO reacted to a poor performance by stating a higher proportion of negative relative to positive disclosures and the more likely the CEO reacted to a good performance by stating a lower proportion of negative relative to
positive disclosures relative to a CEO with high company tenure. Figure 4 graphically depicts this relationship.

Company tenure was additionally found to moderate the relationship between performance and the proportion of specific goals stated in the report, $\beta = -21$, $p = .05$, $\Delta R^2 = .02$, $p = .05$. That is, the hypothesized relationship of performance of a company in the previous year, to the proportion of specific goals stated, was moderated by company tenure. Results indicate that a CEO with low

![Graph](image)

**Figure 3.** Performance x CEO turnover interaction with proportion of negative relative to positive disclosures as the dependent measure.

**Note.** Turnover median split at 1.0 and performance median split at .06 for graphing purposes.
company tenure reacted to both high and low performances by stating a higher proportion of specific goals than a CEO with high company tenure. By contrast, a CEO with high company tenure was more likely to state specific goals in response to a low performance, than in response to a high performance. Results seem to indicate that the CEO with low company tenure is trying to show his constant attention to company business by stating specific goals regardless of performance, whereas the CEO with high company tenure only shows this attention when the company is performing

![Graph](image)

**Figure 4.** Performance x company tenure interaction with proportion of negative relative to positive disclosures as the dependent measure

**Note.** Tenure median split at 23 and performance median split at .06 for graphing purposes.
poorly. Perhaps the high tenure CEO is already established within the company and does not have to prove his value to the shareholders. Figure 5 graphically depicts this relationship.

Partially confirming hypothesis 5c, there was a moderating effect of stability of long term investment reputation $\beta = -.43, p = .01, \Delta R^2 = .05, p = .01$, and stability of financial soundness reputation $\beta = -.39, p = .03, \Delta R^2 = .03, p = .03$, on the relationship between performance and proportion of specific goals stated for the future. Results indicate that the lower the stability of investment reputation of a company the more likely the CEO reacted to a low performance by stating a higher proportion of specific goals.

![Diagram](image)

**Figure 5.** Performance x company tenure interaction with proportion of specific goals stated as the dependent measure

**Note.** Tenure median split at 23 and performance median split at .06 for graphing purposes.
for the future. Additionally, the lower the stability of financial soundness reputation of a company the more likely the CEO reacted to a low performance by stating a higher proportion of specific goals for the future. One possible interpretation is that the CEO with the lower reputation stability is trying to increase that reputation by stating goals for the future when his company has a poor performance. This may be his way of showing his control of the situation and therefore putting the shareholders at ease. Figures 6 and 7 graphically depict these relationships.

Figure 6. Performance x stability of financial soundness reputation interaction with proportion of specific goals stated as the dependent measure

Note. Stability of financial soundness reputation median split at .45 and performance median split at .06 for graphing purposes.
In partial confirmation of hypothesis 5d, there was a moderating effect of percentage of outside shareholders found for the relationship between previous company performance and proportion of negative relative to positive disclosures, $\beta = .33$, $p = .01$, $\Delta R^2 = .02$, $p = .01$. Specifically, the higher the percentage of outside shareholders, the more likely a CEO reacted to a previous poor performance by stating a high proportion of negative relative to positive disclosures. Figure 8 graphically depicts this relationship.

Figure 7. Performance x stability of long term investment reputation interaction with proportion of specific goals stated as the dependent measure

Note. Stability of long term investment reputation median split at .390 and performance median split at .06 for graphing purposes.
Tables 6a, b, c, d summarize the results from the tests of hypothesis 5.

Also in partial confirmation of hypothesis 5d, there was a moderating effect of the percentage of institutional shareholders found for the relationship between previous company performance and proportion of negative relative to positive disclosures, $\beta = .67$, $p = .02$, $\Delta R^2 = .02$, $p = .02$. Specifically, the higher the percentage of institutional shareholders, the more likely a company reacted to a

![Graph](image-url)

**Figure 8.** Performance x percentage of outside shareholders interaction with proportion of negative relative to positive disclosures as the dependent measure

**Note.** Percentage of outside shareholders median split at 22.1 and performance median split at .06 for graphing purposes.
Table 6a
Summary of Hierarchical Regression Analysis with Test of Performance Stability as a Moderator (N = 241)

<table>
<thead>
<tr>
<th>DVs: Variables</th>
<th>Neg/Pos Discl</th>
<th>Total Attrrib</th>
<th>Ext Attrrib</th>
<th>Total Goals</th>
<th>Specific Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β^a</td>
<td>ΔR^2</td>
<td>R^2</td>
<td>β^a</td>
<td>ΔR^2</td>
</tr>
<tr>
<td>Step 1</td>
<td>.01</td>
<td>.01</td>
<td>.02</td>
<td>.02</td>
<td>.01</td>
</tr>
<tr>
<td>Industry Type</td>
<td>.05</td>
<td>.06</td>
<td>-.01</td>
<td>-.11</td>
<td>-.12</td>
</tr>
<tr>
<td>Firm Size</td>
<td>-.10</td>
<td>-.15**</td>
<td>-.12</td>
<td>.03</td>
<td>-.18**</td>
</tr>
<tr>
<td>Letter Length</td>
<td>.04</td>
<td>-.00</td>
<td>.02</td>
<td>-.03</td>
<td>-.01</td>
</tr>
<tr>
<td>Step 2</td>
<td>.12**</td>
<td>.14**</td>
<td>.02</td>
<td>.04</td>
<td>.04**</td>
</tr>
<tr>
<td>Perf Stability</td>
<td>.02</td>
<td>.00</td>
<td>-.01</td>
<td>.09</td>
<td>.00</td>
</tr>
<tr>
<td>Performance</td>
<td>-.36**</td>
<td>-.13*</td>
<td>-.20**</td>
<td>.10</td>
<td>.11</td>
</tr>
<tr>
<td>Step 3</td>
<td>.00</td>
<td>.14**</td>
<td>.00</td>
<td>.04</td>
<td>.00</td>
</tr>
<tr>
<td>Perf Stab*Perf</td>
<td>.02</td>
<td>-.02</td>
<td>-.03</td>
<td>-.02</td>
<td>.02</td>
</tr>
</tbody>
</table>

^a Betas reported are from Step 3
** p < .01
* p < .05
Table 6b  
Summary of Hierarchical Regression Analysis with Test of CEO Turnover as a Moderator (N = 241)  

<table>
<thead>
<tr>
<th>Variables</th>
<th>Neg/Pos Discl</th>
<th>Total Attrib</th>
<th>Ext Attrib</th>
<th>Total Goals</th>
<th>Specific Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>βa</td>
<td>∆R²</td>
<td>R²</td>
<td>βa</td>
<td>∆R²</td>
</tr>
<tr>
<td>Step 1</td>
<td>.01</td>
<td>.01</td>
<td>.02</td>
<td>.02</td>
<td>.01</td>
</tr>
<tr>
<td>Industry Type</td>
<td>.06</td>
<td>.07</td>
<td>.00</td>
<td>-.13</td>
<td>-.13*</td>
</tr>
<tr>
<td>Firm Size</td>
<td>-.09</td>
<td>-.11</td>
<td>-.07</td>
<td>-.01</td>
<td>-.20**</td>
</tr>
<tr>
<td>Letter Length</td>
<td>.04</td>
<td>-.01</td>
<td>.01</td>
<td>-.03</td>
<td>-.01</td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>-.23**</td>
<td>-.16*</td>
<td>-.17*</td>
<td>.09</td>
<td>.10</td>
</tr>
<tr>
<td>Turnover</td>
<td>-.01</td>
<td>-.27**</td>
<td>-.23**</td>
<td>.20**</td>
<td>.10</td>
</tr>
<tr>
<td>Step 3</td>
<td>.02*</td>
<td>.16**</td>
<td>.00</td>
<td>.11**</td>
<td>.00</td>
</tr>
<tr>
<td>Perf*Turnover</td>
<td>-.19**</td>
<td>.03</td>
<td>-.05</td>
<td>.02</td>
<td>.03</td>
</tr>
</tbody>
</table>

a Betas reported are from Step 3  
** p < .01  
* p < .05
Table 6c
Summary of Hierarchical Regression Analysis with Test of Overall Reputation Stability as a Moderator
(N = 241)

