The Financial Performance

A study of how financial numbers become meaningful

Per Åhblom

STOCKHOLM SCHOOL OF ECONOMICS

The Financial Performance

This book is about the question of how financial numbers become meaningful. This is one of the most central questions for companies and organisations active on capital markets around the globe because the understanding of these numbers is the basis for capital-allocation decisions that can both make or break the real economy.

A conceptual starting point for asking this question has been that meaning is not an inherent quality of accounting and financial numbers, nor simply a consequence of perspectives taken by different people. This book rather sees meaning as an interactive social process, through which financial numbers are made meaningful.

To investigate this research issue, the book reports on a collective case study of the corporate investor relations unit in three large, listed Swedish companies, followed over the course of one and a half years by the author. It studies how the meaning of key financial numbers in the companies was articulated and developed in three different arenas of company-capital market interaction. It shows how the key financial numbers took on particular meanings resulting from the interaction in situations at the company-capital market interface, such as investor meetings at international roadshows, presentations at capital market days, and quarterly financial reporting.

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A photo from the stage rehearsal of Tactile Affinity choreographed by Pontus Lidberg at the Havana International Dance Festival 2014, performed by Stockholm 59° North. Dancers seen in the photo from left to right: Kaitlyn Gilliland, Gina Pazcoguin, Nadja Sellrup, and Jens Rosén.

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To my grandmother Alice Maria Tillberg,
who never stopped learning

Foreword

This volume is the result of a research project carried out at the Department of Accounting at the Stockholm School of Economics (SSE).

This volume is submitted as a doctoral thesis at SSE. In keeping with the policies of SSE, the author has been entirely free to conduct and present his research in the manner of his choosing as an expression of his own ideas.

SSE is grateful for the financial support provided by KPMG Bolins AB:s Stipendiestiftelse, Jan Wallanders och Tom Hedelius Stiftelse, Johan och Jakob Söderbergs Stiftelse, Stiftelsen Infina, and Helge Ax:son Johnsons Stiftelse, which has made it possible to carry out the project.

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Director of Research
Stockholm School of Economics

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Professor and Head of the
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method theory and the importance of making a structured argument to a particular "dinner table". He has been a force to keep things moving forward. Markus Kallifatides made me not lose sight of the big questions in the project and he stimulated me to think harder about what I tried to argue for by challenging my conceptual positions.

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Thank you, one and all.

London, April 22, 2017

Per Åhblom

Contents

Mellan hopp att förändra världen, och ett lopp utan något värde.
Mellan botten och stjärnorna, där va vi förenade.
Vi lockades av äventyret, utan karta, utan styre.
Som korken på vattenytan, där var vi förenade.

[Between the hope of changing the world, and a race without any worth.
Between the bottom and the stars, there we were united.
We were attracted by the adventure, without a map, without rule.
Like the cork on the water's surface, there we were united.]

Andreas Grega (*Där va vi förenade*, 2010)

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Chapter 1

Introduction: A study how financial numbers become meaningful

One tenet of traditional accounting thought is that accounting numbers should 'speak for themselves' in their function of providing an account of an organisational reality to external parties. This tenet is in line with prevailing theories of capital market efficiency, which link the provision of financial information to the fundamental analysis of corporate value, and thus to the basic functioning of capital markets as mechanisms for resource allocation (see e.g. Fama, 1970). However, an unambiguous understanding of standalone accounting numbers appear problematic when considered in practice. In the aftermath of recent events in the information technology sector in the early 2000s and the US subprime mortgage sector in the late 2000s, a discussion has gained new momentum regarding the ability of accounting to convey risks and provide a 'true and fair' view to its users (see e.g. Laux & Leuz, 2009; Barth & Landsman, 2010; Mennicken & Power, 2015; Barker & Schulte, 2017). The meaning of financial numbers, it seems, is not a given in practice, or it is, at the very least, open to change.

This thesis is about the question of how financial numbers become meaningful. As mentioned above, this is one of the most central questions for companies and organisations active on capital markets around the globe because the understanding of these numbers is the basis for capital-allocation decisions that can both make or break the real economy. Corporate managers and professional investment managers devote a great deal of their time to

discussing what financial numbers 'mean' in their daily work. They engage questions such as to what extent the latest reported sales numbers reflect the new corporate strategy or a fortuitous change in the business climate. They also tackle pedagogical questions such as how to break down a profit-margin number into the constituent parts that 'best' visualise the drivers of this financial number in the past and possibly in the future, and then whether to subscribe to such a breakdown or not. This thesis investigates how organisations active in the capital market deal with such questions, and how financial numbers become meaningful in practice in this setting.

In addressing this practical concern, this thesis will also engage with theoretical discussions about the concepts of accounting and company-capital market interaction in the social studies of accounting literature, and about the concept of meaning in the broader social science literature. Meaning has been conceptualised in different ways in the social sciences (see e.g. Dewulf et al., 2009; Cornelissen & Werner, 2014), and this thesis will engage with the literature that sees meaning as given by social interaction (see Thomas, 1931 [1923]; Mead, 1972 [1934]; Bateson, 1955, 1972; Goffman, 1959, 1974; Stokes & Hewitt, 1976; Gonos, 1977; Collins, 1981; Czarniawska, 2006). More specifically, it engages with the stream that views the meaning of objects and activities as an outcome of social ordering processes (see Goffman, 1974; Rawls, 1987). Individuals or groups of individuals build up and construct meaning through repeated interactions. A particular meaning of an object or an activity is therefore an achievement of the participants involved, a social ordering of experiences and impressions by the group towards a shared cognition (see Goffman, 1959). This means that standard questions such as whether certain interpretations, of for example financial numbers, are correct or incorrect become less interesting. It is rather how particular interpretations arises that is of interest. Studies within this line of research have emphasised the processual and interactive nature of meaning (Czarniawska, 2006; Dewulf et al., 2009; Cornelissen & Werner, 2014). The meaning of things has been seen as an outcome of ongoing interactive processes.

This view stands in contrast to widely held understandings within the behavioural studies of accounting that pioneered the research of company-capital market interaction (see Day, 1986; Gniewosz, 1990; Barker, 1998; Holland, 1998a; Hellman, 2000; Imam et al., 2008). Influenced by traditional

accounting thought, these studies were primarily interested in the information benefits that capital-market actors achieve through their interaction with corporate managers when they subsequently use reported financial accounting numbers for valuation purposes and capital allocation decisions. As such, these studies equated the meaning of financial numbers to questions of circulation and identification of relevant numbers and other sources of information, and emphasised a distinction between 'quantitative' and 'qualitative' aspects of accounting. Interestingly, despite such a deterministic view on the meaning of accounting numbers, these studies concluded that the use of financial numbers for investment purposes is largely determined through an interactive relationship among representatives for three types of organisational actors: companies, institutional investors, and financial intermediaries.[1] Financial numbers appear to become more useful for valuation purposes after direct and indirect interaction in this constellation, through for example investor meetings between fund managers and corporate managers (Barker, 1998; Holland, 1998a), conference calls between financial (sell-side) analysts and corporate management (Bowen et al., 2002; Mayew et al., 2013), or the reading of financial analyst reports by fund managers (Gniewosz, 1990; Hellman, 2000). This space, where companies interact with capital market actors, appear to be the site where something important occurs that changes the characteristics of financial numbers for these actors. In its continued study, this thesis will refer to this interactive space as *the company-capital market interface*.

In the wake of these pioneering behavioural studies of accounting and company-capital market interaction, there followed additional streams of research that has taken a more social approach to the study of accounting (see Chapman et al., 2009, for an overview of the social studies of accounting field). In particular, three of these streams questioned, in different ways, previous assumptions regarding the inherently given financial meaning of accounting in the domain of company-capital market interaction. The first of

[1] 'Companies' refers to the organisations whose equity shares are being traded on the financial market. 'Institutional investors' refers to pension funds, insurance companies and other institutions engaged in capital investment on a professional basis. 'Financial intermediaries' refers to investment banks or other organisations involved in facilitating financial transactions through brokering or financial advice such as through a corps of 'sell-side' analysts.

these streams can be called 'shareholder-value oriented' studies of company-capital market interaction (see Brodin et al., 2000; Froud et al., 2000; Tengblad, 2004; Fiss & Zajac, 2006; Roberts et al., 2006; Ho, 2009; Kraus & Strömsten, 2012). This stream of research acknowledged the possibility that the meaning of financial numbers may differ among the different actor groups at the company-capital market interface, a difference based not on possession of more or less 'information', but on societal and macro-level discourses and ideologies. Company-capital market interaction could thus be conceptualised as an arena where one side – e.g. capital market actors – may impose or influence the other side – e.g. corporate actors – to adopt particular financial interpretations of accounting numbers.

The second stream can be called 'impression-management oriented' studies of company-capital market interaction (see Aerts, 1994; Neu et al., 1998; Clatworthy & Jones, 2003; Aerts, 2005; Henry, 2008; García Osma & Guillarmón-Saorín, 2011; Merkl-Davies & Brennan, 2011; Solomon et al., 2013). This research stream also acknowledged the malleability of financial meaning but directed its studies toward the micro-practices of accounting presentations by corporate actors in various instances of company-capital market interaction. It argued that financial meaning in many cases is a product of managing impressions, created by the intentionality of the actors towards certain ends and tempered by external restrictions such as auditing and corporate governance regulation.

The third and final stream considered here can be called 'meaning as constructed' studies of accounting and company-capital market interaction (see Hägglund, 2001; Zuckerman, 2004; Beunza & Garud, 2007; Preda, 2009; Vollmer, 2007; Winroth et al., 2010). As the name suggests, this stream explicitly considered financial meaning as the product of a social construction process among the actors involved. More specifically, for a group of individuals, meaning result from the particular cognitive structures, schemas or objects the participating actors create to render financial numbers meaningful. Moreover, studies in this stream argue that these cognitive structures are contingent on the establishment of social relationships between a focal actor utilising the cognitive structure, such as a company manager or an investment fund manager, and other counterparts brought into a particular situation

where the meaning of the financial number is articulated, such as for example an investor meeting.

These three research streams have addressed several questions on accounting meanings, company-capital market interaction, and accounting more broadly. They have brought attention to the malleability of accounting interpretations and to the role company-capital market interaction appears to play in shaping the resultant meanings arrived at by the central actors. They have gone some distance in answering questions related to the mechanisms of transmission and adoption of accounting interpretations at the company-capital market interface. They have also sensitised the current body of knowledge to the constructed nature of accounting meanings and made headway in proposing ways to analyse the composite parts of such articulated meanings in terms of cognitive constructs. However, in past research endeavours, analytical and empirical attention has focused largely on the capital market side of these interactions, leaving our understanding of the activities and processes of companies largely unexplored. Moreover, little conceptual headway has been made in understanding how the meaning of financial numbers can come about in the first instance, before any transmission, adoption or malleability can take place, or how the processual elements of such emergence might look.

1.1 The research question

Against this background, the thesis looks to answer the following general research question:

> *How do financial numbers become meaningful at the company-capital market interface?*

This question is formulated with the aim of exploring the processes by which financial numbers produced and used for accounting purposes come to take on particular meanings for central actors at the interface where these numbers cross over from the organisational world of companies to the market world of investors and financial intermediaries, with special attention paid to the activities of the corporate actors in this process. In line with the interest

in the concept of meaning in particular streams within the broader social science literature, this thesis sees meaning as a cognitive outcome of ongoing interactive processes.

A further aim in asking this research question is to explicitly conceptualise an understanding of the cognitive social processes that produces meaning in relation to the specific issue of financial numbers in the context of company-capital market interaction in financial markets.

1.2 The study

To address the research question, I conducted a collective case study (Stake, 2000) of the investor relations (IR) function in three large, listed companies. IR is a group-level corporate function in listed companies that handles contacts with capital market actors such as existing shareholders, potential new investors, and analysts covering the company stock for financial intermediary firms. Members of the IR also oversee or write much of the content in annual and quarterly financial reports, prepare senior management for quarterly and annual result presentations, and organise and participate in meetings and presentations for investors and analysts throughout the fiscal year – among other duties. IR is thus centrally placed and integrated in the company-capital market interface for most listed companies. I have studied the development of the meaning of key financial numbers in these three case companies through the activities and work undertaken in the IR units over the course of one and a half years, from January 2013 to June 2014.

In particular, this study highlights three arenas of company-capital market interaction and their relationship to the articulated meaning of key accounting numbers. Firstly, I have followed the changing meanings of financial numbers in the preparation and undertaking of international roadshows designed to meet large equity investors, both existing and potential, to discuss the financial performance and prospects of the company. Secondly, I have followed the preparation and undertaking of capital market days designed to present the company's corporate strategy, key financial numbers, and long-term financial goals of the company to the wider community of capital-market actors. Thirdly, I have followed the articulated meaning of fi-

nancial numbers in the quarterly financial report writing process and the subsequent activities of presenting the quarterly result to capital market actors. By focussing on different activities and situations of company-capital market interaction, I employ each of these three focus areas and case companies to highlight different aspects of the process by which financial numbers become meaningful. These three focus areas and company cases complement each other in the investigation to create a richer understanding of the research issues explored in this thesis rather than a comparative analysis.

The three case companies were all headquartered in Sweden with their primary listing on the Nasdaq OMX Stockholm stock exchange, where they were heavily traded stocks and part of the 'Large Cap' group. Non-Swedish investors held large stakes in the companies.[2] For methodological reasons, the names of the case companies will remain undisclosed in this study.[3] The first case company operates in the industrial engineering sector and is referred to as 'InduCo' in the study. The second case company – 'TechCo' – operates in the technology sector. The third and final case company – 'FinCo' – operates in the financial services sector.

To theorise about the articulated meanings of financial numbers in the collective case study, this thesis utilises a conceptual approach drawn from work in symbolic interactionism (see Thomas, 1931 [1923]; Mead, 1972 [1934]). More specifically, it employs the micro-sociological approach developed by Erving Goffman (1959; 1974) known as frame analysis. This work has the advantage of being specifically geared towards understanding meaning as emergent through situations of interaction. In particular, the conceptual approach adopted in this thesis focuses on three elements in processes of framing: audience, anchoring, and cues. This thesis argues that meaning is not an a priori given in situations of interaction, but rather emerges as an outcome from the enactment of particular cognitive frames by the participants involved. These frames organise the experiences and impressions of the participating individuals so as to tell them 'what is going on' in a particular situation. By directing attention in situations of interaction to the audience,

[2] In two companies, non-Swedish investors held a significant majority of the shares. In the third company about half the shares were controlled by non-Swedish investors.