<table>
<thead>
<tr>
<th>DVs: Variables</th>
<th>Neg/Pos Discl</th>
<th>Total Attrib</th>
<th>Ext Attrib</th>
<th>Total Goals</th>
<th>Specific Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>βa</td>
<td>ΔR²</td>
<td>R²</td>
<td>βa</td>
<td>ΔR²</td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.03</td>
<td>.06</td>
<td>.04</td>
<td>-.04</td>
<td>-.18*</td>
</tr>
<tr>
<td>Firm Size</td>
<td>-.16</td>
<td>-.13</td>
<td>-.10</td>
<td>.05</td>
<td>-.16</td>
</tr>
<tr>
<td>Letter Length</td>
<td>.07</td>
<td>-.05</td>
<td>.06</td>
<td>-.00</td>
<td>.02</td>
</tr>
<tr>
<td>Step 2</td>
<td>.20**</td>
<td>.25**</td>
<td>.05*</td>
<td>.09*</td>
<td>.06*</td>
</tr>
<tr>
<td>Reputation</td>
<td>.13</td>
<td>-.11</td>
<td>-.07</td>
<td>.22*</td>
<td>.22*</td>
</tr>
<tr>
<td>Performance</td>
<td>-.50**</td>
<td>.04</td>
<td>-.07</td>
<td>.24</td>
<td>.26</td>
</tr>
<tr>
<td>Step 3</td>
<td>.00</td>
<td>.25**</td>
<td>.02</td>
<td>.11*</td>
<td>.01</td>
</tr>
<tr>
<td>Perf*Reputat.</td>
<td>.08</td>
<td>-.28</td>
<td>-.19</td>
<td>-.21</td>
<td>-.35</td>
</tr>
</tbody>
</table>

a Betas reported are from Step 3
** p < .01
* p < .05
Table 6d  
**Summary of Hierarchical Regression Analysis with Test of Percentage of Outside Shareholders as a Moderator (N = 241)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Neg/Pos Discl</th>
<th>Total Attrib</th>
<th>Ext Attrib</th>
<th>Total Goals</th>
<th>Specific Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\beta^a$</td>
<td>$\Delta R^2$</td>
<td>$R^2$</td>
<td>$\beta$</td>
<td>$\Delta R^2$</td>
</tr>
<tr>
<td>Step 1</td>
<td>.01</td>
<td>.01</td>
<td>.02</td>
<td>.02</td>
<td>.01</td>
</tr>
<tr>
<td>Industry Type</td>
<td>.06</td>
<td>.06</td>
<td>-.01</td>
<td>-.12</td>
<td>-.12</td>
</tr>
<tr>
<td>Firm Size</td>
<td>-.11</td>
<td>-.13*</td>
<td>-.10</td>
<td>.01</td>
<td>-.17**</td>
</tr>
<tr>
<td>Letter Length</td>
<td>.04</td>
<td>.00</td>
<td>.02</td>
<td>-.04</td>
<td>-.01</td>
</tr>
<tr>
<td>Step 2</td>
<td>.12**</td>
<td>.14**</td>
<td>.04*</td>
<td>.06*</td>
<td>.05** .06**</td>
</tr>
<tr>
<td>Pr Outside Share</td>
<td>-.06</td>
<td>.13</td>
<td>.03</td>
<td>-.10</td>
<td>.03</td>
</tr>
<tr>
<td>Performance</td>
<td>-.64**</td>
<td>-.13</td>
<td>-.38**</td>
<td>.02</td>
<td>.11</td>
</tr>
<tr>
<td>Step 3</td>
<td>.02*</td>
<td>.16**</td>
<td>.00</td>
<td>.06*</td>
<td>.01</td>
</tr>
<tr>
<td>Perf*Outside Shr</td>
<td>.33**</td>
<td>-.01</td>
<td>.20</td>
<td>.09</td>
<td>.01</td>
</tr>
</tbody>
</table>

a Betas reported are from Step 3  
** $p < .01$  
* $p < .05$
previous poor performance by stating a high proportion of negative relative to positive disclosures. Figure 9 graphically depicts this relationship.

**Hypothesis 6.** Contrary to hypothesis 6, nonsignificant results were obtained in the predictions of stock price from (a) assigning responsibility to the company for both positive and negative outcomes $\Delta R^2 = .00, p = .51$; (b) stating specific goals for future performance $\Delta R^2 = .00, p = .75$; or (c) using visionary language in the

![Figure 9](image.png)

**Figure 9.** Performance x percentage of institutional shareholders interaction with proportion of negative relative to positive disclosures as the dependent variable

**Note.** Percentage of institutional shareholders median split at 60.1 and performance median split at .06 for graphing purposes.
report $\Delta R^2 = .00, p = .19$. That is, there was no relationship between
the attributions a company assigned, the goals they stated, or the
visionary language they used and the change in stock price in the
month following the annual report. Table 7 summarizes the results
from the test of hypothesis 6.

**Hypothesis 7.** Confirming hypothesis 7a and 7c, the proportion
of positive outcomes stated, $\Delta R^2 = .09, p = .00$, and the proportion
of visionary language used, $\Delta R^2 = .02, p = .04$, explained a
significant amount of variance in readers' impressions of the
company. In effect, when a CEO stated a high percentage of positive
outcomes and a high percentage of visionary language in the letter,
the reader had a more positive impression of the company.

Contrary to hypotheses 7b and 7c, nonsignificant amounts of
variance in readers' impressions of the company were explained by
the organization (a) taking responsibility for both positive and
negative outcomes $\Delta R^2 = .00, p = .63$, or (b) stating specific goals
for future performance $\Delta R^2 = .00, p = .40$. Therefore, the readers'
impression of the company did not appear to be affected by CEOs
attributions or goal statements. Table 8 summarizes the results
from the test of hypothesis 7.

**Hypothesis 8.** Contrary to hypothesis 8, a nonsignificant
amount of variance in readers' impressions of the company explained
the visionary language used in the letter $\Delta R^2 = .01, p = .12$. That is,
readers did not have a more positive impression of a company to the
Table 7
Summary of Hierarchical Regression Analysis for Variables Predicting the Change in Stock Price the Month After the Annual Report was Published (N = 241)

<table>
<thead>
<tr>
<th>Variable</th>
<th>β&lt;sup&gt;a&lt;/sup&gt;</th>
<th>ΔR²</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>a:Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>-.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>-.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>.00</td>
<td>.01</td>
<td></td>
</tr>
<tr>
<td>Prop Internal Attributions</td>
<td>-.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b:Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>-.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>-.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>.00</td>
<td>.01</td>
<td></td>
</tr>
<tr>
<td>Prop. Specific Goals</td>
<td>-.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c:Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>-.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>-.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>.00</td>
<td>.01</td>
<td></td>
</tr>
<tr>
<td>Prop. Visionary Language</td>
<td>-.06</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Betas reported are from Step 2

** p < .01
* p < .05

extent that the letter contained visionary language. Table 9 summarizes the results from the test of hypothesis 8.