[3] However, the use of the empirical material from the companies disclosed in the book is not subject to anonymity constraints on their part.

anchoring and cues, this thesis will trace the framing elements that make particular meanings emerge. Hence, this thesis will trace the conditions in a social process that produces meaning as an ex-post result in situations.

By theorising in such ways about how financial numbers become meaningful, this thesis will make several arguments regarding the extant literature. Firstly, in relation to the behavioural accounting literature, this thesis will argue for a shift in focus from viewing financial meaning as questions of circulation and relevance, to the question of how financial numbers become meaningful in practice. That is, it is suggested here that our understanding of financial meaning is expanded by studying the representative capacities and interpretations of particular financial numbers as emergent within the situations of company-capital market interaction. Consequently, the thesis sketches several potential implications of this shift for our understanding of the meaning of financial numbers, and it also identifies and discusses some of the methodological consequences of such a shift.

Secondly, this thesis suggests alternative ways of understanding company-capital market interaction. In particular, in relation to the social studies of accounting literature, this thesis proposes that in order to refine our understanding of financial meaning in practice it is useful to view company-capital market interaction as a joint and symmetrical process. It argues that, rather than seeing meaning as residing or originating from any one set of participants in situations of company-capital market interaction, it is possible to achieve a more nuanced understanding of financial meaning by studying company-capital market interaction as a joint interactive effort from both sets of participants.

Thirdly, building on the above contributions, this thesis also proposes a new elaborated conceptual vocabulary for the study of financial meaning in the company-capital market domain. This vocabulary builds on the work of Erving Goffman on frame analysis and highlights the emergent properties of frames through situations of interaction. The concepts in this vocabulary are adapted and elaborated in the thesis to the study of financial numbers in the company-capital market interface. Taken together, this thesis argues that this conceptual apparatus opens new research avenues that broaden our understanding of the role of accounting in financial markets.

Moreover, this thesis directly answers a call for more research on "what might be termed a 'sociology of financial accounting' in which interactions of sell-side analysts, fund managers and company managers related to the process of equity valuation are a major focus of attention" (Imam et al., 2008, p. 531). In doing so, it has produced unique empirical material consisting of detailed first-hand observations of such interactions that hitherto has not been present in the body of research in accounting and finance.

1.3 Outline of the book

The next chapter, Chapter two, positions the study in relation to earlier research about accounting and company-capital market interaction. The focus of this review is on empirical studies looking at cognitive schemas related to how accounting information is understood in this setting. This has primarily been studied in one of two ways: either in terms of cognitive structures that render financial information meaningful or in terms of three focal organisational actors' – companies, investors and financial intermediaries – engagement in activities of transmission and adoption of meaning. It will be argued that these approaches have addressed important questions in the study of financial meaning at the company-capital market interface but leave empirical and theoretical gaps in our understanding regarding both the process by which meaning emerges and the role played by corporate actors.

In Chapter three the conceptual approach of the study is presented and discussed. It will outline some of the ideas and concepts in symbolic interactionism and Erving Goffman's (1959; 1974) method of frame analysis that provides the conceptual tools for talking about meaning as emergent in situations of company-capital market interaction. In particular three concepts – audience, anchoring and cues – will be highlighted as a way to conceptually operationalise the study.

Chapter four discusses the design of the collective case study and describe how I went about inquiring into the three case companies' investor relations work to render their financial numbers meaningful to the other actors at the capital market. Consistent with the chosen conceptual approach, direct observation was used as the primary method of collecting data, following an examination of how particular key financial numbers were or became

meaningful in the ongoing work practices in each organisation. The direct observations were complemented by recurring interviews with the members of the IR teams and by collecting internal and public documents used in the IR work over the course of one and a half years. The chapter also discusses methodological considerations made while planning and conducting the collective case study, and provides some background on the IR units in the three case companies.

The following three chapters – five, six and seven – presents the empirical accounts of company-capital market interaction. Each chapter builds on the IR work in one company, focuses on one or two key financial numbers for that company in one particular arena of company-capital market interaction and foregrounds one of the three concepts from the chosen theoretical approach. Chapter five thus presents work in InduCo to plan and undertake a European roadshow in the spring of 2014. The analysis focuses on the meaning of the Orders and the Operating Margin and highlights the role of audiences in the chronology of events. In particular it will be argued that two processes – 'knowing the audience' and 'shaping the audience' – shaped how these two numbers were framed, and consequently what meaning these two numbers had for the corporate and capital market participants involved.

In Chapter six, work in TechCo is presented on the planning and undertaking of its annual capital markets day in the fall of 2013. The analysis focuses on the meaning of Gross Margin and highlights the role of anchoring in a chronology of events. Here it is argued that the work to 'find linkages' and to 'organise and select linkages' between the Gross Margin number and its environing world comprised important processes by which the TechCo and capital-market participants constructed the financial number's representative characteristics.

Chapter seven presents the report writing process and work in FinCo to present its quarterly results for the fall of 2013. The analysis focuses on the progressive articulation of the meaning of Core Tier 1 Ratio and Net Loan Losses and highlights the role of cues in this work. It will be argued that the process of producing and consuming cues provided the means by which a particular enacted meaning of these two numbers could travel across situations in time and space.

Chapter eight draws together and discusses the findings from the three empirical chapters in relation to the research issues in this thesis. This discussion is organised into two parts. The first part focuses on the question of how financial numbers become meaningful at the company-capital market interface. Here it is argued that the meaning of particular numbers is an emergent outcome of a process of framing. Moreover in this first part, it is argued that the meaning of financial numbers emerges symmetrically and jointly in company-capital market interaction, implying that both corporate and capital-market participants are involved in producing resultant meanings of financial numbers. The second part proposes a conceptual apparatus for the study of financial meaning-making. This conceptual apparatus builds on Erving Goffman's method of frame analysis and extends the three concepts foregrounded in the empirical chapters to the specific issue of financial numbers populating the space at the company-capital market interface.

In the final chapter of this book, the main conclusions of this thesis are summarised and avenues for future research are suggested.

Chapter 2

Previous research: Accounting and company-capital market interaction

This chapter positions this study in relation to previous literature. It will review empirical studies of accounting within the company-capital market domain, particularly those looking at cognitive schemas related to how accounting information is understood. The review partitions these studies into three streams: 'shareholder-value oriented', 'impression-management oriented', and 'meaning as constructed'. Before turning to these three streams, however, the review begins by discussing the value relevance of accounting, and a stream of research that has sketched out a set of actor relations found to be particularly important in the use and interpretation of accounting information in capital markets.

2.1 The value relevance of accounting

The role of accounting information to allow for outside actors to evaluate the financial performance and position of a reporting company is widely considered as a cornerstone of effective capital market allocation in market-based economies. This so called valuation role is not the only one ascribed to accounting (see for example Burchell et al., 1980; Godfrey et al., 2006), but since the 1970s it has received primacy by standard setters in their work to develop regulation for general purpose financial reporting (see Thornton,

1979; Young, 2006) and has been foundational for a large part of the capital-market based research in accounting (see e.g. Beyer et al., 2010, for a recent review).

Accounting information is ideally assumed to resolve the asymmetry that arises between company managers – that typically have more information about the expected profitability of the company's current and future investments – and outside capital providers such as shareholders active in capital markets (e.g. Beyer et al., 2010). Standard setters have formalised this role to mean that accounting information should "help [shareholders and creditors] assess the prospects for future net cash inflows to an entity" (IASB, 2010, p. 9). This, so that capital providers are able to make capital allocation decisions based on a discounted cash flow (DCF) methodology, generally advocated by finance theory (see for example Berk & DeMarzo, 2007).

A mainstream view of accounting information recognises two different forms, mandatory financial reporting and voluntary disclosures (Healy & Palepu, 2001). Mandatory financial reporting refers to the regulated financial reports, which include the financial statements with notes, management discussion and analysis, and other regulatory filings. In addition to the mandatory form, some companies engage in voluntary disclosures, "such as management forecasts, analysts' presentations and conference calls, press releases, internet sites, and other corporate reports" (ibid, p. 406).

Narrowing in on the use of accounting information by actors in equity markets, in line with most prior research (Fields et al., 2001; Kothari, 2001; Armstrong et al., 2010),[4] it can be noted that a majority of the capital and transactions in these markets in the Western world are increasingly controlled by institutional rather than private investors (Davis & Thompson, 1994; Cascino et al., 2013). Institutional investors are a broad category of actors including banks, insurance companies, pension funds and other investment companies (henceforth the term 'investors' will be used to denote institutional equity investors unless otherwise noted).

[4] As discussed in for example Cascino et al. (2013) other capital providers such as debt investors "require different information and use it in different ways" (ibid, p. 14). However, as the empirical focus of this thesis is on interaction between companies and capital market actors active at markets trading the companies' equity stock, the review of the use of accounting information for valuation purposes is limited to equity capital market actors.

There is significant evidence supporting that accounting information, in both its mandatory and voluntary forms, does fill a role in valuation work performed in equity markets. The so called 'value relevance' of accounting has for example been observed as abnormal return patterns in aggregated equity market transaction data (see Healy & Palepu, 2001; Beyer et al., 2010; and Basu et al., 2013, for notable examples). Moreover, behavioural studies of valuation work among investors and other capital market actors has also observed actual usage of accounting information in accordance with financial theory and standard setters' conceptualisation of usage (Gniewosz, 1990; Hellman, 2000; Barker & Imam, 2008; Imam et al., 2008; Hjelström et al., 2014). Reflecting on the findings of this research, that accounting is value relevant for capital market actors, suggests that accounting is indeed useful for these actors.

However, the path towards value relevance has not been found to be entirely straightforward. Studies have often conceived of it in terms of a process (see Cascino et al., 2013, for a recent review). It is important to acknowledge that most processes of accounting usage take place within the confines of an organisation. For example "institutional investors are organisations, not individuals" (as noted by Hellman, 2000, p. 237) and will usually employ a team of (buy-side) analysts, portfolio managers (or fund managers) and senior investment managers entrusted with different roles working together in the process of making investment decisions.

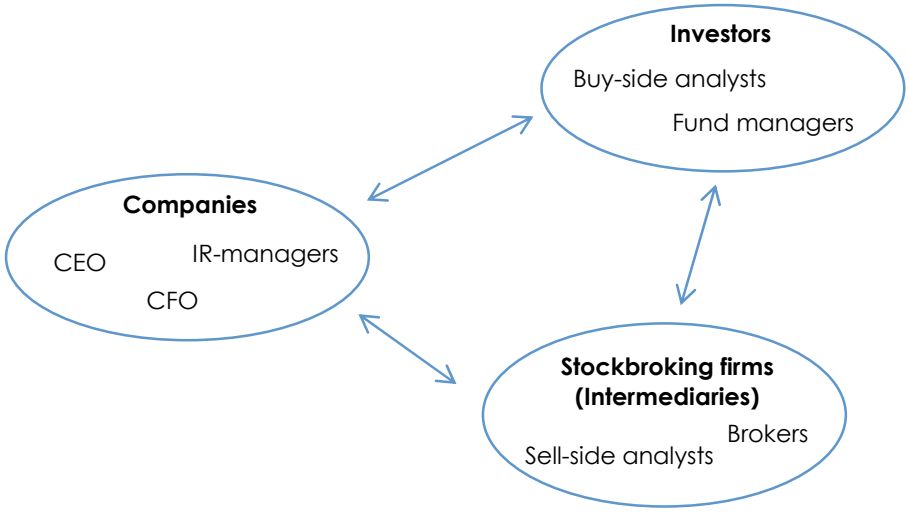
Moreover, the establishment of value relevance of accounting is not only confined to valuation work and processing of accounting information in investor organisations. It also takes place in for example financial intermediaries such as investment banks and other stockbroking firms. The valuation and use of accounting in these organisations is mainly performed by (so called 'sell-side') analysts who work on interpreting and disseminating information and rendering summary judgments about companies that they follow (see Hayward & Boeker, 1998; Zuckerman, 2000; Rao et al., 2001; Jensen, 2004; and Westphal & Clement, 2008). These judgments by sell-side analysts include recommendations to investors about whether to buy, hold, or sell particular securities. Capital market studies in both accounting and finance have found evidence that sell-side analysts' stock recommendations have a

material impact on trading behaviour and stock market valuations by investors (for notable examples, see Beyer et al., 2010, in accounting and Womack, 1996, in finance).

In studying the accounting usage of investors and financial intermediaries, behavioural studies have found that the process often involved distinguishing accounting and other information into two broad categories: numerical- (or quantifiable) and non-numerical (or qualitative) information (Day, 1986; Gniewosz, 1990; Hellman, 2000; Barker & Imam, 2008; Imam et al., 2008). The numerical and non-numerical categories do not readily conform into the above-mentioned traditional mandatory- or voluntary disclosure forms of accounting. Rather they were a categorisation defined from use and spanned both of these two traditional forms. In interviews, informants often described the use of these two categories of information as sequential, where a first quantitative analysis (often based on a DCF methodology) was then subsequently adjusted by the application of 'subjective judgement'. However, the studies in this vein of research also point out that actual observations of accounting use is found to be far more complex than this sequential model of usage suggests.

Yet, these studies also noted that the second part of this proposed sequential use of these categories – i.e. the 'subjective judgment' part – tended to be based on the accumulation of qualitative information, most often obtained from sources outside the formal accounts such as meetings with company management (Hellman, 2000; Barker & Imam, 2008), evolving over time in an emergent process (Gniewosz, 1990; Imam et al., 2008). This in contrast to the bulk of the quantitative analysis that most often built on numbers found in the mandatory financial statements. Barker (1998) is one of the first studies to hypothesise that this 'subjective judgement' – or dimensions of interpreting numerical accounting information – is formed within an interactive relationship between three sets of organisational representatives of market participants: (sell-side) analysts, company managers, and fund managers (see Figure 2.1 below).

Figure 2.1: Interactive relationship between three sets of equity market actors shaping the corporate information environment



Together, Barker argues, this interactive space makes out the 'corporate information environment' at the capital market and a study of subjective judgement formation could thus be delimited to relationships between these three focal actor groups.

Based on a large behavioural study of listed companies, investors and (sell-side) analysts in the UK, Barker (1998) could indeed conclude that company interaction, specifically meetings with senior company management, was the dominant and most important source of information for the capital market actors studied. Barker noted that the company interaction enabled investors and company management to have a feedback and control loop where investors would use the annual report and accounts as a basis for the meetings.