No effect was found when subjects impressions of the company were examined as a potential mediator of the change in
### Table 8

**Summary of Hierarchical Regression Analysis for Variables Predicting Reader Impressions (N = 243)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>( \beta^a )</th>
<th>( \Delta R^2 )</th>
<th>( R^2 )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a: IV: Proportion of Positive/Negative Disclosures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.02</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Firm Size</td>
<td>.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.13*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td>.15**</td>
<td>.17**</td>
</tr>
<tr>
<td>Prop. Pos/Neg Disclosures</td>
<td>.39**</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>b: IV: Proportion of Internal Attributions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.01</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Firm Size</td>
<td>.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td>.00</td>
<td>.03</td>
</tr>
<tr>
<td>Prop. Internal Attributions</td>
<td>.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>c: IV: Proportion of Specific Goals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.00</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Firm Size</td>
<td>.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td>.01</td>
<td>.03</td>
</tr>
<tr>
<td>Prop. Specific Goals</td>
<td>-.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>d: Proportion of Total Visionary Language</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.01</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Firm Size</td>
<td>.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td>.02*</td>
<td>.04*</td>
</tr>
<tr>
<td>Prop. Total Visionary Lang.</td>
<td>.13**</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Betas reported are from Step 2  
  ** \( p < .01 \)  
  * \( p < .05 \)
Table 9
Summary of Hierarchical Regression Analysis for Variables Predicting Reader Impressions with Test of Expertise as a Moderator (N = 243)

<table>
<thead>
<tr>
<th>Variable</th>
<th>$\beta^a$</th>
<th>$\Delta R^2$</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Type</td>
<td>.03</td>
<td>.01</td>
<td>.01</td>
</tr>
<tr>
<td>Firm Size</td>
<td>.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter Length</td>
<td>.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td>.05**</td>
<td>.06**</td>
</tr>
<tr>
<td>Prop. Total Visionary Lang.</td>
<td>-.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Score on Knowledge Test</td>
<td>-.26**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 3</td>
<td></td>
<td>.01</td>
<td>.07**</td>
</tr>
<tr>
<td>Prop Total Vis*Score</td>
<td>.26</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$^a$ Betas reported are from Step 3

** $p < .01$

* $p < .05$

stock price. Mediation was tested with all subjects and then separately with just MBAs and undergraduate subjects. Full and partial mediation were tested in all cases by inserting the impression variable into the regression equation last and then first (Cohen & Cohen, 1962). The change in $R^2$ was inspected for evidence of mediation. That is, subjects' impressions of the company did not mediate the relationship between impression management techniques utilized and change in stock price. In addition, the complete model was tested with hierarchical regression with no effects found. Table 10 summarizes the tests of each hypothesis.
Table 10
Summary of Tests of Hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Confirmed - Performance explained a significant amount of variance in</td>
</tr>
<tr>
<td></td>
<td>proportion of negative outcomes relative to positive outcomes.</td>
</tr>
<tr>
<td>2a</td>
<td>Confirmed - Performance explained a significant amount of variance in</td>
</tr>
<tr>
<td></td>
<td>causal attributions stated to explain the performance.</td>
</tr>
<tr>
<td>2b</td>
<td>Confirmed - Performance explained a significant amount of variance in</td>
</tr>
<tr>
<td></td>
<td>external causal attributions stated to explain the performance.</td>
</tr>
<tr>
<td>3a</td>
<td>Not Confirmed - Performance did not explain a significant amount of</td>
</tr>
<tr>
<td></td>
<td>variance in goals stated.</td>
</tr>
<tr>
<td>3b</td>
<td>Not Confirmed - Performance did not explain a significant amount of</td>
</tr>
<tr>
<td></td>
<td>variance in specific goals stated.</td>
</tr>
<tr>
<td>4</td>
<td>Not Confirmed - Performance did not explain a significant amount of</td>
</tr>
<tr>
<td></td>
<td>variance in visionary language.</td>
</tr>
<tr>
<td>5a</td>
<td>Not Confirmed - Performance stability did not moderate the relationship</td>
</tr>
<tr>
<td></td>
<td>in Hypothesis 1-3.</td>
</tr>
<tr>
<td>5b</td>
<td>Partially Confirmed - CEO turnover rate moderated the relationship</td>
</tr>
<tr>
<td></td>
<td>in Hypothesis 1.</td>
</tr>
<tr>
<td>5c</td>
<td>Not Confirmed - Company reputation did not moderate the relationship</td>
</tr>
<tr>
<td></td>
<td>in Hypothesis 1-3.</td>
</tr>
<tr>
<td>5d</td>
<td>Partially Confirmed - Percentage of outside shareholders moderated the</td>
</tr>
<tr>
<td></td>
<td>relationship in Hypothesis 1.</td>
</tr>
<tr>
<td>6a</td>
<td>Not Confirmed - Stock price was not explained by assigning</td>
</tr>
<tr>
<td></td>
<td>responsibility for positive and negative outcomes.</td>
</tr>
<tr>
<td>6b</td>
<td>Not Confirmed - Stock price was not explained by stating specific</td>
</tr>
<tr>
<td></td>
<td>goals.</td>
</tr>
</tbody>
</table>
Table 9 continued

6c  Not Confirmed - Stock price was not explained by the use of visionary language.

7a  Confirmed - Readers' impressions were explained by the proportion of positive outcomes stated.

7b  Not Confirmed - Readers' impressions were not explained by the CEO taking responsibility for positive and negative outcomes.

7c  Not Confirmed - Readers' impressions were not explained by the CEO stating specific goals.

7d  Confirmed - Readers' impressions were explained by the CEO using visionary language.

8   Not Confirmed - Score on knowledge test did not moderate the relationship in Hypothesis 7d.

Discussion

The purpose of this study was to examine one aspect of impression management in organizations. Specifically, the impression management techniques utilized by top managers in their annual letter to shareholders were examined in relationship to their company's previous performance. The previous research of Bettman and Weitz (1983), Staw, McKechnie, and Puffer (1983), Salancik and Meindl (1984), and Abrahamson & Park (1994) was confirmed. This research also makes new discoveries in the usage of visionary language in the annual report and in the occurrence of moderator effects in the relationship between prior performance and impression management techniques.

There are several different approaches to explaining the results from this study. Some examples are the previously discussed reasons why people engage in impression management, (a)
symbolic interaction; (b) avoiding blame and gaining credit; (c) strategic self-presentations; (d) power and social influence; and (e) creating connotative impressions. Impression management and agency theory are additional approaches to explaining the results. Additionally, the results can be explained in terms of a rational approach. I would like to explain the results in terms of CEO power and social influence. Jones and Pittman (1982) define impression management as "those features of behavior affected by power augmentation motives designed to elicit or shape others' attributions of the actor's dispositions." (p. 233). CEOs have a particular amount of power that is awarded by their position (Yukl, 1994). This power includes potential influence derived from authority, control over resources, punishments, information and the work environment. The CEO must work to maintain his power if he is in good standing, or increase his power if he is not in good standing. The impression management techniques examined in this study are several methods by which a CEO can maintain or improve his power and exert his control.

In confirmation of previous research (Salancik & Meindl, 1984), when a company exhibited poor performance the CEO conveyed that performance by reporting more negative relative to positive outcomes. Results would therefore indicate a tendency to disclose information to shareholders based on the performance level of the company. That is, if a company had a poor performance there are more negative disclosures in the letter than positive disclosures. These results confirm Abrahamson & Park (1994) who found that the
lower the financial performance of a company the greater the
disclosure of negative outcomes. In order to maintain power, it is
important for CEOs to disclose information to shareholders. If CEOs
do not disclose a poor performance when a shareholder can easily
access the information from the firm's 10-K, the CEOs may lose
trust and power as a result.