Holland (1998a) and Holland & Doran (1998), applied a similar methodology and interviewed senior directors and fund managers in 27 out of the 35 largest investors in the UK in 1993 to 1994. The study specified Barker's finding in terms of that "the private meetings created an informed context in which to interpret new financial reports or to await new financial reports with confidence" (Holland & Doran, 1998, p. 135). In this manner the researchers argued that the company-capital market interaction provided a context for

the investors that enabled them to place certain bits of information in relation to other bits of information into a coherent and meaningful whole. This function of the company-capital market interaction was very much "a two way flow of information" (Holland, 1998a, p. 249) where investors received "information on strategy, management, the board and financial reporting", linked this to "their understanding of historic and expected financial performance" and then used the understanding as "the means to implicitly influence such linkages through probing questions" (ibid, p. 251). In other words, Holland argued that company-capital market interaction was found to also subtly inform company managers on how company strategies and actions were perceived in the market and in relation to those of competitors and industry developments.

There are several large-scale studies based on North American companies in support of Barker's and Holland's thesis of the importance of company-capital market interaction for the use of accounting information in valuation work (see for example Frankel et al., 2010; and Matsumoto et al., 2011) such as improving analyst forecast precision (Bowen et al., 2002; Mayew et al., 2013). A recent full-population study of Swedish fund managers also found a positive association between company interaction and fund performance (Fröberg, 2016).

In sum, this section has highlighted the value relevance of accounting and the complex relationship existing between numerical and non-numerical accounting information in order to reach particular valuation outcomes for capital market actors. The answer, it seems, to questions related to the nature of this relationship lies in patterns of interaction among a set of three focal organisational actors: investors, financial intermediaries and companies. Together these three sets of actors make out a space that is referred to in this thesis as *the company-capital market interface*. This thesis thus takes the use of accounting as a given in its continued study and recognises accounting as a broad set of information of both numerical and non-numerical nature that spans the traditional accounting classifications of mandatory financial statements and voluntary disclosures by publicly listed companies. It will limit its line of inquiry to the three sets of focal organisational actors outlined above, excluding issues such as social media, regulators, auditors or broader political debates unless entered into the studied space via these focal actors.

2.2 Influencing corporate cognition

The studies reviewed in the previous section were primarily interested in the question of what information benefits capital market actors achieve by engaging in company-capital market interaction. As such, these studies treated the meaning of financial numbers as 'information'. Company-capital market interaction is seen as merely, albeit the most important, means of uncovering this inherent 'information' hidden within the numbers. Whilst the role of the company actors in this process is one of collector and disseminator of information, and falls outside the scope of any analysis of the meaning these financial numbers take on in valuation practice.

Another stream of accounting research in the domain of company-capital market interaction have taken a slightly different view on the inherent nature of financial interpretations of numbers, and also considered that valuation practice is not only limited to the capital market side of the company-capital market relationship (see Christner, 2015). This stream takes its point of departure in an observation of the increased importance and pressure by capital markets onto companies that has taken place during the last decades in the Western world (for a historical overview of this development see Davis & Thompson, 1994). It proposes a mode of company-capital market interaction that departs from traditional accounting conceptions; instead promoting the capital market as the sender and companies as the recipient of meaning in these encounters. As such, a central question in this stream is related to the political and ideological implications that company-capital market interaction has had for the organisation and management of companies.

The studies in this accounting stream are part of an interdisciplinary social critique directed at the spread of the broader ideology of shareholder value (SHV) in Western countries (see Brodin et al., 2000; Lazonick & O'Sullivan, 2000; Borglund, 2006; Ho, 2009; Kallifatides et al., 2010). SHV is described as a cognitive schema on a macro- or societal level, thought to originate from particular groups of capital market actors, such as financial intermediaries active on Wall Street (Froud et al., 2000; Ho, 2009). The modus operandi of the SHV-schema is to act as a conduit of capital market perspectives and interpretations on the value of activities and resources to

companies and the rest of society in order to bring about a social change favouring the interests of owners of capital.

Roberts et al. (2006) is a foundational study in the accounting stream of this social critique that shaped much of the accounting literature that followed. The study builds on interviews with CFOs and IR-managers from 13 FTSE 100 companies in the UK, conducted during 2002 and 2003. Its focus was on exploring the social effects of private face-to-face meetings between companies and investors. The researchers also observed eight such meetings during the course of the study. Roberts et al. was among the first studies to observe empirically the adoption of the cognitive schema of SHV by company managers through the process of company-capital market interaction. They found that adoption occurred through subtle and indirect processes. For example that the act of preparing for the meetings, foreseeing investors' questions, motives and plans (most of which was believed to be in accord with SHV ideals by the interviewees) the managers themselves came to incorporate those ideals into their own minds. The preparation was found to have the quality of a "rehearsal for a performance" (ibid, p. 283). The argument made by Roberts et al. is similar to that made by Power (1997) in relation to auditing: that the constant measuring and verification of activities creates a self-reinforcing loop so that what is considered good activities is judged based on their verifiability even ex ante to performing them. In other words, corporate participants might reject possible interpretations of financial performance or corporate initiatives, before even making the argument to the investor in a meeting, if it did not adhere to the schema of SHV. The influence of the adopted cognitive schema was found to be subtle, "external opinion serves to amplify and crystallize internal focus and debate" (Roberts et al., 2006, p. 288). The corporate managers in the study did not explicitly acknowledge any major changes in corporate strategy as a result of investor meetings; rather the adoption of the SHV-schema appeared to condition executive thinking about what could and could not be attempted in more subtle ways.

A related but slightly different mechanism of influence on corporate cognition is found in Tengblad (2004). The study focused on the work of chief executive officers (CEOs), both within and outside of the company-capital

market interface, by means of direct observation. Eight CEOs of large Swedish companies were observed over a total of 159 working days, of which a large portion of the working time was spent on communication with capital market actors. Similar to Roberts et al., Tengblad found that company-capital market interaction appeared to make the corporate participants receptive and adopt the interpretative schema of SHV – widely prevalent in the capital market space at the time of the study – and that the adoption mechanism similarly consisted of transmitted and received expectations between the two parties in and before investor meetings. Tengblad however, placed less emphasis of the meetings as 'performances' for investors and analysts but instead lingered on the idea that the influence on CEO cognition seemed related to conformity with the expectations of an abstract but sometimes very physical manifestation of a market audience, capable of interfering with the CEO autonomy.

Studies within this stream often conceives SHV as a ready-made interpretative schema adopted more or less in its entirety by the companies. Fiss & Zajac (2006), however, illustrated that adoption could in part be affected by the composition of the group of interacting counterparts to the companies. The focus of Fiss & Zajac's study was how corporate framing of strategic change was rendered in annual reports, with the contention that strategic change represents in part "a cognitive organizational reorientation" (p. 1173). It studied the annual reports of 112 of the largest listed German companies during the period of 1990 to 2000 by means of manual content analysis, coupled with public accounting and capital market data to capture the gradual adoption of a SHV-espoused corporate strategy. The analysis was then placed in relation to structural factors such as ownership composition and amount of public scrutiny, as well as capital market reactions such as total stock market capital returns on shares over the period of study.

One major conclusion from the study was that companies who could be inferred to maintain a greater degree of interaction in terms of public scrutiny and had a wider range of counterparts to its financial accounting in terms of various stakeholder groups in their ownership structure, exhibited financial reporting with a greater degree of nuance and linkages to organisational and stakeholder relationships. This could for example translate in companies more explicitly stating an awareness of the effects of particular SHV-oriented

initiatives for their employees, suppliers and society in their annual reports' corporate strategy accounts. Although Fiss & Zajac still argue for a unilateral adoption of cognitive interpretations by companies in relation to an active counterpart of capital market actors, their results indicate that the companies possessed some degree of freedom in their localised adaptation of these ideas.

There are also some work within the SHV-focused studies of actors' engagement in company-capital market interaction to explicitly link the influence from capital market actors on how companies frame their financial numbers. A contribution to the latter is the study by Kraus & Strömsten (2012) with a focus on the cognitive process that companies who entered the capital market through an initial public offering (IPO) underwent.

Kraus & Strömsten used 22 retrospective interviews with senior company managers and board members in four companies who had recently entered the Swedish stock exchange in 2005 to capture the before-, during- and after phases of their IPO process. They found that the IPO entailed a major change in managerial cognition regarding issues such as time horizons, risk, and financial versus non-financial aspects of company performance mediated through a range of external advisors such as investment bankers, auditors and lawyers involved in the IPO. Similar to other studies, the involved participants motivated and drove the adoption of new schemas of interpretation based on inferred expectations and opinions of a perceived market audience of investors and analysts.

In terms of the effects of the companies' interpretations of financial numbers, Kraus & Strömsten (2012) describes that the early phases of the IPO entailed work "to frame the company" through "quantitative commitments" expressed in terms of 3-year targets for particular financial accounting numbers (ibid, p. 194). It was perceived that such a quantitative emphasis was the only way to render these relatively unknown companies comprehendible and meaningful to the potential new investors and analysts. Indicators of non-financial aspects of the business, such as customer contracts, progress in research & development (R&D), and market development was downplayed both in terms of external interaction but also increasingly in the internal management of the companies (see also Kraus & Lind, 2010). The four IPOs were successful and over-subscribed multiple times by interested

investors. However, one year after the IPO, managers in all four companies characterised the situation for the companies as highly volatile and sensitive to short-term changes in the reported financial figures, which could make the share price rocket or plummet in a disproportionate manner. An effect that has more generally been associated with the growth of SHV adoption in Western economies by the literature (Brodin et al., 2000; Froud et al., 2006; Ho, 2009).

In sum, this section has reviewed a strand of accounting research that has conceptualised company-capital market interaction, not in terms of an arena for transmitting inherently given interpretations of financial numbers by actors possessing more information to those actors possessing less. Instead, this stream has conceptualised company-capital market interaction as an arena where one side – capital market actors – may impose or influence the other side – corporate actors – to adopt particular financial interpretations of accounting numbers. This stream thus open up for the possibility that while financial numbers may have a priori meanings, these meanings may differ between different social groups such as company managers and financial market professionals. Moreover, company-capital market interaction may be viewed as an arena for unidirectional influences by the actor group that has been given interpretative precedence by societal or other macro-level economic and social arrangements. As such, this stream has pointed to the promotional role played by capital market actors towards particular interpretative outcomes of financial numbers. It has also mapped certain corporate adoption mechanisms of interpretative schemas of numbers.

However, the view of company actors as passive recipients of promoted capital market interpretations of financial numbers is challenged by the findings from a third stream of accounting research that will be reviewed in the next section.

2.3 The management of impressions

A third stream of research investigating actors' engagement in company-capital market interaction from an accounting perspective has taken an interest in the question of whether this engagement is reflective of a promotional or an informational role played by the companies. As such, this stream shares a

joint interest with the stream in the previous section regarding the possible strategic or intentional actions of one focal group of actors in order to influence the meaning of financial information for the other focal actor-groups. Common ground for both of these streams is a central idea of unidirectional flows of meaning in this relationship between companies and capital market actors.

A difference between the two streams, however, is that the latter takes its point of departure in the more traditional accounting model of the company as the sender and the capital market actors as the recipient of meaning. The focus has therefore been on mechanisms by which companies convey particular meanings of financial information to the capital market actors.

Useem (1993) makes one of the earliest observations of such activities. He noted that CFOs in seven large listed American corporations – traditionally charged with the ultimate responsibility for the financial communication – were increasingly supported by a growing specialised corporate function, investor relations (IR), in their contacts with capital market actors (ibid, p. 132ff; see also Rao & Sivakumar, 1999; and Holland, 1998b). Based on in-depth interviews from 1989 to 1991 with most senior executive officers working at corporate headquarters in these seven companies, complemented with public records of media-, stock market- and financial reports, Useem concluded that the IR-function professionalised the interaction with investors and other capital market actors in terms of both scale and scope with the intention to ensure a realistic financial assessment of the organisation. This included activities such as to craft the company message in financial communication and to understand assumptions and viewpoints of the market actors in order to influence them.

The observed mechanisms and processes of such strategic and intentional engagement in company-capital market interaction on part of companies has been grouped under the concept of 'impression management' by this literature (Merkl-Davies & Brennan, 2011; Brennan & Merkl-Davies, 2013).

Henry (2008) describes examples of impression management in written format such as the qualitative portions of accounting reports, primarily the front end before the financial statements are presented in annual or quarterly reports (see also Aerts, 1994; Neu et al., 1998; Clatworthy & Jones, 2003; and García Osma & Guillamón-Saorín, 2011). The study is based on a number

of annual-earnings press-releases issued by companies in the North American technology industry between 1998 to 2002, i.e. during the rise and fall of the IT bubble around 2000. Henry illustrates a number of subtle techniques employed. One example is to have the front-end of reports include favourable items of information appearing in the financial statement portion and to exclude unfavourable items. Another is to select a benchmark that allows favourable period-to-period comparison such as using prior periods' nonrecurring earnings components as benchmarks. A third example is to place emphasis on particular items of information, such as a favourable financial metric. Henry describes these written mechanisms employed coming together in a multi-layered fashion:

> Generally, the techniques of subtle promotion in earnings press releases relate to the notion of a reinforced statement being 'a stronger argument for a particular conclusion than the nonreinforced version' […]. At one level of reinforcement, particular aspects of performance can be specifically mentioned. At another level of reinforcement, a particular item can be emphasized by placement within the text and/or by repetition. At yet another level of reinforcement, a particular benchmark can be selected because it permits a favourable comparison. **(Henry, 2008, p. 375)**

The point that Henry (2008) raises, coming from studies in communication research, is that it is possible that "framing financial performance in positive terms will cause investors to think about the results in terms of increases relative to reference points" (ibid, p. 365) rather than for example as an absolute evaluation.

There has also been observations of impression management mechanisms related to privileging certain capital market counterparts over others in companies' IR-work. Holland (1998c) noted in a behavioural interview study of large listed UK companies that company managers identified and only interacted with a set of 'core' investors and sell-side analysts when conveying interpretations of accounting information. The corporate managers saw these as "an important intermediation mechanism between the company and the 'market' made up of a large number of other investing [financial institutions] and other investors" (Holland, 1998c, p. 258). Interaction was thus highly selective. In order to convey specific interpretations to the market as

a whole, it targeted a smaller group of counterparts who in turn was hoped to mediate their understanding to the entire market.