Also in confirmation of previous research, CEOs showed
evidence of a self-serving attribution bias (Bettman & Weitz, 1983;
Staw, McKechnie, & Puffer, 1983, Salancik & Meindl, 1984). CEOs
explained their past performance by using more external
attributions to the extent that the company had performed poorly.
These results confirm Salancik & Meindl (1984), who suggested that
CEOs must give the appearance of efficacy in a world where control
can be elusive. CEOs can defend themselves and their companies by
assigning responsibility to someone or something external to
themselves and their company. Additionally, in confirmation of
previous research, CEOs offered more causal attributions when their
firm performed poorly than when their firm performed well
(Bettman & Weitz, 1983). Statements of causal attributions could
be seen as an attempt by CEOs to maintain or exert power. By taking
control of a previous performance in stating causal attributions, a
CEO is maintaining his power.

In addition to studying attributions, this study examined goal
setting of CEOs within the setting of the CEO's letter. It was
suggested that one way in which a CEO can justify a previous poor
performance is by stating a goal for the future. Additionally, it was
hypothesized that lower performance in the previous year would lead to more specific goals stated in the letter. The proposed hypotheses were not confirmed in this study for two possible reasons. The CEO's letter may not be the correct source of information on the CEO's goals. Perhaps goal setting statements can be collected more accurately by reading statements of business strategy, observing CEOs on a daily basis and listening to them discuss business with subordinates and competitors. Additionally, goal setting may be overpowered by attributions in a platform such as the CEO's letter. That is, attributions may be the more acceptable way of explaining a past performance to constituencies. Perhaps CEOs believe that the shareholders want to know why an event occurred more than how the CEO is going to improve business in the future.

This study additionally examined visionary language within the CEO's letter in relation to a company's poor performance. Visionary language was found to be unrelated to a company's previous performance. A reason for this result could be that CEOs use a lot of visionary language regardless of their company's performance.

Previous research has indicated several moderators in the relationship between a company's performance and the impression management techniques utilized within the CEO's letter. One previously proposed moderator is the performance stability of the organization. Salancik & Meindl (1984) found that CEO's in companies with low performance stability were more likely to try to show their control and power in the organization by manipulating causal attributions. There was no indication of this effect found in
the present study. The differences in my results and those of previous research may reflect a methodological artifact. Salancik & Meindl (1984) selected companies for their study based on their performance stability and then grouped the companies based on high and low stability for comparisons. Because I did not select companies according to that criterion, a restriction in range on the stability variable may have attenuated the comparison.

Additional moderators were proposed in this study. Specifically, a moderator that has not been studied in the past is the effect of CEO turnover. It was suggested in this study that if a company had high CEO turnover over the previous ten years these CEOs would try to communicate their control and power to the company and its shareholders by taking responsibility for what occurs in the organization more than CEOs in companies with low turnover. Results indicate confirmation of this suggestion. Companies that have high CEO turnover disclosed a higher proportion of negative relative to positive disclosures than companies with low CEO turnover when both have had a previous poor performance. In support of the power theme, CEOs in companies with high turnover are trying to gain power and control by disclosing more negative information than CEOs in companies with low turnover. The CEOs in companies with low turnover may not disclose negative events because their power is more established.

Company tenure was also found to moderate the relationship between performance and negative relative to positive disclosures. Results indicate a tendency for CEOs with low company tenure to
state more negative relative to positive disclosures than their peers with high tenure when they have a poor performance. This tendency seems to be an effort by CEOs with low company tenure to show that they intend to address the problem. This exertion of control is another way in which a CEO with low tenure can increase his power in the company. Additionally, this may be an effort by the low tenure CEOs to gain shareholder support by telling them everything about the poor performance. Results also indicate that when a company has a good year, the low tenure CEOs are more likely to state a lower proportion of negative relative to positive disclosures than their high tenure peers. This also may be an effort by the low tenure CEOs to take control of a good situation by stressing the positive and not the negative. Additionally, CEOs that have high tenure and are close to retirement may state more positive disclosures in order to leave the company on a "good note".

Company tenure was also found to moderate the relationship between performance and the proportion of specific goals stated for the future. The low tenure CEOs in this case may be asserting control and power by stating specific goals for the future regardless of their performance. In contrast, the high tenure CEOs state more specific goals only when they believe it is necessary and perhaps in order to explain a past poor performance.

Two reputation indices were found to be significant moderators in the relationship between performance and proportion of specific goals stated for the future. Both moderators follow the pattern of low stability of reputation and low performance leading
the CEO to state more specific goals for the future than the CEO with high reputation stability and high performance. As Schlenker (1980) mentioned, past poor performances can be surrounded by future goals that are admirable. This in effect makes the CEO look better when his company has a poor performance. A CEO can increase his power by showing that he has control of a negative event. He can show control by stating how he will fix the event, or by stating specific goals for the future. When a CEO takes control and increases his power his reputation will also improve.

In confirmation of Abrahamson and Park (1994), this study found that type of shareholder moderates the relationship between previous performance and the proportion of negative relative to positive disclosures in the CEO's letter. Agency theory describes a rationale for self-serving behaviors in top managers. Specifically, agency theory addresses the diverging interests between shareholders and managers interests which arise as a results of separation of ownership and control (Berle & Means, 1932). As the number of outside shareholders and institutional investors increases, there is more pressure on the CEO to disclose information in order to be loyal to the shareholders and institutions that invest in his company (Eisenhardt, 1985).

This study examined an outcome of impression management techniques that has never been studied previously: reader impressions. Probably the most important outcome of impression management in the CEOs letter is the impression formulated by the potential shareholder. This study found that impression management
in the report does make a difference in the impressions of the company and CEO formed by the reader. Specifically, this study found that the higher the percentage of positive disclosures in the report, the more positive the impression formed of the company. It is important to note, however, that the reader only knew what they read from the letter and had no prior information. In cases where a company had a poor performance in the previous year, and the reader knows this, stressing the positive in a letter to give the shareholders a more positive impression of their company may backfire. This needs to be explored in future research.

The expertise of the reader did not make a difference in the impressions formed after reading the letter. A possible reason for this result stems from the range of expertise that was used in this study. In other words, MBA students may not have reflected the type of expertise of a truly knowledgeable and experienced expert such as a Wall Street analyst. In future research a wider range of expertise should be used by comparing analyst impressions with undergraduate impressions. Of course, it is also possible that there are no differences in impressions of experts and nonexperts. That is, both types of reader may interpret visionary language in the same way, attributing a "larger-than-life" quality to those using this language (Meindl & Ehrlich, 1987). Anticipatory socialization also may have led both to have similar impressions of the CEOs and companies. That is, Staw and Ross (1980) suggest that students can adopt beliefs about what leaders are like (e.g., use visionary language) as
the result of their attempt to prepare themselves for future leadership roles.

The present research has improved on the past research in the area by utilizing a multivariate approach. This approach has the advantage of examining the interrelationships of the impression management techniques as well as their antecedents and moderators. The results not only confirmed past research by finding evidence of the self-serving attribution bias in CEO's letters, but also investigated goal setting, visionary language, and possible moderators. The fact that moderators were discovered in the relationship between past performance of a company and impression management technique leads to the conclusion that situational changes can influence the relationship between past performance and impression management techniques. Future researchers are encouraged to examine other possible moderators to the relationship between performance and impression management techniques. For example, different types of job experience may lead a CEO to offer different impression management techniques. Future researchers could also improve on the literature base by using a variety of sources in addition to the CEO's letter. For example, researchers could content analyze speeches and quarterly bulletins issued by the CEO.