There have been relatively few studies of such face-to-face impression management in the company-capital market domain. One notable example however, is Solomon et al. (2013) studying social and environmental reporting (SER) in meetings between investors and companies. The study is based on interviews in 2007 and 2008 with representatives for 20 large investors based in the UK. Solomon et al. describes that in the eyes of the investors "The company is acting as a 'bricoleur' constructing a 'bricolage' for the investor of verbal and visual images representing a socially responsible version of themselves and their organization" (ibid, p. 202). The study emphasises the company as the sender in this process:

> They're trying to put their company in a specific light, that's what they do, that's what they're meant to do…Companies are there to send…an image to investors. **(Quoted interviewee in Solomon et al., 2013, p. 202)**

And the investor as the passive recipient of meaning (see also Catasús & Johed, 2007):

> I would suggest invariably they're obviously trying to paint a positive picture of the company…if they tell us something we typically take a lot of it at face value unless we have strong reason to doubt them. **(Quoted interviewee in Solomon et al., 2013, p. 204, added emphasis removed)**

The majority of the literature on impression management shares this finding of an active company sender and a passive recipient capital market actor found in Solomon et al. As argued above it suggests a unidirectional flow of meaning from companies to capital market actors.

There are also findings from behavioural and archival studies of capital market actors, outside of the impression management literature, that open up for the possibility of the impression-management thesis. For example Hellman (2000) noted that the investors he studied did not commonly make quantified adjustments of the quoted companies' numerical accounting in-

formation, but rather often used the financial numbers as the companies presented them.[5] Surprisingly this was found to be the case regardless if the professionals at the investor believed the numbers to accurately represent the company's performance and prospects or not. Below a quoted interviewee in the study explains the reasoning:

> "I don't know if it's so useful to readjust the figures. If you hold that this is not a real number, but that it should be 600 instead of 1192." […]. "We are supposed to be watchful of the stock's price performance and then we must also have an understanding of what it is that the market looks at. Then I can adjust until hell freezes over, but I don't know if I get anything more out of that." **(Quoted interviewee in Hellman, 2000, p. 137)**

Large-scale archival studies based on North American capital market data also suggest a flow of meaning from companies to capital market actors outside of the pure mediation of numerical accounting information. Both Davies et al. (2012) and Allee & Deangelis (2015) are notable studies that found companies' use of positive or negative 'tone'[6] in financial reporting or public interaction such as conference calls to be directionally associated with increased cumulative abnormal returns in the companies' share price. Suggesting that a presented positive (negative) interpretation of financial performance became shared by the capital market participants studied.

In sum, this stream of research suggests a different understanding of the flow of financial meaning compared to the stream reviewed in the previous section; rather than seeing a capital market influence on corporate cognition, it has outlined a number of interpretative transmission mechanisms used by companies to convey their understandings of what their financial numbers mean to the recipient capital market actors. Both streams – 'impression management' and 'SHV-influence' – have tended to foreground only one actor group in their research. This perspective in the study of meaning at the company-capital market interface has been able to capture a number of elements

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[5] It should be noted, however, that Hellman located the explanation to this practice with the investors' expectations on the sense making of other market participants (notably analysts at stockbroking firms and other investors).

[6] 'Tone' was operationalised as the relative amount of positive versus negative words in a textual analysis of financial reports or transcripts of verbal communication.

and mechanisms that enriched our understanding of how financial numbers become meaningful in this space, when considered separately. However, by taking such a unidirectional perspective on the flow of meaning, these two literatures have produced results that appear at odds with each other. On the one hand, impression management outlines a number of mechanisms employed one-sidedly by companies that appear to make investors accept financial interpretations seemingly without question. On the other, studies of SHV-influence that outline mechanisms of subjugation by companies to an overriding frame of SHV that gives meaning to their financial numbers, brought to them by autonomous and influential capital market actors.

A second observation from this literature review is that both streams appear to bracket the question of how such interpretations and meanings of financial numbers are created in the first instance – before any transmissions or adoptions from one side to the other could take place. Instead, the streams have built their approaches to the study of financial meaning in the domain of company-capital market interaction on the assumption of the a priori existence of meaning(s) of financial numbers.

2.4 Financial meaning as constructed

The review of the three streams of accounting research above have all built their research agendas on the assumption of a priori existing meaning(s) of financial numbers before any company-capital market interaction begins.

However, a recent turn in the domain of company-capital market research has started from a very different assumption in its approach to understand financial meaning in this setting. This stream, which will be reviewed in the following section, instead sees meaning as a product of a social process: it is actively constructed by the company- and capital market participants interacting. As such, studies in stream has grappled with the question of what the structural elements of such financial meanings consist of, and how they are organised.

An early attempt at answering this question was made by Hägglund (2001) in a case study of capital market actors' valuation activities surrounding the large listed Swedish company SCA in the late 1990s. Hägglund found that in order for capital market participants to engage with the company SCA

at a distance in activities of valuation and investment, they had to reconstruct the company into an "investment object" (p. 1; see also Zuckerman, 2000; Winroth et al., 2010; and Du Rietz, 2014, on this point). "The investment object is one version of the company" (Hägglund, 2001, p. 1, author's translation) that did not necessarily exists outside of the capital market. It was a simplified version that was detached from the literal everyday activities and resources of the company but not an object unconnected to a variety of actors, assumptions, data and calculations. Hägglund argued that this 'investment object' – or cognitive schema of interpretation – was a product of local cognitive processes by capital market participants but made stable and operable across the investment community by connections to a network of other actors through capital market interaction. In this way, Hägglund argued that meaning can be thought of as a shared cognitive object among company- and capital market actors.

Honing in more on the makeup of these objects of financial interpretations, Zuckerman (2004) proposed that one of their basic elements often is a classificatory structure. Zuckerman's study took its point of departure in the paradoxical observation that the release of earnings information at times appear to cause investors to converge around a common understanding of the value of company stock, while at other times the release of such information appears not to do so. The study proposed that one answer to this paradox lay within company-capital market interaction processes connected to classificatory structures used by financial analysts and investors.

What Zuckerman noted was that analysts in financial intermediaries construct a reference or peer group in their reports through which they interpret information about a particular company stock. Main classificatory frameworks used by analysts was (and still is) often based on industry boundaries (such as telecommunications, aviation or mining) but sometimes also on geographical categories such as company listing or company headquarter location (such as Swedish, European or a listing such as Nasdaq OMX Nordic Large Cap). These structures group assets deemed comparable to one another and distinguish them from unlike assets – often a first step in a valuation process – and are reinforced by the division of labour among sell-side analysts (see also Zuckerman, 1999).

The study by Zuckerman (2004) based its findings on archival capital market data of first-quarter earnings announcements for US based firms from 1995 to 2001, coupled with data on financial analyst coverage. The main finding of the study in support of the interpretative effects of classificatory structures is that companies that had relatively more coherent industry classification in terms of peers and analyst coverage exhibited a lower trading volume and volatility in share price than companies with a greater degree of incoherence, subsequent to their quarterly earnings announcement. This supported the argument that industry classification played a significant role in capital market actors' work to understand and interpret accounting information, and pointed to the cognitive and social nature of this process as these categories were shared and agreed upon social constructs among a subset of participants in the market place.

A second seminal study of the makeup of cognitive schemas is Beunza & Garud (2007), also coming from the angle of the work by analysts in financial intermediaries. It more explicitly illustrated how company-capital market meanings were connected to particular accounting metrics. The authors focussed their study on getting a detailed understanding of the activity performed by financial analysts and the purpose of the analysis undertaken in their reports (see also Graaf, 2016, on the role of financial intermediaries in company-capital market interaction). The study by Beunza & Garud relied on the analyst rankings of the Institutional Investor magazine and analyst reports from the Investext database concerning the valuation of the company Amazon.com for the years surrounding the Internet bubble, 1998 to 2000, for its conclusions. The analysis focused on three episodes of conflict over the valuation of the company, played out over the course of the three years.

Beunza & Garud found that the analyst reports espoused something that the authors term 'calculative frames', which equipped the analysts and investors with tools that were needed to measure company value. The authors described the calculative frame as an internally consistent association between the categorisation, analogy and key metrics of a company. In other words, as consisting of three elements. For example, one calculative frame can be to categorise a company such as Amazon.com as an 'Internet company', compare it to a company such as Dell, and to use 'revenue' as the key

metric in valuation work. Another calculative frame is to categorise the company as a 'book retailer', compare it to a company such as Barnes & Nobles, and to use 'profit' as the key metric in the valuation. Two different calculative frames applied to the same company will then lead to two radically different assessments of its share price. Moreover, Beunza & Garud found that two or more competing calculative frames of a company appear to be able to coexist for a sustained period of time in contexts of great uncertainty. In such a case:

> […] when different and inconsistent bodies of meaning are available to explain the same set of news, analysts accord meaning to it with recourse to their existing frame. The implication is that calculative frames mediate how analysts accord meaning to information. **(Beunza & Garud, 2007, p. 29)**

Meaning that the same financial numbers and the same news, if entering a situation that is open and uncertain, will lead to different reactions in the financial market if the discrepancy between the prevailing calculative frames among capital market actors is large.

Preda (2009) raised a different aspect of meaning as a construction with his micro-level study of individual private lay traders in the US utilising a commercial trading platform from their homes. By studying financial meaning in an environment seemingly devoid of human contact, the study surprisingly found that interacting with counterparts, real or imaginary, was critical in sustaining the construction of what particular financial numbers meant for these investors. The lay investors in Preda's study related and assigned financial numbers, and their movements, to projected other presences in a given trading situation:

> […] by talking to absent strangers, traders create the conditions for calculating their trades neither as abstract and impersonal computations, nor as the application of a pre-established plan, but as responses to relevant presences. The encounter, however brief, stabilizes the numbers flickering on the screen and enables their manipulation and rationalization as responses within an interaction frame. **(Preda, 2009, p. 685)**

Thus creating a projected counterpart for their trades. This transformed the use of the financial information in calculations so that:

> At least in this instance, calculation does not appear as the mechanic application of a formula (which traders might even ignore), but as grounded in establishing a social relationship with a counterpart. **(Preda, 2009, p. 686)**

Preda thus argued that the establishment of a meaningful financial number was conditioned on the creation of a social relationship to other actors. A possible reason for the necessity of this condition arises as a result due to the cognitive nature of meaning. The meaning of a financial number is only meaningful in its consequences for a focal actor if it is shared by other actors. Acting in accordance to a financial understanding held only by the focal actor, however 'correct' in its interpretations, will not necessarily produce a desired financial outcome of an investment decision as share prices are set as a collective market outcome in this setting (see also Hellman, 2000, p. 137).

Meaning, as a result of the construction of a cognitive object or schemata, may therefore be a source of conflict among the involved market actors. Meaning mismatches can arise between corporate managers and capital market actors (Hägglund, 2001), between different clusters of financial analysts (Beunza & Garud, 2007), or for example between different types of capital market professionals within the same organisation (Winroth et al., 2010).

One manner to conceptualise such meaning mismatches, proposed by Winroth et al. (2010), is to differentiate cognitive schemas held by company- and capital market actors based on how these link up to the environing world. In other words, what the participants come to incorporate into their interpretative processes. As an example, the latter study illustrated how two different types of professionals working within Swedish investment banks held two very different interpretative schemas of corporate equity shares on the market, despite working within the walls of the same organisations. The schema of the first group, the 'traders' who execute transactions, involved a focus on a share's trading possibilities and its fluctuating price over very short time-horizons. This cognitive object, termed 'share identity' by Winroth et al., was mostly determined through interactions only with other traders face-to-face in trading rooms at the bank or through virtual trading platforms.

The resulting 'identity' of shares within this group of actors was therefore devoid of "internal 'content'" (ibid, p. 12) characterised solely by its relative relationships to other shares, foremost in terms of price – they were "an exchange object" (ibid, p. 12). In contrast, a second group of professionals at the bank – the sell-side 'analysts' who conduct research on particular share securities and publish reports on these – drew meaning from 'share identities' that involved a greater interest in the corporations behind the shares rendering them representative of a material and social mass of company resources, activities and people. The analyst meaning, as indicated by other studies above, entailed drawing upon a range of sources and interactions with company representatives, investors as well as various industry-specialists. The resulting 'share identity' held by analysts in the study was therefore much more temporally stable, characterised as the "investment object" (ibid, p. 12) also observed by Hägglund (2001) and others above. The conclusion reached by Winroth et al. is that financial markets are characterised by a multiplicity of cognitive schemas for understanding financial information in circulation, some more similar such as those held by competing analysts (see Beunza & Garud, 2007), and others more dissimilar such as those held by traders compared to analysts. Moreover, that this multiplicity is one answer to the observed "heterogeneity within the financial markets" and the observation that seemingly similar accounting information can lead to very different responses among groups of capital market actors (Winroth et al., 2010, p. 14; see also Zuckerman, 2004, on this point).

In sum, the literature reviewed in this section suggests an approach to the study of financial meaning as a social construction process. These studies have conceived of financial meaning as the result of particular cognitive structures or cognitive objects that brings together, links and organises various pieces of the world surrounding financial numbers into a coherent whole for and by the involved actors. These cognitive structures or schemas could involve industry classification schemes, analogies, trading platform configurations, and more complex multi-layered ways to bring content and order to the understanding of particular financial numbers. Moreover, the studies in this stream suggests that such cognitive structures are contingent on the es-

tablishment of social relationships between a focal actor utilising the cognitive structure and other counterparts brought into a particular situation where the meaning of the financial number was articulated.

The practice of the studies in this stream has been to isolate cognitive structures or schemas (and thereby, in a sense, meaning) as a static object in the ongoing flow of financial interaction. It thereby allowed these studies to say something about the particular composition and effects of these cognitive schemas or objects. In certain cases, the change in composition of such cognitive structures has been an object of study, but then mainly in terms of looking at different end-points in their articulation; rather than at the processual practice of the involved actors to arrive at them. Moreover, while the studies reviewed in this stream acknowledge, to a greater or lesser extent, the importance of the participation by company actors in the construction of financial meaning; none of them has in actuality empirically investigated the work undertaken by company actors in their studies. These two issues with previous literature could arguably be seen as an empirical and conceptual gap in our current understanding of how financial numbers *become* meaningful.

2.5 Foregrounding the micro-sociological emergence of meaning

This chapter has reviewed extant literatures in the domain of company-capital market studies of accounting. Based on studies of capital market actors' use of accounting, this thesis takes a broad view of accounting as numerical and non-numerical information spanning both mandatory financial reporting and voluntary disclosures made by companies. It acknowledges the use of accounting but argues that this use is shaped through an interactive relationship between three sets of focal organisational actors – investors, financial intermediaries, and companies – together forming a space referred to as the company-capital market interface.

The chapter identified three additional streams of previous research that engaged with questions related to the financial meaning of accounting. The first of these streams opened up for the possibility that the meaning of fi-

nancial numbers may differ between the different actor groups at the company-capital market interface based, not on possessing more or less 'information', but on societal or macro-level discourses and ideologies. Company-capital market interaction could thus be conceptualised as an arena where one side – e.g. capital market actors – may impose or influence the other side – e.g. corporate actors – to adopt particular financial interpretations of accounting numbers.

The second stream also opened up for the malleability of financial meaning but directed its studies toward the micro-practices of accounting presentations by corporate actors in various instances of company-capital market interaction. It argued that financial meaning in many cases is a product of managing impressions, given by the intentionality of the actors towards certain ends and tempered by external restrictions such as auditing and corporate governance regulation.

Both of these two streams above saw meaning as a unidirectional flow from one side of the interface to the other, but differed with respect to the argued direction of it. They also tended to bracket questions related to how different meanings came into being, and the nature of their composition, in favour of questions related to various adoption and transmission mechanisms by which a priori financial meanings would reach the other side of the company-capital market interface divide.

The final stream of previous literature reviewed approached the meaning of financial numbers in a very different way than the other streams. It explicitly saw financial meaning as the product of a social construction process among the involved company- and capital market actors. More specifically, as resultant from particular cognitive structures, schemas or objects created by the participating actors rendering financial numbers meaningful for these groups of individuals. Moreover, that these cognitive structures are contingent on the establishment of social relationships between a focal actor utilising the cognitive structure and other counterparts brought into a particular situation where the meaning of the financial number was articulated.

Nevertheless, despite significant advancements by previous literature in this area, this thesis argues that there remain important empirical and conceptual gaps in our understanding of how financial numbers become meaningful at the company-capital market interface.

The first of these gaps concerns the practice of previous studies to bracket or punctualize the process by which financial meanings come to emerge, in favour of other questions such as the transmission, adoption and composition of already a priori constructed meanings and interpretations. This gap is as much conceptual as it is empirical, since not only did previous studies neglect to capture observations of such a process, they did not develop theoretical tools to deal with meaning in an emergent manner.

The second gap concerns the issue of treating company-capital market interaction only as a research setting, rather than exploring its role for the establishment of financial meaning. As noted above, the accounting studies of 'SHV-influence' and the studies of 'impression management' have produced findings that may appear at odds; both are advocating for a unidirectional flow of meaning at the company-capital market interface, but in opposite directions. It suggests that if these studies had placed greater conceptual attention on the actual situations where companies and capital market actors interacted, there might have been possible answers to reconcile these two conflicting views.

Studies taking the explicit view of meaning as constructed have gone some distance towards bridging this second gap. However, they have placed their empirical focus almost entirely on the meaning-making activities and constructs of the capital market actors, thereby leaving a significant empirical gap with respect to role and activities of the company actors in this interactive relationship that appear capable of rendering financial numbers meaningful for the involved participants.

These three gaps point to that how financial numbers become meaningful at the company-capital market interface is still to a large extent an open question. In order to fill these gaps in our current understanding, this thesis adopts a conceptual approach drawn from the micro-sociological work in symbolic interactionism (see Goffman, 1959; 1974). This conceptual approach has the advantage that it has been specifically developed for analysing meaning as emergent through situations of interaction. The following chapter will outline this adopted conceptual approach for the continued study.

Chapter 3

Conceptual approach: Framing as symbolic interactionism

This chapter presents a conceptual approach for addressing the general research issue in this thesis – how financial numbers become meaningful at the company-capital market interface – based on the body of work of Erving Goffman (1959; 1974). The approach takes its point of origin in the traditions of symbolic interactionism. The chapter presents the idea that meaning arises within situations of interaction guided by the arrangement of these interactions into performances, acted out by participating individuals. Performances, in turn, can be understood as built up by organising elements – frames – that establish a set of relations of what is going on. It is the framing processes of participating individuals that configure and bring these frames into being. More specifically, the chapter argues that the concepts of *Audience*, *Anchoring* and *Cues* are elements of the framing processes that can be used to conceptually operationalise the study of financial meaning conducted in this thesis. The chapter also illustrates the conceptual approach with examples from previous applications in accounting research (e.g. Pentland, 1993; Skærbæk, 2005; Beunza & Garud, 2007; Vollmer, 2007; Preda, 2009; Fauré et al., 2010; Jeacle & Carter, 2012; Englund et al., 2013; Solomon et al., 2013).

3.1 Meaning resides in situations of interaction

The approach of symbolic interactionism grew out of the work by classical sociologists grappling with the connection between the formation of an individual's self and the social context (Calhoun et al., 2012, pp. 341-345). Early writers such as George Herbert Mead and W.I. Thomas were influenced by the American philosophy of pragmatism and phenomenological methodologies. The focus on the individual, and the pragmatist and phenomenological influences, meant that the approach came to be distinctly concerned with problems and relations on a micro-level of analysis, defined by the human senses and perceptions. They came to ask the question, how do objects in the social world take on meaning? Their conceptual answer was that meaning arises in the "situation" (Thomas, 1931 [1923], p. 42) as a set of relations formed through the stimulus and responses between the individual and the social group (Mead, 1972 [1934], pp. 71-74). The symbolic interactionist approach thus sees the meaning of objects and actions as socially constructed, while maintaining an ontological position that the natural world has an existence outside of our socially constructed perceptions of it (see e.g. James, 1950 [1869]; Mead, 1972 [1934], p. 131; Schutz, 1953).

It is against this backdrop that Goffman (1959) notes that when an individual enters into the presence of others, he or she interacts consciously or unconsciously with the others present. *Interaction* in this sense need not be verbal, nor what in everyday terms would be perceived as explicitly communicative. An example of the latter would be the common behaviour of a person stepping into an elevator with strangers, avoiding eye contact and acting as if the other persons were not present. The point Goffman makes is that the interactions of the individual and the others present create and uphold a sense of what is going on in the situation that they are in, and thereby their respective claim as to what reality is. An example such as a lunch among familiar individuals could thus be determined as either 'business' or 'leisure' depending on the interactive expressions such as greeting phrases and dress code, without the need to explicitly define it among the interacting participants as belonging to one or the other category of situations. Once interaction has led individuals to arrive at a particular interpretation of the situation,

an interpretation such as 'business' will shape further interpretations and behaviour of the involved individuals along specific interactive patterns.

Moreover, Goffman argues that interaction will usually lead individuals to converge their respective interpretations of the situation, either in terms of real agreement as to the nature of reality or in terms of temporary agreements.

> Ordinarily the definitions of the situation projected by the several different participants are sufficiently attuned to one another so that open contradiction will not occur. […] each participant is expected to suppress his immediate heartfelt feelings, conveying a view of the situation which he feels the others will be able to find at least temporarily acceptable. […] which involves not so much a real agreement as to what exists but rather a real agreement as to whose claims concerning what issues will be temporarily honoured. **(Goffman, 1959, p. 9f)**

An example of such convergence is given in the study by Solomon et al. (2013) of social environmental reporting in face-to-face meetings between investors and company managers. The study found that investors often temporarily honoured a specific interpretation of the situation of a company's operations in terms of corporate social responsibility, as espoused by the company participants in the meeting. This was done to avoid embarrassing conflicts. An investor in the study made the following quote:

> '… I met [company] and we spent the entire time talking about investments they're making in renewable energy and that was very interesting, but *at no time did we really discuss the money they're spending in oil sands* which will probably totally negate any emission benefits they derive from investing in solar power' **(Solomon et al., 2013, p. 205, original emphasis)**

It illustrates how interaction led to a temporary convergence of situational interpretations that could be shared among the participants.

The broader idea put forth by Goffman (1959; 1974), that interaction is integral in creating and upholding human interpretations of reality, extends beyond the immediate physical social activity in the situation. As touched upon by the Solomon et al. (2013) example above, interaction may also enable situated claims about a reality distant to the interacting participants such as about the state of the world, the operations of a company, or the future.

Moreover, the centrality of interaction extends beyond considering only face-to-face forms, and extends to other participants than just individuals, such as groups or objects (Goffman, 1959, p. 77ff; 1969, p. 19). Two examples of mediated interaction, or interaction with objects, can be found in the studies of Preda (2009) and Skærbæk (2005). Preda (2009) showed how lay-investors interacting with other anonymous online traders via a computer based trading platform could create and uphold particular interpretations of the market reality they were in. Skærbæk (2005) showed how the reading of an annual report could create particular interpretations of the state of a university for a reader.

3.2 Performance as means of arranging situations of interaction

In many instances an individual, or a group of individuals, will try to influence other participants in accepting particular interpretations in the interaction. A metaphor often used in the symbolic interactionist literature to conceptualise such interactive behaviour is that of an actor or a performer that attempts to draw an audience into the plot of a play in a theatre (Goffman 1959; 1974). It could then be said that the actor and his or her fellow participants are engaged in a *performance*.

> A 'performance' may be defined as all the activity of a given participant on a given occasion which serves to influence in any way any of the other participants. **(Goffman, 1959, p. 15)**

As argued above, a performance is thus interaction of a particular kind and may serve as a conceptual point of entry to understand the mechanisms involved in how interaction enables particular interpretations or meanings to emerge.

A performance do involve some form of conscious or unconscious intent on the part of the actor to bring about a particular claim as to the reality of the interacting participants. However, as argued by Schutz (1953), this does not imply that the intended claim on reality is false, as all such claims are merely aspects selected from a universal context by the activities of the

participants' minds, which may correspond to a greater or lesser degree with the reality of the world.[7] Yet in turn, as argued by Schutz below:

> This does not mean that, in daily life or in science, we are unable to grasp the reality of the world. It just means that we grasp merely certain aspects of it, namely those which are relevant to us either for carrying on our business of living or from the point of view of a body of accepted rules of procedure of thinking called the method of science. **(Schutz, 1953, p. 3)**

A particular performance thus fosters a particular understanding of reality among participants, guided by the doings of the actor or performer in the particular situation of interaction. Viewed in this sense, an example of a performance from the domain of company-capital market interaction can be the doings of a company's senior management as they go out on a roadshow to present the company's financial result to existing and potential investors.[8] A second example, found in the study by Pentland (1993), could be the work of auditors that "transforms the financial statements of corporate management from an inherently untrustworthy state into a form that the auditors and the public can be comfortable with" at company audit visits (ibid, p. 605).

Defining a given participant as an actor and the others as an audience in a performance is often arbitrary in un-staged interaction (Goffman 1959; cf. 1974, p. 127). All participants play different roles but for the sake of a particular analysis it is convenient to designate a focal participant as the performer and the others as the audience. An example of this plasticity of roles can be seen by returning to the study of Solomon et al. (2013) cited above. In the studied investor meetings, the company representatives were playing the part of the responsible company and the investors playing the part of the responsible investment fund. Both sets of participants were simultaneously actor and audience for each other in the meetings.

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[7] It is necessary to reference the predecessor Schutz on this matter as Goffman (1959; 1974) avoids clarifying his stance on the issue by moving on to discuss the many ways in which performances may be used to, indeed, foster 'false' claims on reality with little or no correspondence to the 'real' (see Goffman, 1959, pp. 17-21; 1974, pp. 1-10)

[8] Indeed, it is on this theoretical basis that the 'impression management' stream of research reviewed in the previous chapter was conducted.

The analytical distinction of participants into the categories of performer and audience also enables a rudimentary categorisation of the interactive activities and elements that make up the performance. One could speak of three categories (Goffman, 1959, pp. 106-140). First, that which is part of and performed in the mutually perceived presence of performer and audience, front stage if you will. Second, that which is located or performed outside the field of mutual perception of the audience and performer, backstage if you will. Third, that which is perceived to be outside the scope of a given performance, having no perceived bearing on the interaction of the audience and performer. A particular performance – giving rise to a particular situated interpretation or meaning resultant from interaction at a specific time and place – may thus often consist of elements and doings arranged from a number of other situations located across time and space.

In the front-stage part of a performance "The impression and understanding fostered by the performance will tend to saturate the region and time span so that individuals located in this space-time manifold will be in a position to observe the performance and be guided by the definition of the situation which the performance fosters" (Goffman, 1959, p. 106). While the character of the backstage part is different:

> It is here that the capacity of a performance to express something beyond itself may be painstakingly fabricated; it is here that illusions and impressions are openly constructed. Here stage props and items of personal front can be stored in a kind of compact collapsing of whole repertoires of actions and characters. Here grades of ceremonial equipment, such as different types of liquor or clothes, can be hidden so that the audience will not be able to see the treatment accorded them in comparison with the treatment that could have been accorded them. **(Goffman, 1959, p. 112)**

However, this is not to say that a particular space-time manifold always is categorised as either backstage or front stage. Rather, what is backstage and front stage should be understood in relation to a particular performance in focus. Thus, when shifting consideration from a region that is front stage or backstage, or even outside the scope of consideration of performer and audience, one also tends to shift the point of reference from one performance to another.

> Given a particular ongoing performance as a point of reference, those who are outside will be persons for whom the performers actually or potentially put on a show, but a show (as we shall see) different from, or all too similar to, the one in progress. When outsiders unexpectedly enter the front or the back region of a particular performance-in-progress, the consequence of their inopportune presence can often best be studied not in terms of its effects upon the performance-in-progress but rather in terms of its effects upon a different performance, namely, the one which the performers or the audience would ordinarily present before the outsiders at a time and place when the outsiders would be the anticipated audience. **(Goffman, 1959, p. 135)**

This stresses the relational character of the symbolic interactionist approach. There is at any one time a multitude of performances going on in the social world. What is backstage and front stage, performer or audience, depends on the performance considered. Similarly, a different focal audience will bring about a different performance, and in turn possibly a different claim as to the reality of the situation for the involved participants.

In sum, the concept of performance enables examination of how particular interpretations or meanings may come about or be upheld in situations of interaction among participants. It does so by locating meaning-making agency with the intentional actions of particular participants, while simultaneously recognising the need for the co-participatory work by an audience consisting of the other participants present in the situation. Moreover, this conceptualisation of meaning recognises that while a performance, and the meaning it fosters, is situational; it is made possible by the arrangement of interaction in terms of human activity and material signs across time and space – from the backstage to the front stage – delimiting these from other on goings in the world.

3.3 Frames as basic elements of performances

While the notion of performance circumscribes the problem of understanding meaning as an emergent outcome from situations of social interaction, it does not provide clarity on the more precise basic elements involved in the production of particular meanings or interpretations in performances. It was to this end that Goffman (1974) developed the concept of *frame* (cf. Bateson,

1955; 1972). A frame refers to the basic elements that one is able to identify that orders social interaction and govern participants' subjective involvement in events (Goffman, 1974, p. 10f.).