This was the first study to examine interrelationships among impression management variables. As mentioned previously, these intercorrelations are important to examine because impression management techniques do not occur independently. The
interrelationships between the impression management techniques controlling for the length of the CEO's letter are illustrated in Appendix D. It is interesting to note that positive disclosures are positively related to internal, external and total attributions. The strongest relationship among the previously mentioned variables is positive disclosures and internal attributions. This relationship and the relationship between positive disclosures and performance supports the predictions of the self-serving attribution bias which states that positive outcomes are attributed to internal causes and negative outcomes are attributed to external causes. Additional support for the predictions of a self-serving attribution bias is the relationship found between negative disclosures and external attributions.

Future research may examine the CEO's letter as an indicator of firm strategy. The language utilized within the report may be an indication of the type of strategy a company is likely to implement. Specifically, there may be relationships between self-serving attributions and strategy type or goal setting and strategy type. For example, as Miles and Snow (1978) suggested, an organization that uses self-serving attributions may be characterized as a "defender" rather than "prospector". Losses resulting from risky decisions may be better tolerated in "prospector" organizations than in "defender" organizations. The "prospector" organization may therefore utilize less external attributions because their novel ideas and strategies are more accepted than in a "defender" organization. This possibility deserves future research.
The Miles and Snow (1978) "prospector" and "defender" typology can explain some of the interrelationships between the impression management techniques. For example, as Miles and Snow (1978) suggested, a "defender" organization uses more external attributions than a "prospector" organization. According to Appendix D, external attributions are negatively related to total visionary language and general goals. These relationships are expected for a "defender" organization because this organization is more interested in the past and not in looking to the future by stating goals and visionary language. The "defender" may also be more likely to state a higher proportion of negative disclosures in order to protect himself from the retribution of not reporting information. Negative disclosures have a negative relationship with both general and total goals. The "defender" is also not likely to focus on the future by stating goals. The "prospector" is likely to state goals for the future. The relationship between general goals and amplification of values illustrates that "prospectors" may also state their values in looking to the future of their company. They also are likely to state visionary language when they state general goals. They are not likely to state support statements and visionary language when they state specific goals perhaps because they are trying to be pragmatic instead of stating lofty plans for the future. To the extent that "defender" organizations make more external attributions, it appears that both MBAs and undergraduates have less positive impressions of the CEO and the company.
Mentioned previously was the idea that perhaps high CEO tenure would lead a CEO to use less impression management. By examining Appendix D it can be seen that a CEO with high tenure is less likely to use general goals. This may occur because a CEO that has been part of a firm for a while may not have to prove himself by stating intentions for the future. In addition, CEOs with high tenure are less likely to use visionary language. This may occur because these CEOs do not think they have to impress anyone with the language in the report.

The relationship between positive disclosures and specific goals should be noted. The more positive disclosures in the letter the less specific goals were stated. This study hypothesized that those with poor performance would state more specific goals than those with good performance. This study also indicates a relationship between performance and disclosures. Therefore, the relationship between positive disclosures and specific goals complements the previous findings.

Interpretation of the results of this study are subject to several limitations. First, as mentioned previously, the authorship of the letter to shareholders is not a given. That is, the letters can be written by an internal committee or by outside consultants. Therefore, the relationship between the reasoning and explanations in the letters and the causal reasoning of those in the organization is not clear. Regardless of who wrote the letter, the data are a good source for the study of CEO impression management.
Second, the assumption in the present study is that a CEO reacts causally either internally or externally to his company's performance. Perhaps this relationship is in the opposite direction. Bowman (1976, 1978) suggests that organizations fail or succeed because of their internal or external focus. Specifically, he argues that successful firms and CEOs pay more attention to strategy development for coping with environmental pressures and to how their decisions affect their future. In contrast, poorly performing companies and CEOs are more concerned with reacting to the environment without direction from internal forces.

A third limitation of the study is the narrow definitions utilized for identifying visionary language in the letters. Past research has broken down charismatic or visionary language into many different categories. Several of these categories are difficult to code in the context of an annual report. Examples are the categories of the mission's importance, the need for the mission, identification of antagonists of the mission and efficacy of the mission (Conger, 1991). These are all categories that are not usually found in the context of the annual report. These categories could probably be coded easier from a CEO speech or by listening to the CEO daily. Perhaps if broader definitions were used there would not be restriction of range and effects could be more easily identified.

A fourth limitation of the study was the short time period studied. The effects of FY93 on the information examined in the study are not known. The history of the company in writing annual
reports is also not known. Specifically, it is not known to what extent the effects found can be attributed to a specific company. That is, one company may make more external attributions regardless of their performance. Additional research could address this point by studying companies over time.

A fifth limitation is that the CEO's letter is often read along with financial information. This study looked at the effects of only the letter and it is unclear if the results would be different with financial information included. That is, perhaps shareholders would pay more attention to the financial information than they would the letter.

Theoretical implications of this study include confirmation of agency theory and impression management theory. This study provided support for the claim that top managers present information in ways that protect their interests or enhance their reputations. Additionally, the study pointed out that the divergence between shareholder and manager interests that arise as a result of separation of ownership leads managers to present information differently depending on who owns the company shares.

From a practical standpoint, this research on CEO communication could assist individuals who invest and manage investments and depend on accurate communication within the CEO's letter. In addition this research might assist those who monitor the reports for regulatory purposes to understand the antecedent and moderator conditions involved in publishing a CEO's letter. The occurrence of impression management techniques was not related to
an immediate change in monthly stock price but could have a long-
term effect on stockprice. Therefore, those that monitor the reports
can be assisted by the results of this study.

The question remains whether the results are better explained
by an impression management approach or a rational approach.
Sections of the results suggest both possibilities. The discovery of
moderators would suggest that an impression management approach
best explains the results. That is, CEOs alter their disclosure and
statement of specific goals depending on CEO turnover, CEO tenure,
reputation and type of shareholder. In contrast, CEOs disclose more
negative information when a company performs poorly than when a
company performs well, which suggests a more rational approach. I
would like to take the approach of Goffman (1959), Hogan (1983),
and Schlenker (1980, 1985), which is a more expansive approach.
They view impression management as a "ubiquitous feature of social
behavior" (Schlenker & Weigold, 1992, p. 136). They describe
impression management as a condition of interaction that is
inherent in the structure of social life. When people interact they
define the situation and the role that they play. According to this
view there is nothing superficial about impression management. It
simply involves packaging information in different ways depending
on the audience (Schlenker & Weigold, 1989). The information is
basically true but fits the situation, including the individuals goals
and audiences expectations. The results of the present study can be
described in terms of CEOs packaging their comments in the CEO's
letters specifically for the shareholder audience. According to this
view, it is expected that the CEO would discuss different 
information based on shareholder type. The evidence from this study 
includes the differences in disclosure when there are outside and 
institutional shareholders. This research has contributed to 
researchers growing knowledge of how people regulate information 
for the benefit of others.
References


House Committee on Interstate and Foreign Commerce. (1977). 
*Report of the advisory committee on corporate disclosure to 
the Securities and Exchange Commission*, 95th congress, 1st 

J.G. Hunt and L.L. Larson (Eds.), *Leadership: The cutting edge*. 

Hovland, C.I., Janis, I.L., & Kelley, H.H. (1953). *Communication and 
persuasion*. New Haven, Conn.: Yale University Press.

of impressions through goal setting. In R.A. Giacalone & P. 
Rosenfeld (Eds.), *Impression management in the organization*. 
Hillsdale, NJ: Lawrence Erlbaum.

Haven.


Jensen, M.C., & Murphy, K.J. (1990). Performance pay and top 


APPENDIX A

CONTENT CODING SHEET
Content Coding Sheet

Record the number of times each technique was present.

Company Name ______________________________

Fortune Number ______

Impression Management Technique

1. Disclosure
   Positive ________________________________
   Negative ______________________________

2. Attribute to internal ____________________

3. Attribute to external ____________________

4. State general Goals _____________________

5. State specific Goals ____________________

6. State Vision ____________________________

7. State high expectations or trust in employees
   ________________________________

8. Amplify values __________________________

9. Tell company stories ____________________

10. Length of Letter (words) ____________________
APPENDIX B

ANNUAL REPORT SURVEY
Annual Report Survey

To what extent would you agree or disagree with the following statements? Place the number that you choose in the blank.