When individuals recognises a particular event, they tend to imply in this response, and in effect employ, one or more frames or schemata of interpretation (Goffman, 1974, p. 21). The applied frame renders for the individuals what would otherwise be a meaningless aspect of the scene into something that is meaningful. For example, what might be perceived as the random movements of 22 persons in a green field, will be rendered into the (more or less) meaningful activity of football by the application of a particular frame.

The frame will guide the individuals to put some elements in a scene at the forefront of their attention, while downplaying other elements. In the above-mentioned frame, the centre of the activity in the frame will be the ball and the importance of participants will be judged by the perceived distance to this object. In fact, this particular frame will limit all that is part of its reality to objects and activities located physically inside the green field. Things located outside still exists, but they have no perceived bearing on the reality of the participants in the situation. An example from the domain of company-capital market interaction is how the configuration of the windows in a computer software used by online lay-traders could act as a frame, limiting the perceived market reality of the participants to a set of data points displayed by those windows (Preda, 2009).

Moreover, the frame will also regulate participants' activities and emotions in accordance with certain patterns. Continuing the football-frame example, once in application, the frame prohibit the ball to be touched by the hands of the players, with the exception of the goalkeeper, and dictates that participants of a team that scores should feel happiness. "Given their understanding of what it is that is going on, individuals fit their actions to this understanding and ordinarily find that the ongoing world supports this fitting" (Goffman, 1974, p. 247). Thus the frame, as a set of organisational premises, is sustained both in the mind and in the activity.

Frames may vary in size. Some are large, such as religious belief systems, others are small, such as the game of chess. Some may be neatly presentable as a system of entities, rules and postulates. Others may have no apparent

articulated shape, "providing only a lore of understanding, an approach, a perspective" (Goffman, 1974, p. 21).

> Whatever the degree of organization, however, each [frame] allows its user to locate, perceive, identify, and label a seemingly infinite number of concrete occurrences defined in its terms. He is likely to be unaware of such organized features as the framework has and unable to describe the framework with any completeness if asked, yet these handicaps are no bar to his easily and fully applying it. **(Goffman, 1974, p. 21)**

Furthermore, during any one moment of activity individuals are likely to apply several frames. For example a group of persons in a meeting might apply a 'business' frame together with an 'investment-decision' frame, in conjunction with the application of a 'bear-market' frame that renders the situation meaningful in interaction among the participants present. Vollmer (2007) exemplifies this notion of the multiplicity of frames in relation to the use of numbers. When numbers are used in social situations, it is often possible to identify two different types of frames. Take for example the number '2'. One frame is the arithmetic frame, such as '1+1=2' or '$324^{1/2}/3 - 2^{7-5}=2$'. Another type of frame is its representative frame, such as 'apples' or 'billion dollars in value-at-risk'. The argument made by Vollmer is that these two types of frames operate in conjunction with each other to render the number 2 meaningful for participants in a particular situation.

In many instances, multiple concurrent frames can be seen as part of one laminated frame, where each new frame adds a layer to the understanding of the situation among the participants (Goffman, 1974, p. 82). This multi-layered aspect of frames is what enables them at times to produce very precise meanings of situations. Take for example a screening of a science fiction movie. At its outermost layer, the frame enacted in the performance tells its participants that the status of this activity in the reality of the everyday world is a make-believe dramatic scripting. However, within the movie-frame, claims to a different reality are fostered through other frame-layers that engrosses its participants. The actions and motivations of the movie-protagonists become meaningful for the participating audience through frame-layers that for example denote particular applicable laws of physics, possibilities and limits of technology, and special powers etc.

3.4 Framing as the process whereby frames are brought into being

The view taken in this thesis, following symbolic interactionist traditions, is that frames are not stable cognitive structures but rather are "negotiated and produced in the ongoing interaction" (Dewulf et al., 2009, p. 160).[9] The processes through which particular frames are configured and brought into being may be referred to as *framing*.

In these framing processes "frames are 'built up piece-by-piece' and 'constituted of an innumerable number of elements, amalgamated during the ongoing process of interaction'" (Dewulf et al., 2009, p. 160). An example from a study by Fauré et al. (2010) is how the frame of a numerical account emerged and evolved in the situated context of a budgetary control meeting as the participants established, debated, affirmed or redefined their views on the numbers.

Given that multiple frames may be at work in a given situation, framing is also involved in producing organised shifts between possible frames to be enacted among participants. For example, the interaction of one child pushing another child in the schoolyard may be the beginning of the enactment of a frame of fighting. However, it may also be the beginning of the enactment of a frame of a play at fighting. The process of framing makes participants converge towards a shared frame of what is going on. A failure to do so would create situational ambiguity and prevent a stable meaning of the activity, issue or object to be created among the participants. An example of ambiguities between different frames can be taken from the study by Englund et al. (2013) on a working-capital change project in a large manufacturing company. In this study, participants in the project group experienced

[9] Goffman's work, and the concept of frame more broadly, has been conceptualised in two main different ways: structuralist and interactionist (Gonos, 1977). Structuralist approaches treat frames as relatively stable cognitive (or knowledge) structures that individuals access when primed to do so by particular cues (Dewulf et al., 2009; Cornelissen & Werner, 2014). Questions related to the emergence or social construction of frames are thus often set aside in this tradition, in favour of questions related to the identification of dominant frames in particular situations. Examples of influential works in the structuralist tradition are Minsky (1975), Tversky & Kahneman (1981), Tannen & Wallat (1987), and Weick (1993, 1995).

ambiguity due to a failure to negotiate correspondence between the management-accounting frame and various operational frames enacted in the organisation. However, eventually the "ongoing process" led "to a gradual co-development of these very frames" until coherence and a shared understanding of the problem emerged (Englund et al., 2013, p. 440).

Framing can be further conceptually operationalised by foregrounding some of its elements. Three concepts in particular will be discussed in the following: Audience, Anchoring, and Cues.

Audience

As discussed, framing is primary processes that configure and produce the basic elements of performances. As such, the configuration of certain participants into the *audience* of a performance is in turn an element of the framing process. There are no pre-existing, by nature given, audience-participants in situations. Rather, the framing activity of participating individuals produces the audience as it brings particular frames into being.

One way the audience of a frame is configured is the partitioning of the physical participants present into two categories, those with active framing agency in the situation – the performer(s) – and the other participants present, not being enacted as focal by the framing in the situation – the audience (Goffman, 1959, p. 16; 1974, p. 124). However, this is not to say that the audience lacks framing agency in the situation. For example, the enactment of a theatrical-frame at the opening night of a new play breaks down if the participants being configured as the audience do not actively conform to the behaviour and demeanour that this type of frame expects of them. If they do not fall silent as the lights are dimmed and the curtain is raised, if they occupy the space normally set aside for the performers, the meaning produced in the situation will not be that of the theatrical frame, but of situational ambiguity until participants are able to converge towards the enactment of a new frame, for example that of a political-protest frame. The point made is that there is a reciprocal dependence and collective interactional work by both performer(s) and audience to enable a particular frame to come into being.

However, the audience in a process of framing need not be physical participants present at all. The audience in a particular frame may also take the

form of an abstract notion of an audience, to which all participants in the situation direct the attention of their interaction. Jeacle & Carter (2012) provides an example in their study of the work in a product-group team in a fashion retail company. In the study, the three members of the team – the designer, the buyer, and the merchandiser – were framing product decisions in relation to an abstract audience of "the 18-30 year old female customer" to create meaning of actions and designs in their situation (ibid, p. 742).

A common denominator for the audience element in framing, whether it takes the form of physical participants present or a projected abstraction, is that a different audience gives rise to a different frame, that as previously discussed, leads to a different performance. If theatre-goers do not conform to the audience in the theatrical-frame or 'the 18-30 year old female customer' is replaced by 'the 45-60 year old male' in the product-frame, then these frames are no longer present in the situation, or are radically different, giving rise to very different meanings among the interacting participants.

Anchoring

Anchoring is an element of framing that relates a frame to the environing world in which the framing occurs (Goffman, 1974, p. 248). A most basic function of the process of anchoring is how it cuts off the framed activity or objects from the rest of the world so that it may be understood differently. Simmel (1965) provides an example to illustrate anchoring performed by the literal frames of paintings:

> Modern theories of art strongly emphasize that the essential task of painting and sculpture is the depiction of the spatial organization of things. Assenting readily to this, one may then easily fail to recognize that space within a painting is a structure altogether different from the real space we experience. Within actual space an object can be touched, whereas in a painting it can only be looked at; each portion of real space is experienced as part of an infinite expanse, but the space of a picture is experienced as a self-enclosed world; the real object interacts with everything that surges past or hovers around it, but the content of a work of art cuts off these threads, fusing only its own elements into a self-sufficient unity. **(Simmel, 1965, p. 267, quoted in Goffman, 1974, p. 249)**

Goffman points out that anchoring in a conceptual sense leads to an apparent paradox of framing. That is, the understanding that participants have of where the claims of the ongoing world leave off and where the claims of the framing take over is part of what the participants bring to the frame.

> The very points at which the internal activity leaves off and the external activity takes over – the rim of the frame itself – become generalized by the [participants] and taken into [their] framework of interpretation, thus becoming, recursively, an additional part of the frame. In general, then, the assumptions that cut an activity off from the external surround also mark the ways in which this activity is inevitably bound to the surrounding world. **(Goffman, 1974, p. 249)**

Anchoring is thus the process that establishes relationships and linkages in framing, even in the cases when the relationship established is that of a demarcated border of what it is not. In this way, anchoring is also the process whereby participants order multiple concurrent frames in a situation into a single laminated frame with different layers. The study by Beunza & Garud (2007) of financial analysts' work to frame the company Amazon.com provides an example. One frame of Amazon.com, enacted by the analysts to understand the company, was a categorisation-frame – Amazon.com as an 'Internet company'. A second frame was an analogy-frame, i.e. Amazon.com is similar to the company Dell. A third frame was a financial metric-frame of revenues (cf. Vollmer, 2007). By anchoring Amazon.com to each of these frames, the analysts in the Beunza & Garud (2007) study came to order them into the enactment of a single laminated "calculative frame" that enabled a collectively shared valuation of the company to be performed (ibid, p. 14). The categorisation, analogy and financial metric could then be analytically understood as different layers, with a particular order of sequence among them, in the calculative frame enacted by the analysts in their reports.

Cues

Cues are a concept for those symbolic vehicles that organise shifts between different frames among participants (Goffman, 1974, p. 45).[10] An example of a cue can be to dim the lights and pull up the curtain at the start of a theatrical performance to signal a shift from an everyday framing of the situation to the make-believe frame of the play. It may be a change in the tone of voice to indicate that what is about to be said should be understood as sarcasm and not as said in earnestness by the speaker. A study by Skærbæk (2005) illustrates how the use of accounting language provided cues in a university's annual report that enacted a financial frame of the numbers denoting resources spent on educating students, rather than enacting a pedagogical framing of the numbers for the reader. The accounting-language cues were decisive for organising the resultant interpretations of the numbers, as a decrease of these numbers would have been interpreted as positive within a financial frame, whereas the opposite would have been the case within a pedagogical frame.

The concept of cues is also instrumental in understanding how a particular frame, that arises within situations, may be able to be re-enacted across situations (cf. Stokes & Hewitt, 1976). Cues are for example the elements of frame enactments that are "painstakingly fabricated" in situations of the backstage in performances (Goffman, 1959, p. 112), that may then be transported by performers to particular effects in the front stage situation. Cues make out the elements of the enacted frame that provides the setting such as furniture, décor, physical layout, and other background items for the human action. Cues may also be observable signs connected to particular performers themselves such as "insignia of office or rank; clothing; sex, age, and racial characteristics; size and looks; posture; speech patterns; facial expressions; bodily gestures; and the like" (ibid, p. 24). Cues thus help re-enact frames that can be relatively stable across time and space, but may also help enact

[10] Goffman (1974) uses two terms – cues and keys – to discuss changes in frames. While the terms are at times used interchangeably, this thesis understands keys to transpose between different frame tonalities (for example make-believe, contests or practicing for something, as outlined in Goffman, 1974, p. 74). This differs from cues, which is ordering when frames (including changes in tonality) are enacted (see Goffman, 1974, p. 45).

framings that are very mobile and transitory such as the effects produced by facial expressions. Cues are the material observable externalisation of frames, who themselves are inherently unobservable, collectively shared, cognitive constructs in interactions of the participating individuals.

3.5 Concluding comments on the conceptual approach

This chapter has outlined the broad strokes of the symbolic interactionist approach taken in this thesis, as well as a set of concepts from the body of work of Erving Goffman that will be used to operationalise this approach to the study of financial numbers in the setting of the company-capital market interface.

The approach taken sees the meaning of objects and activities as an outcome of social ordering processes. Individuals or groups of individuals build up and construct meaning through interaction. A particular meaning of an object or an activity is therefore an achievement of the participants involved, a social ordering of experiences and impressions by the group towards a shared cognition.

Such shared cognitions, or interpretations of the situation, are built up by organising elements referred to as frames. A frame orders social situations by establishing a set of relations of what is going on and regulates participants' involvement and activity. At any given moment, a multitude of frames are at work in a situation that together form the participants' shared claim as to what the reality of the situation is. Multiple frames may also come to form one multi-layered, laminated frame. However, frames are not seen as stable cognitive structures in this thesis, rather they are in a state of flux in the interaction and only exists as long as interacting participants enact or re-enact them.

The process whereby particular frames are configured and brought into being may be referred to as framing. The chapter foregrounded three conceptual elements of framing processes that this thesis argues can be employed to conceptually operationalise the study of framing. The first concept fore-

grounded, *Audience*, is an element of framing that partitions situational participants into those with active framing agency and passive framing agency in a given frame-analysis. Audience is 'the others' present in a given frame seen from the perspective of a focal actor in the analysis. The second concept, *Anchoring*, is the element of framing that relates a frame to the environing world in which the framing occurs, and orders multiple concurrent frames into laminated layers. The third concept, *Cues*, is the material observable externalisations of frames in interaction. They are symbolic vehicles in framing that activate the enactment of particular frames and organise shifts between different frames among participants. Cues enable frames, that arises within situations, to be re-enacted across situations in time and space.

This thesis argues that, taken together, these three concepts provide a fruitful way to conceptually approach the problem of understanding financial meaning at the company-capital market interface, and inquire into its conditions of emergence and evolution. Before such an analysis of the three case companies can be presented, however, the next chapter discusses the methodological considerations involved in the making of this study.

Chapter 4

Research design and methodology

This chapter describes the methodological choices, considerations, and practices in undertaking this study. First, it will describe and discuss the design choice of studying investor relations at three large listed companies in the form of a collective case study. The collective case study serves as the empirical tool to explore how financial numbers become meaningful at the company-capital market interface. Second, the chapter will describe the practices of undertaking observations, performing interviews and collecting documents as the means of gathering the data of the study. Third, it will explicate the abductive process of analysis that led to the thesis put forth in this book. Fourth, it will reflect on the notion of quality in interpretative research and argue that authenticity and plausibility are two measures that may be appropriate in evaluating the quality of this study. The chapter will end by presenting some background on investor relations in the three case companies to situate the case descriptions in the three empirical chapters that follows.

4.1 Designing the study

Investor relations (IR), the practice of listed companies to have a function or a group of individuals dedicated to communicating with capital market actors, was a natural starting point for the design of the study. The two reasons for this choice were firstly the central location of IR at the interface between companies and the capital market, in secondly to the relatively low attention paid by prior research to the activities of this side of the company-capital

market interaction in the interpretation and understanding of financial numbers as a process.

As mentioned in the introduction chapter, IR is a group-level corporate function, sometimes organised as a department and sometimes simply as an 'IR team'. IR typically operates as a relatively small autonomous unit, organised in close proximity to senior management within listed companies. As might be expected, the prevalence, intensity, and focus of IR varies between listed companies, particularly depending on their level of market capitalisation (see e.g. Cheuvreux, 2012). A second methodological choice was therefore to focus the study on IR in large listed companies, where the company-capital market interaction has a higher frequency, due to a larger investor base and greater sell-side analyst coverage. Consequently, the IR teams in these companies are larger, thereby allowing more opportunities to study internal interactions, and have a staff solely dedicated to IR-related activities.

In line with the stated research aims of the thesis and the conceptual approach outlined in Chapter three, the study is designed as an in-depth collective case study (Stake, 2000) of IR work in large listed companies. Each case consists of one large listed company studied over a period of more than one year, providing an example of the process whereby financial numbers take on particular meanings for the involved actors through company-capital market interaction. This methodological approach provided an opportunity to study actual situations of interaction at the company-capital market interface.

The choice to study more than one company was not based on a desire to undertake a comparative case analysis. Rather, I chose to use three company cases to mitigate the risk of drop out and to have the opportunity to obtain more and richer observations (see Ahrens & Dent, 1998). This latter consideration was based on the initial observation that IR teams are small; the three teams in this study were staffed by two to six people. This meant that the extended period of intense observation and interviews needed to generate the amount and richness of data necessary to satisfy the research ambition of the study was too taxing for any one organisation to bear. With three sites of study, periods of observations and interviews could alternate and overlap between cases. This created natural breaks that allowed both the

case organisations and the researcher some breathing space and time to consider the next steps of inquiry, or time to seek additional approval of access (see also Pettigrew, 1992, on the study of managerial elites).

Selection of the case companies

Five criteria guided the selection of the three case companies. The first three criteria were that the companies had to be listed on a major stock exchange; that they were large in terms of market capitalisation; and that the IR teams at the companies consisted of more than one full-time member of staff dedicated to IR-related activities. The intention was that the study would capture the work practices and everyday interactions of mature, well-developed and relatively large IR units that routinely and frequently met with a broad range of capital market actors in an international context.

The fourth criterion was that the corporate headquarters (HQ) of the companies – as well as the office of the IR team – were located in the same city as the academic institution from which the research would be conducted. This meant that all three companies were denoted as Swedish and had their primary listing at the Stockholm Nasdaq OMX stock exchange. Although primarily motivated by convenience of the data collection process, an additional advantage of this design choice was that the researcher shared a similar cultural and linguistic background to the individuals that were 'shadowed' (Czarniawska, 2007). This facilitated the participation and integration into the groups to be observed through this ethnographically inspired method.

A fifth and final criterion was that capital market actors classified the companies as belonging to different industries (see also Roberts et al., 2006, for a similar design choice).[11] The primary reason for this choice was so that the group of selected companies would enterer the study with a collaborative mind-set. This was deemed less likely if they saw the other companies as 'competitors', and the researcher as a potential conduit for transferring business sensitive information between the case companies.

[11] See e.g. Zuckerman (2004) for more background regarding the practice and importance of industry classification by sell-side analysts and investors.

An additional reason, as indicated in previous research in the company-capital market domain, was that there is a significant interactive overlap between companies and capital market actors within the same capital-market industry classification. Together with the concentrated geographic denotation of the companies, this would have meant that a significant portion of the sell-side analyst corps and fund managers of potential investors would have been shared by the case companies. Although such a network dimension to the study could have been interesting, such an analysis was deemed outside the stated aims of the study.

A final reason to select case companies from different industry classifications was that previous research (see e.g. Zuckerman, 2004; Beunza & Garud, 2007) has illustrated that capital market actors tend to emphasise different key financial numbers as most important for valuation purposes within different industry classification categories. Studying companies with different industry classifications thus provided a broader and richer empirical material on the process of meaning creation of financial numbers.

Three companies that fulfil these criteria are included in the final analysis.[12] The companies were approached by a formal letter to request the company's participation in the study. The letter was addressed to the Head of IR by name and sent in October 2012. The letter was followed up by a phone call a few weeks later to answer any questions by the Head of IR. Finally, the study was formally presented to the company at a personal meeting with the Head of IR (see the initial project description presented in Appendix A). All of the first-hand choices for the study agreed to participate by December 2012.

The three case companies operate in the industrial engineering, technology, and financial services sectors and will be referred to as 'InduCo', 'TechCo', and 'FinCo' respectively.

The use of pseudonyms was partly premised on the research process and partly for methodological reasons. The companies were promised anonymity

[12] Five companies were initially approached to take part in the study. Two of these, a consumer goods company and a medical technology company, were part of the empirical data collection but the effort of undertaking an in-depth analysis of five cases proved too difficult given the time-constraint and resources available. The three cases with the richest observations (Ahrens & Dent, 1998) were therefore chosen to be part of the final analysis and presentation of the study.

and, as the study progressed, the researcher became privy to sensitive corporate information that would violate the stock-listing agreements of the companies if leaked.[13] The analysis and writing up of the cases was therefore undertaken with anonymity in mind and with the understanding that the companies would not be able to give permission as to the level of anonymity until reading the final draft. The anonymity concerns in writing up the cases also extended to disguise particular products and areas of operations that did not significantly contribute to the analysis of how particular numbers became meaningful in the situations of interaction studied. However, on reading the final draft of their case descriptions (Chapters five to seven), all companies ultimately granted permission for publication, with public disclosure of their actual names. Nevertheless, the decision was made to maintain the anonymity of the companies for methodological reasons. This allows the reader to focus on the relationship between the financial numbers and the aspects of the world of operations that the interacting participants brought into the situations studied, rather than any other associations the reader of this book might have if confronted with the actual company names.[14]

Selection of what to study: Situations and numbers

In following the IR work in each case company, particular situations of interaction and particular financial numbers were chosen as focal objects of study. How many and which situations and financial numbers to focus on was not decided a priori. Instead, selection occurred successively over the course of the study.

The selection of situations to study was guided by the conceptualisation made in previous literature of the company-capital market interface as an interactive relationship among three sets of organisational actors: companies, investors, and financial intermediaries. Following this understanding, relevant situations were situations where these three sets of actors interacted in

[13] Before being allowed to take part of such information, the researcher signed a binding non-disclosure agreement prepared by the corporate lawyers of each of the three companies and was placed on the insider-trading watch list of the Nasdaq OMX Stockholm stock exchange.

[14] To be more explicitly reflexive: The author of this book is attempting to share a particular framing with its audience, the readers, of the studied phenomenon by refraining from providing a cue that would bring about undesired anchoring.

the time and space open to study for the researcher. The decision was made to let the choice of situations to study become an empirical question based on the practices of the IR teams of the case companies. Events featured on the calendars on the IR section of the company websites was the initial impetus to study. All three websites outlined five types of recurring situations over a corporate fiscal year: 1) The Annual General Meeting of shareholders (AGM), 2) The Capital Markets Day for investors and analysts (CMD), 3) Investor Presentations held off-site at conferences and other events organised by investment banks, 4) The release and Presentation of Quarterly and annual reports (Q-presentations), and 5) Roadshows for investors and analysts with meetings held off-site, which at times included an investor presentation.

After spending a few months in the field with the IR teams, a realisation was made that the AGM and the release of the annual report were not situations of interaction as conceptualised with respect to investors and analysts. These activities were not part of the process shaping the meaning of the financial numbers at the company-capital market interface.[15] They were therefore omitted in the subsequent analysis. On the other hand, 'internal work' by the IR teams at the corporate headquarter emerged as an analytically distinct type of situation that warranted study as part of the process of meaning creation (see Table 4.1 in Section 4.2 for a summary of events studied in each case company).

The second choice was to decide which financial numbers to follow in each case company. Using the same principle as for the choice of situations, the study focused on the financial numbers that appeared to matter most to the studied actors in each company case. An initial selection was made of the numbers recurrently mentioned in the six or so bullets points on the first page of the company's quarterly financial reports (Q-reports) and in the preamble of the financial analyst reports covering the companies. Subsequent

[15] The AGM is mainly a situation of dialogue with so called 'retail investors', i.e. private individuals such as former employees and others, who own shares that controls a very small portion of the company's equity capital (see e.g. Catasús & Johed, 2007). The annual report, as argued by previous research (see e.g. Hjelström et al., 2014, for a review), is important as a reference for investors and analysts. However, the release of a new annual report does not in itself shape the understanding of financial numbers as it is mainly a consolidation of the views and numbers communicated in the quarterly financial reports, and other events such as the CMD, over the corporate fiscal year.

observations of internal work, investor meetings and other situations confirmed these choices as providing the richest sources of data to analyse. However, to focus the analysis and to present a coherent argument with "authenticity" (Golden-Biddle & Locke 1993, p. 595) and "thick explanations" (Lukka & Modell 2010, p. 462; Lukka 2014, p. 559), a design choice was made to limit the case descriptions to one or two financial numbers for each company. The numbers were selected after the data collection was completed, based on the Author's judgement of what provided the most detailed and elaborated descriptions of the processes studied in each case.

Thus, 'Orders' and 'Operating Margin' were selected as the focus of analysis in the InduCo case. In terms of its arithmetic properties, the Orders is a number denoted in MSEK which refers to the financial value of orders placed by InduCo customers during a given accrual period, such as a quarter or a fiscal year. The Orders are supposed to translate into revenues in future income statements, and investors and analysts following InduCo at the time of study therefore considered the number to be more important than revenues, because of its forward-looking qualities. The second number, the Operating Margin, is expressed as a percentage, with operating profit in the numerator and revenues in the denominator. Both operating profit and revenues are reported in the income statement, where the former is the profit before financial items and taxes.

The 'Gross Margin' became the focus of analysis in TechCo. The Gross Margin, expressed as a percentage, was defined as the difference between net sales and cost of sales, divided by net sales, as recorded in the TechCo group income statement.

The two final numbers, followed in the FinCo case, are the 'Core Tier 1 Ratio' and the 'Net Loan Losses'. At the time of the study, the Core Tier 1 Ratio was used in regulation of minimum capital requirements for financial institutions. It was calculated by dividing the sum of a financial institution's common equity (numerator) by its risk-weighted assets in the balance sheet (denominator). The Net Loan Losses, meanwhile, is an expense line item in the income statement of financial institutions, which at the time of study was calculated as the sum of impairments or provisions, write-offs, allowances for write-offs, reversals, and recoveries on loans.

Taken together, these design choices outline the general methodological approach and considerations of the study. The next section describes the more particular practices of how the study was conducted.

4.2 Collecting the empirical material

This thesis builds on an extensive set of empirical material, collected from a variety of sources. To study the articulated meaning of financial numbers as a process, at specific points in time, in the particular space of the company-capital market interface, I have used observations as my primary source of data, complemented by interviews and documents. In total this thesis builds on 31 interviews; 300 hours of direct observations of IR work (of which 147 hours were internal work at corporate headquarters, and the remaining 153 hours were observations of external work such as public investor- and analyst presentations, conference calls and one-on-one investor meetings); and 1,100 documents, including 850 analyst reports and some 250 documents used internally and externally to communicate the company financial performance to the capital market (see Table 4.1 for a summary per case company). The data collection began in January 2013 and ended in September 2014, covering more than a full fiscal year in each case company.

The next three sections will provide more detail regarding each of the three means of collecting empirical material for the study.

Table 4.1. Summary of collected empirical material in the study

	InduCo	*TechCo*	*FinCo*	*Total*
Number of interviews	**8**	**12**	**11**	**31**
Average duration of interviews	58 min	64 min	63 min	62 min
Total number of documents collected	**277**	**493**	**333**	**1,103**
of which analyst reports	205	403	250	858
Total time observed	**119 hrs**	**86 hrs**	**93 hrs**	**298 hrs**
of which internal work	48 hrs	28 hrs	71 hrs	147 hrs
Total number of events observed	**26**	**18**	**15**	**61**
Annual General Meeting	1	1	1	3
Capital Markets Day	1	1	1	3
Investor dinner & lunch group meetings	3	1	4	8
Investor one-on-one meetings	15	11	5	31
Investor presentations	3	1	1	5
Quarterly presentations with Q&A	2	2	2	8
Roadshows	1	1	1	3

Observations

In line with the conceptual approach chosen in this thesis, I relied on direct observations as my primary method of collecting data (Goffman, 1959, 1974, 1989; Samra-Fredericks & Bargiela-Chiappini, 2008), to allow me to be part of the situations where the meaning of financial numbers was articulated by the company- and capital market actors (see also Vollmer et al., 2009, p. 622 on traditions in social studies of finance). However, access to these situations was not instantaneous at the formal approval of the undertaking of the study; rather it involved negotiations of additional access and management of field relations over time (Hammersley & Atkinson, 1995).