1 definitely disagree 2 somewhat disagree 3 neither 4 somewhat agree 5 agree 6 definitely agree

1. This CEO is believable. ________
2. This CEO is a good leader. ________
3. This CEO is inspirational. ________
4. This CEO has self-confidence. ________
5. You would buy stock in this company. ________
6. You would be interested in working for someone like this CEO. ________
7. This CEO is moral. ________
8. This CEO is competent. ________
9. This CEO is responsible for this company's success or failure. ________
10. The economy is responsible for this company's success or failure. ________
11. This company performed well. ________
12. This CEO is trying to conceal something. ________
13. This CEO has a vision for the future. ________
14. I have an overall positive impression of this company ________
15. What is your major and minor ________/________

What is your age ________ Have you read annual reports before? Y/N
Do you own any stocks? Y/N
APPENDIX C

KNOWLEDGE TEST
Knowledge Test

Circle the letter of your choice for each question.

1. The term GAAP stands for:
   a-Generally accepted accounting principles
   b-General asset annuities principles
   c-Global agreement accounting principles
   d-General asset accounting program

2. Cash dividends are:
   a-retained earnings reinvested
   b-revenues minus expenses
   c-after tax net income
   d-distributions of cash to stockholders

3. The ratio of market price per share to earnings per share of common stock is called:
   a-earnings per share
   b-dividend payout ratio
   c-dividend-yield ratio
   d-price-earnings ratio

4. The accounting term FIFO stands for:
   a-Final inventory fiscal operating
   b-First in first out
   c-Favor inventory first ordered
   d-First inventory final order
5. In which of the following interest rate types is interest earned on principal reinvested?
   a-Simple interest
   b-Simultaneous interest
   c-Compound interest
   d-Discount interest

6. The Dow Jones index is a measure of:
   a-A market indicator based on the fortune 500 U.S. companies
   b-A market indicator based on the top 30 U.S. blue chip companies
   c-A market indicator based on the top 5 U.S. companies
   d-A market indicator based on all companies worth more than 100 million dollars in assets

7. If the value of the dollar increases relative to other currencies:
   a-It is more expensive for foreigners to buy U.S. goods
   b-It costs the same for foreigners to buy U.S. goods
   c-It is less expensive for foreigners to buy U.S. goods
   d-A determination cannot be made

8. The market price of a given good in a specified economy is:
   a-The highest price a buyer is willing to pay for the good
   b-The point at which there is a surplus in inventory
   c-The point at which demand is 10% greater than supply
   d-The point at which the demand curve intersects the supply curve
9. Price elasticity refers to:
a-The sensitivity of consumer demand to prices
b-The highest segment of pricing a product can demand
c-The lowest segment of pricing a product can demand
d-The price of a product relative to substitute goods

10. If you were to purchase a bond certificate from a company, you are:
a-purchasing a piece of the company
b-trading in futures
c-lending a company money
d-investing in derivatives

11. All of the following mechanisms can serve as direct demand curve shifters except:
a-A change in prices of inputs
b-A change in money incomes
c-Changes in the prices of complimentary goods
d-Changes in the prices of substitute goods

12. An oligopoly is an economic scenario in which:
a-There is perfect competition
b-There are a few competitors for a given good
c-The government is the sole supplier of a good
d-Capacity is over saturated
13. Price discrimination represents:
a-Consumer demand for a given price on a given good
b-The price for substitute goods
c-The same product being sold at different prices
d-Different products being sold at the same price

14. An increase in the price for a complimentary good (e.g., gasoline) causes the demand for the good in question (e.g., automobiles) to:
a-decrease
b-increase
c-remain constant
d-b or c

15. The concept economies of scale refers to:
a-An increase in the cost per unit to produce a certain good beyond a certain level of production
b-Global market pricing
c-Small scale production for low cash flow companies
d-A decrease in the cost per unit to produce a certain good beyond a certain level of production
APPENDIX D

CORRELATION TABLES
<table>
<thead>
<tr>
<th>Variables</th>
<th>Means</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Performance</td>
<td>.13</td>
<td>.41</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Performance Instability</td>
<td>3.33</td>
<td>48.37</td>
<td>.00</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. CEO Turnover</td>
<td>.95</td>
<td>.83</td>
<td>-.01</td>
<td>-.06</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Reputation Instability</td>
<td>.35</td>
<td>.21</td>
<td>-.12</td>
<td>-.01</td>
<td>.19**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. CEO Tenure</td>
<td>7.65</td>
<td>8.03</td>
<td>.01</td>
<td>.01</td>
<td>-.04</td>
<td>-.61**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. % Outside Shareholders</td>
<td>27.85</td>
<td>25.85</td>
<td>.07</td>
<td>-.11</td>
<td>-.11</td>
<td>-.02</td>
<td>-.02</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Prop. Positive Disclosure</td>
<td>.32</td>
<td>.14</td>
<td>.22**</td>
<td>-.07</td>
<td>-.04</td>
<td>-.09</td>
<td>.02</td>
<td>.06</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Prop. Negative Disclosure</td>
<td>.08</td>
<td>.08</td>
<td>-.31**</td>
<td>-.01</td>
<td>-.13**</td>
<td>.02</td>
<td>.04</td>
<td>.07</td>
<td>-.31**</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Prop. Neg/Total Disclosures</td>
<td>.21</td>
<td>.21</td>
<td>-.35**</td>
<td>.02</td>
<td>-.07</td>
<td>.14</td>
<td>.04</td>
<td>.01</td>
<td>-.61**</td>
<td>.86**</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>10. Prop. Internal Attributions</td>
<td>.10</td>
<td>.07</td>
<td>.01</td>
<td>-.00</td>
<td>-.14**</td>
<td>-.10</td>
<td>.09</td>
<td>.15**</td>
<td>.02</td>
<td>-.02</td>
<td>-.08</td>
<td>1.0</td>
</tr>
<tr>
<td>11. Prop. External Attributions</td>
<td>.08</td>
<td>.08</td>
<td>-.20**</td>
<td>-.02</td>
<td>-.21**</td>
<td>-.05</td>
<td>.10</td>
<td>.09</td>
<td>-.16**</td>
<td>-.38**</td>
<td>.35**</td>
<td>.08</td>
</tr>
<tr>
<td>12. Prop. Total Attributions</td>
<td>.18</td>
<td>.11</td>
<td>-.13</td>
<td>-.01</td>
<td>-.24**</td>
<td>-.11</td>
<td>.14</td>
<td>.17**</td>
<td>-.09</td>
<td>.25**</td>
<td>.19**</td>
<td>.72**</td>
</tr>
<tr>
<td>13. Prop. Specific Goals</td>
<td>.11</td>
<td>.12</td>
<td>.11</td>
<td>.02</td>
<td>.06</td>
<td>.23**</td>
<td>.10</td>
<td>.06</td>
<td>-.32**</td>
<td>-.13**</td>
<td>.08</td>
<td>-.15**</td>
</tr>
<tr>
<td>14. Prop. General Goals</td>
<td>.13</td>
<td>.09</td>
<td>-.01</td>
<td>.11</td>
<td>.22**</td>
<td>.13</td>
<td>-.16**</td>
<td>-.19**</td>
<td>-.27**</td>
<td>-.22**</td>
<td>-.06</td>
<td>-.31**</td>
</tr>
<tr>
<td>15. Prop. Total Goals</td>
<td>.25</td>
<td>.15</td>
<td>.09</td>
<td>.08</td>
<td>.18**</td>
<td>.25**</td>
<td>-.01</td>
<td>-.07</td>
<td>-.42**</td>
<td>-.24**</td>
<td>.03</td>
<td>-.31**</td>
</tr>
<tr>
<td>16. Prop. Visionary Statements</td>
<td>.01</td>
<td>.02</td>
<td>-.08</td>
<td>.05</td>
<td>.08</td>
<td>.02</td>
<td>-.12</td>
<td>-.03</td>
<td>-.11</td>
<td>-.13**</td>
<td>-.08</td>
<td>.08</td>
</tr>
<tr>
<td>17. Prop. Support Statements</td>
<td>.13</td>
<td>.10</td>
<td>-.07</td>
<td>-.00</td>
<td>.09</td>
<td>-.12</td>
<td>-.12</td>
<td>-.16**</td>
<td>-.30**</td>
<td>-.08</td>
<td>.04</td>
<td>-.25**</td>
</tr>
<tr>
<td>18. Prop. Amplified of Values</td>
<td>.04</td>
<td>.05</td>
<td>.07</td>
<td>-.04</td>
<td>.08</td>
<td>-.04</td>
<td>-.10</td>
<td>-.10</td>
<td>-.11</td>
<td>-.31**</td>
<td>-.24**</td>
<td>-.13**</td>
</tr>
<tr>
<td>19. Prop. Organization Stories</td>
<td>.00</td>
<td>.01</td>
<td>.04</td>
<td>-.01</td>
<td>-.01</td>
<td>-.09</td>
<td>.04</td>
<td>.02</td>
<td>-.06</td>
<td>-.08</td>
<td>-.06</td>
<td>.04</td>
</tr>
<tr>
<td>20. Prop. Total Visionary Lang.</td>
<td>.17</td>
<td>.13</td>
<td>-.04</td>
<td>-.01</td>
<td>.11</td>
<td>-.12</td>
<td>-.14**</td>
<td>-.17**</td>
<td>-.31**</td>
<td>-.21**</td>
<td>-.08</td>
<td>-.26**</td>
</tr>
<tr>
<td>21. Change in Stock Price/Month</td>
<td>.02</td>
<td>.11</td>
<td>-.07</td>
<td>-.06</td>
<td>.10</td>
<td>.20**</td>
<td>-.08</td>
<td>.04</td>
<td>.11</td>
<td>-.01</td>
<td>-.05</td>
<td>.02</td>
</tr>
<tr>
<td>22. MBA Knowledge Test Score</td>
<td>12.63</td>
<td>1.9</td>
<td>-.01</td>
<td>-.01</td>
<td>-.02</td>
<td>-.07</td>
<td>-.02</td>
<td>-.06</td>
<td>.00</td>
<td>.08</td>
<td>.05</td>
<td>-.13</td>
</tr>
<tr>
<td>23. Undergrad Know. Test Score</td>
<td>7.52</td>
<td>1.6</td>
<td>.02</td>
<td>-.08</td>
<td>.01</td>
<td>-.03</td>
<td>-.01</td>
<td>.02</td>
<td>.02</td>
<td>-.05</td>
<td>-.01</td>
<td>-.06</td>
</tr>
<tr>
<td>24. MBA Impressions of Company</td>
<td>.65</td>
<td>9.5</td>
<td>.17**</td>
<td>-.08</td>
<td>.04</td>
<td>-.03</td>
<td>-.04</td>
<td>-.02</td>
<td>.07</td>
<td>-.32**</td>
<td>-.27**</td>
<td>.06</td>
</tr>
<tr>
<td>25. Undergraduates Impressions of Comp.</td>
<td>.67</td>
<td>9.1</td>
<td>.24**</td>
<td>.04</td>
<td>.01</td>
<td>-.10</td>
<td>-.04</td>
<td>-.02</td>
<td>.24**</td>
<td>-.31**</td>
<td>-.31</td>
<td>.09</td>
</tr>
</tbody>
</table>

---

a N ranges from 124-250
** p < .01 
* p < .05
## Means, Standard Deviations, and Correlations using Proportion Measures of Impression Management

<table>
<thead>
<tr>
<th>Variables</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
<th>21</th>
<th>22</th>
<th>23</th>
<th>24</th>
<th>25</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Prop. External Attributions</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Prop. Total Attributions</td>
<td>.75**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Prop. Specific Goals</td>
<td>-.20**</td>
<td>.24**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Prop. General Goals</td>
<td>-.29**</td>
<td>.41**</td>
<td>-.02</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Prop. Total Goals</td>
<td>-.34**</td>
<td>.44**</td>
<td>.79**</td>
<td>.58**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Prop. Visionary Statements</td>
<td>-.07</td>
<td>-.10</td>
<td>-.05</td>
<td>.09</td>
<td>.02</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Prop. Support Statements</td>
<td>-.22**</td>
<td>-.32**</td>
<td>-.29**</td>
<td>.01</td>
<td>-.22**</td>
<td>.14*</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Prop. Amplified of Values</td>
<td>-.27**</td>
<td>-.27**</td>
<td>-.14*</td>
<td>.17**</td>
<td>-.01</td>
<td>.08</td>
<td>.18**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Prop. Organization Stories</td>
<td>-.04</td>
<td>-.05</td>
<td>-.01</td>
<td>.04</td>
<td>.01</td>
<td>-.07</td>
<td>.06</td>
<td>.12</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Prop. Total Visionary Lang.</td>
<td>-.29**</td>
<td>-.38**</td>
<td>-.29**</td>
<td>.08</td>
<td>-.18**</td>
<td>.26**</td>
<td>.90**</td>
<td>.56**</td>
<td>.15**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Change in Stock Price/Month</td>
<td>-.02</td>
<td>-.01</td>
<td>-.02</td>
<td>.00</td>
<td>-.01</td>
<td>-.07</td>
<td>-.07</td>
<td>-.04</td>
<td>-.08</td>
<td>-.09</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. MBA Knowledge Test Score</td>
<td>.02</td>
<td>-.07</td>
<td>-.07</td>
<td>.02</td>
<td>-.04</td>
<td>-.13</td>
<td>.07</td>
<td>.05</td>
<td>.05</td>
<td>.07</td>
<td>-.16*</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Undergrad Know. Test Score</td>
<td>.04</td>
<td>.05</td>
<td>.02</td>
<td>-.04</td>
<td>-.01</td>
<td>-.06</td>
<td>.04</td>
<td>.05</td>
<td>.10</td>
<td>.05</td>
<td>-.02</td>
<td>.08</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Impressions of MBAs</td>
<td>-.18**</td>
<td>-.09</td>
<td>-.08</td>
<td>.06</td>
<td>-.02</td>
<td>.11</td>
<td>.12</td>
<td>.25**</td>
<td>-.03</td>
<td>.21**</td>
<td>.04</td>
<td>-.29*</td>
<td>.21*</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>25. Impressions of Undergraduates</td>
<td>-.24**</td>
<td>-.11</td>
<td>-.10</td>
<td>-.06</td>
<td>.04</td>
<td>.12</td>
<td>.04</td>
<td>.14*</td>
<td>-.17**</td>
<td>.09</td>
<td>.01</td>
<td>.25**</td>
<td>.08</td>
<td>-.06</td>
<td>1.0</td>
</tr>
</tbody>
</table>

---

\(^a\) N ranges from 124-250 \( ** p < .01 \) \( * p < .05 \)

**Note:** Performance = percent change in average annual stock price FY92 to FY93; Performance Instability = sum of standard deviation of profit margins, sales, and earnings per share for FY83 to FY93 divided by the mean of the variable; CEO Turnover = the number of times the CEO changed over the last 10 years; Reputation Instability = standard deviation in reputation over the last 10 years; CEO Tenure = the number of years a CEO had that position; % Outside Shareholders = the number of outside shareholders divided by the total number of shareholders; Change in Stock Price/Month = percent change in stock price between the month the annual report was published and the month after; MBA Impressions of Company = sum of items creating first factor from the AR survey; Undergraduate Impressions of Company = sum of items creating first factor from the AR survey.
Means, Standard Deviations, and Intercorrelations using Frequency Measures of Impression Management and Controlling for Letter Length\textsuperscript{a}

<table>
<thead>
<tr>
<th>Variables</th>
<th>Means</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Performance</td>
<td>.13</td>
<td>.41</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. CEO Tenure</td>
<td>7.65</td>
<td>8.03</td>
<td>.04</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Positive Disclosures</td>
<td>11.28</td>
<td>7.44</td>
<td>.09</td>
<td>.03</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Negative Disclosures</td>
<td>2.76</td>
<td>2.98</td>
<td>.26**</td>
<td>.07</td>
<td>.09</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Internal Attributions</td>
<td>3.65</td>
<td>2.94</td>
<td>.00</td>
<td>.12*</td>
<td>.45**</td>
<td>.15*</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. External Attributions</td>
<td>2.96</td>
<td>2.97</td>
<td>.16**</td>
<td>.09</td>
<td>.23**</td>
<td>.55**</td>
<td>.35**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Total Attributions</td>
<td>6.61</td>
<td>4.92</td>
<td>.10</td>
<td>.13*</td>
<td>.42**</td>
<td>.43**</td>
<td>.81**</td>
<td>.82**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. General Goals</td>
<td>4.52</td>
<td>3.50</td>
<td>.02</td>
<td>-.12*</td>
<td>.07</td>
<td>-.13*</td>
<td>-.07</td>
<td>-.12*</td>
<td>-.12*</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Specific Goals</td>
<td>3.94</td>
<td>4.73</td>
<td>.03</td>
<td>.08</td>
<td>-.13*</td>
<td>-.07</td>
<td>.00</td>
<td>-.04</td>
<td>-.02</td>
<td>.08</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Total Goals</td>
<td>8.46</td>
<td>6.32</td>
<td>.03</td>
<td>.01</td>
<td>-.06</td>
<td>-.13*</td>
<td>-.04</td>
<td>-.09</td>
<td>-.08</td>
<td>.62**</td>
<td>.83**</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>11. Amplification of Values</td>
<td>1.33</td>
<td>1.83</td>
<td>.04</td>
<td>-.12*</td>
<td>.04</td>
<td>-.19*</td>
<td>-.04</td>
<td>-.12*</td>
<td>-.10</td>
<td>.21**</td>
<td>-.04</td>
<td>.08</td>
<td>1.0</td>
</tr>
<tr>
<td>12. Organizational Stories</td>
<td>.06</td>
<td>.25</td>
<td>.04</td>
<td>.04</td>
<td>-.05</td>
<td>-.06</td>
<td>.05</td>
<td>-.03</td>
<td>-.01</td>
<td>.03</td>
<td>.05</td>
<td>.05</td>
<td>-.00</td>
</tr>
<tr>
<td>13. Support Statements</td>
<td>4.28</td>
<td>4.46</td>
<td>.06</td>
<td>-.12*</td>
<td>-.08</td>
<td>-.09</td>
<td>-.08</td>
<td>-.19**</td>
<td>-.17**</td>
<td>.06</td>
<td>-.15*</td>
<td>-.08</td>
<td>.22**</td>
</tr>
<tr>
<td>14. Visionary Statements</td>
<td>.28</td>
<td>.82</td>
<td>.05</td>
<td>-.07</td>
<td>-.04</td>
<td>-.11</td>
<td>-.05</td>
<td>.07</td>
<td>-.07</td>
<td>.16**</td>
<td>-.11</td>
<td>.01</td>
<td>.04</td>
</tr>
<tr>
<td>15. Total Visionary Lang</td>
<td>5.95</td>
<td>5.58</td>
<td>.04</td>
<td>-.15**</td>
<td>-.06</td>
<td>-.16**</td>
<td>-.08</td>
<td>-.22**</td>
<td>-.18**</td>
<td>.16*</td>
<td>-.15*</td>
<td>-.03</td>
<td>.54**</td>
</tr>
<tr>
<td>16. Change Stock/Month</td>
<td>.02</td>
<td>.11</td>
<td>.05</td>
<td>-.09</td>
<td>.02</td>
<td>-.06</td>
<td>.01</td>
<td>-.07</td>
<td>-.04</td>
<td>-.04</td>
<td>-.03</td>
<td>-.04</td>
<td>-.05</td>
</tr>
<tr>
<td>17. MBA Know. Test Score</td>
<td>12.63</td>
<td>1.98</td>
<td>.01</td>
<td>-.04</td>
<td>-.03</td>
<td>.05</td>
<td>-.09</td>
<td>.07</td>
<td>-.01</td>
<td>.05</td>
<td>-.05</td>
<td>.01</td>
<td>.09</td>
</tr>
<tr>
<td>18. Undergrad Know. Test Sc.</td>
<td>7.52</td>
<td>1.60</td>
<td>.00</td>
<td>-.01</td>
<td>-.11</td>
<td>-.05</td>
<td>-.05</td>
<td>.01</td>
<td>-.04</td>
<td>-.01</td>
<td>.03</td>
<td>.01</td>
<td>-.01</td>
</tr>
<tr>
<td>19. MBA Impressions</td>
<td>65.46</td>
<td>9.47</td>
<td>.18**</td>
<td>-.05</td>
<td>.07</td>
<td>-.29**</td>
<td>-.00</td>
<td>-.19**</td>
<td>-.11</td>
<td>.05</td>
<td>-.04</td>
<td>-.00</td>
<td>.15*</td>
</tr>
<tr>
<td>20. Undergrad Impressions</td>
<td>67.26</td>
<td>9.18</td>
<td>.24**</td>
<td>-.05</td>
<td>.21**</td>
<td>-.31**</td>
<td>.07</td>
<td>-.21**</td>
<td>-.09</td>
<td>.09</td>
<td>-.06</td>
<td>.01</td>
<td>.13</td>
</tr>
</tbody>
</table>

\textsuperscript{a} N ranges from 124-250  
** \textit{p} < .01  
* \textit{p} < .05
Means, Standard Deviations, and Intercorrelations using Frequency Measures of Impression Management and Controlling for Letter Lengtha

<table>
<thead>
<tr>
<th>Variables</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Organizational Stories</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Support Statements</td>
<td>.12</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Visionary Statements</td>
<td>-.06</td>
<td>.13*</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Total Visionary Lang</td>
<td>.13*</td>
<td>.92**</td>
<td>.27**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Change Stock/Month</td>
<td>-.05</td>
<td>-.06</td>
<td>-.05</td>
<td>-.08</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. MBA Know. Test Score</td>
<td>.05</td>
<td>.06</td>
<td>-.13*</td>
<td>.06</td>
<td>-.17*</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Undgrad Know. Test Sc.</td>
<td>.07</td>
<td>-.01</td>
<td>-.00</td>
<td>-.01</td>
<td>-.02</td>
<td>.05</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. MBA Impressions</td>
<td>-.10</td>
<td>.09</td>
<td>.11</td>
<td>.14*</td>
<td>.06</td>
<td>-.29*</td>
<td>.21*</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>20. Undergrad Impressions</td>
<td>-.18**</td>
<td>-.01</td>
<td>.09</td>
<td>.05</td>
<td>.05</td>
<td>.25**</td>
<td>.08</td>
<td>-.06</td>
<td>1.0</td>
</tr>
</tbody>
</table>

a N ranges from 124-250
** p < .01
* p < .05