During the first half of the study period, observations were mainly made of public situations with the three companies, such as at the AGM, the quarterly presentations, and the CMD, with ensuing question and answer sessions (Q&As). Towards the second half of the study period, the members of the IR teams were increasingly willing to allow me to shadow them (Czarniawska,

2007) in situations they perceived as more private.[16] This involved 'internal' situations such as spending time in their offices for all or part of a working day at repeated intervals as they prepared investor presentation slides and roadshow schedules, corresponded with analysts and investors via e-mail or phone, and wrote the annual- or quarterly reports among other activities. 'Internal' situations also involved shadowing one or a few IR-team members as they participated in internal meetings with senior management and other corporate functions to discuss particular financial numbers or the content of financial reports, preparations for investor presentations and other meetings that were either initiated by the IR function or required an IR presence. In total this involved 147 hours of observations across the three case companies.

Observations of more closed situations also involved external work such as travelling with IR-team members on three roadshows in Europe, being part of the investor- and analyst audience for five presentations to smaller, invited audiences or tours of company production facilities organised by investment banks, participating in eight lunch or dinner meetings with select groups of investors hosted by the CEO and or the CFO, and observing 31 one-to-one investor or analyst meetings.

The observations were conducted in an overt and passive manner (Atkinson & Shaffir, 1998) rather than the 'participant observation' manner suggested by more orthodox ethnographic methodologies (Goffman, 1989; Hammersley & Atkinson, 1995). At times more active forms of participation were undertaken in the interest of gaining more insight into the activities observed, such as proofreading presentation- and report drafts, or to help out before tight deadlines, for example by buying take-out food when a team was working late before the quarterly report release. However, the general mode of observation was that of a shadow, following the IR-team members.

Arguably, a new presence in any situation affects the unfolding of social events in it (Goffman, 1959). However, it is my perception that my presence in the studied situations had a marginal effect on the observed processes of

[16] 'Private' in this setting is partly a legal definition pertaining to situations were (share-) 'price sensitive' information would be treated, which was conditional on signing a binding non-disclosure agreement. Partly, 'private' pertains to situations such as one-to-one meetings with investors, which do not involve the disclosure of price sensitive information, but is nonetheless sensitive to outside involvement.

financial meaning creation in the case companies. I make this claim for two reasons. Firstly, and primarily, the situations studied were of such importance to the involved actors that they could not afford to behave differently. For example, when writing the quarterly report, the IR team was under pressure to meet the publicly announced deadline. There was little margin for them to deviate from established practices to account for the presence of a researcher given the high stakes involved in not meeting the publication deadline, or to do so in a manner not judged appropriate by the senior management and company board. Another example is meetings with investors who in most cases controlled several million USD in company stocks, meaning that it would have been highly unlikely for either party to behave in manner that might in any way jeopardize the investment. From the corporate side, this meant promoting openness, information seeking, and information giving to maintain good relations with the investor in the usual manner. From the investor side, the time set aside to get an update on the company investment and the questions agenda, while often pressed for time, was unlikely to leave room to adapt to the presence of a researcher with a signed non-disclosure agreement.

The second reason is that my physical presence was not perceived as unusual by the involved participants. In external situations, it was standard practice of both corporate and capital market actors to bring along junior associates who did not speak during meetings and presentations, but who took notes on what was being said. Overt note-taking was therefore a standard practice in these situations. Furthermore, even a meeting or a conference call designated as 'one-on-one' seldom involved only two people, but rather a few representatives from each organisation. A similar argument is valid for situations such as internal meetings at the corporate headquarters. In contrast, I felt that my presence in everyday IR-office situations was initially felt more by the participants. However, this effect appeared to wear off rather quickly. At the time that I entered these situations I was already familiar to all members of the IR teams. This blending in at all studied situations was facilitated by the shared age, dress and socio-cultural background of the researcher and other junior associates regularly present in such situations.

During observations, I continuously took notes in real time and complemented any gaps in the note-taking from memory at my earliest convenience,

such as at pauses between meetings or speakers, and in the evenings. At the start of each observation, my focus was on capturing the physical layout and specificities regarding the room, the number of participants and their personal characteristics, unspoken rituals of greeting, types of food and beverages served, if any, among other things. These notes later functioned as cues (sic) to jog my memory in order to recall and place myself into the situation to undertake a particular analysis. For the main body of observations, note-taking was slightly different for three main categories of observations.

In meetings, the focus of my note-taking was on what was said and by whom. The confidential nature of these meetings precluded audio or visual recording. Given the often rapid verbal exchanges, it was, as noted by Fauré et al. (2010, p. 1257), "impossible to transcribe every spoken work with 100 percent accuracy." Hard choices were often made to follow and transcribe a strip (Goffman, 1974, p. 10) concerning a particular financial number more fully, at the expense of not capturing a subsequent strip of another number. However, I often observed a series of meetings that covered similar topics, through which any gaps in the note-taking could be amended. Furthermore, all strips used in the analysis (see Chapters five to seven) have been carefully checked by the Head of IR of each company for substantive accuracy, notably regarding the statements made by IR staff (see also Creswell & Miller, 2000; Fauré et al., 2010).

In observations that were less delimited in time, such as a day at the IR office or the activities between meetings on a roadshow, the focus of the notes was to capture the chronology of events and any specific comments made during work that was oftentimes mostly nonverbal (see Preda, 2009, on this point). Such notes were often intermingled with notes of how 'I felt that' an observation could be interpreted conceptually (Goffman, 1989, p. 131).

Note-taking in the final type of observations such as AGM, CMD, and Q-presentations with Q&As, was less concerned with what was said and more with things that I felt conceptually important while being in the situation, as well as with the physical appearances and movements of the actors. The reason was that a full transcription of all verbal utterances would be available as a document in the Thomson Investext research database by a

transcription service provider afterwards. However, taking note of observations was still necessary, as relying solely on the database transcriptions would not have provided the richness required for the analysis, such as tone of voice, emphasis and non-verbal communication by both presenters and audience.

Interviews

As a complement to the observations, 31 semi-structured interviews were held with the thirteen members of the three IR teams.[17] Interviews lasted an hour on average and were digitally recorded and transcribed in full. Many quotes used in the empirical chapters have undergone minor alterations suggested by the quoted interviewees, as each individual approved their use in the final draft of the chapters. All changes were of grammatical or stylistic character and did not substantially alter the meaning of the quote.

All thirteen members of the three IR teams were interviewed at least twice; except for one IR coordinator and one Head of IR, the latter whom entered into this role in one of the case companies midway through the study period. Interviews were evenly spread throughout the study period with a minimum of three months between interviews with the same individual. The first interview with each person was fairly structured. The interviewee was asked to describe the IR work more broadly, IR's relationship with and position in the organisational hierarchy, and the specific duties of the interviewee. However, themes brought up by the interviewee, such as the role and practices of investor meetings or quarterly reporting, were pursued as they emerged.

The subsequent interviews were, in contrast, centred either on a recent activity, such as the writing of the quarterly report or an observed CMD, or on a more abstract theme, such as the idea of a 'company thesis' (Hjelström et al., 2017) or the idea of going from 'a number to a narrative' in reports (Froud et al., 2006, p. 133). Usually, three to five such concrete events or

[17] See Appendix B for a complete list of interviews included in the study. Ten additional interviews were conducted with IR professionals from two other companies that were originally followed but not included in the study, as well as three pilot interviews with three informants with extensive experience of IR.

abstract themes were covered in each interview, with the purpose of hearing the interviewees' own descriptions and reflections on the subjects in a way that partly emulated the analytical interview method (Kreiner & Mouritsen, 2005).

There is a legitimate critique of the interview as a method of study in the Goffmanesque research tradition (Samra-Fredericks & Bargiela-Chiappini, 2008, p. 665f), as the interview situation can be seen as a performance in itself, in which the interviewee is simply 'managing impressions' vis-à-vis the interviewer regarding the topic under study (see Goffman, 1959). To some extent these problems, have been dealt with by, for example, asking questions in a more indirect manner, returning to the question at a later time using a different wording, or relating questions to concrete activities observed (see also Solomon et al., 2013, p. 201). More importantly, however, the interviews have only been used to support the analysis of the observations made in situ or in documents; a means to put a voice to the shadowed actors in the described process stories.

Documents

As part of the observations, copies of public and internal documents were collected as they were produced internally or made available through external media.

There were two main sources of public documents. Firstly, the case companies' financial reports and presentations, among other documents, were made available on their websites. Secondly, the Thomson Investext research database published a majority of the analyst reports as well as verbatim transcriptions of all public presentations and Q&As covering the case companies within one to two days of the event. In addition, all companies were followed via e-mail notifications by subscribing to the companies IR-notification services available to investors, analysts, and other interested parties. This was done in order to keep up to date with financial news and other events broadcasted by the companies, often with links to articles in the general media and business press. However, it was not part of the final analysis and is therefore not included in the document count.

In total, over 1,100 documents were collected. 850 of these were financial analyst reports, where typically only the first one or two pages were used for analysis. The remaining 250 documents were internal documents, public documents, and the verbatim transcriptions of public presentations and Q&As. Most of these 250 documents were more extensive, often containing 25 to 100 pages used for analysis. Examples of internal documents included in the study are corporate memos, materials sent to the senior management and the company board of directors, drafts of financial reports, and other working documents used in the IR work. Examples of public documents are the annual and quarterly reports, investor presentations, and press releases.

The purpose of collecting the documents was to follow the "document trails" (Skærbæk & Tryggestad, 2010, p. 112), where the articulation surrounding a particular financial number gradually changed or emerged in terms of explanations, links to other numbers, and comparisons. One example of the use of documents in the InduCo case (Chapter five) was how the researcher was able to trace the gradual association of the Orders number to the unfolding global mining crisis over two years through analyst reports. This tracing enabled a better understanding of the framing work undertaken by the IRO during the investor meetings of an observed roadshow to align internal corporate interpretations of this number to those prevailing among the participating capital market actors. A second example, taken from the FinCo case (Chapter seven), is how documents enabled observation of the gradual change in wording to explain the level of the Core Tier 1 Ratio to the capital market actors in a succession of drafts of a quarterly report to be released.

The documents were thus used as an extension of the method of observation, inspired by ideas in ethnomethodology, in which documents externalises and leaves a lasting trace of particular conditions, interpretations and local historical contexts of their production and use (Garfinkel, 1967; Smith, 1984). Documents in this study serve as more than merely a background; they form a core part of the analysis, together with observations of live interaction and interviews.

4.3 Analysing the empirical material

My analysis of the collected material followed an abductive process in line with interpretative research traditions (see Ahrens & Chapman, 2006; Alvesson & Sköldberg, 2008). Analysis thus started already in the early stages of data collection and continued throughout the study, going back and forth between theoretical and empirical observations to arrive at a plausible and interesting explanation of the studied phenomenon (see Lukka & Modell, 2010; and Davis, 1971).

Specifically, I entered the study with a broad objective of studying the connections between the case organisations and the financial market (see the initial project description in Appendix A). Having read broadly about various method theories (Lukka & Vinnari, 2014) in use in the social studies of accounting literature (Chapman et al., 2009), it was only after the initial months of empirical observations that I chose the broad conceptualisation of *framing* offered by Erving Goffman as a plausible means of theorising what I observed. Subsequent choices of what to empirically study, and the more particular conceptual choices – i.e. settling on Audience, Anchoring and Cues – developed in a dialectic manner from this initial empirically informed theoretical choice of analysis.

As discussed, the three companies form a collective case study (Stake, 2000). The analysis of the three case companies was thus treated as complementary rather than comparative, to render a more deep understanding (Ahrens & Dent, 1998). In part, this choice was made possible by the striking similarities observed between the work processes and activities of the IR professionals in all three companies, with the variation between cases being mostly concerned with the particularities of their key financial numbers. However, in the interest of pursuing a narrative approach of presentation (Czarniawska, 1997), and to centre the analysis on the process of meaning creation of particular financial numbers, the analysis of the collected empirical material was made on a company-by-company basis. The analyses of the respective case companies are also presented separately in the book: InduCo in Chapter five, TechCo in Chapter six, and FinCo in Chapter seven. However, the full analysis of each company case involved ordering the collected material in four rounds per company:

The first ordering of the material was temporal – *when?* – arranging the different sources of empirical material (observation notes, interview transcripts, internal documents and analyst reports among other) to be matched up in a chronology of unfolding events from January 2013 to the summer of 2014 for each company. Again, this was undertaken both from an analytical standpoint as well as from the perspective of giving a narrative presentation of the material.

The second ordering of the material was situational – *where?* – the empirical material related to different interactions were linked. It was in this round that the choice was made to present the empirical material grouped according to three main situations of company-capital market interaction: a roadshow (Chapter five), a capital markets day (Chapter six), and a quarterly reporting period (Chapter seven). Each of these situations of interaction was divided into a back region and a front region in their respective chronology of events in the analysis (see Goffman, 1959, on performances). The back region was concerned with the internal work performed by the IR teams in preparation for the external situations of face-to-face company-capital market interaction analysed in the front region. All three main situations were analysed in all three company cases, ultimately the choice was made to illustrate the roadshow from InduCo, the CMD from TechCo, and the quarterly reporting from FinCo. This decision was based on a consideration of data intensity and to favour richness over duplication in the empirical descriptions.

Each description consists of strips of activity that are matched up together in an unfolding of events. The term strip refers to "any arbitrary slice or cut from the stream of ongoing activity" (Goffman, 1974, p. 10) captured by observational notes, transcriptions or documents. It is not argued here that the strips analysed were a naturally occurring division in the flow of activity observed; rather, it denoted "any raw batch of occurrences (of whatever status in reality) that [I wanted] to draw attention to as a starting point for analysis" (Goffman, 1974, p. 10).

The third ordering of material was numerical – *what?* – where the material in each situation was grouped in relation to a few specific financial numbers based on empirical occurrence, and more importantly, recurrence as previously discussed. Such ordering enabled a subsequent granular analysis of the framing work of these numbers within and across situations of interaction.

One or two key financial numbers per company were ultimately selected for the final presentation of the empirical material: the Orders and the Operating Margin in InduCo (Chapter five), the Gross Margin in TechCo (Chapter six), and the Core Tier 1 Ratio and the Net Loan Losses in FinCo (Chapter seven).

The fourth and final ordering of the material was conceptual – how? – guided by the chosen conceptual approach. The final version of this ordering was done at a late stage in the abductive process described earlier. Each of the situations and featured financial numbers was analysed and ordered in relation to the three concepts – Audience, Anchoring and Cues – described in Chapter three. As will be argued in the concluding discussion of this thesis, all three concepts were involved in enacting particular framings of the studied financial numbers in the situations of company-capital market interaction. However, for the purpose of a didactic presentation of the analysed empirical material, I have chosen to foreground one concept in the description of each company case; InduCo foregrounds the role of Audience (Chapter five), TechCo the role of Anchoring (Chapter six), and FinCo foregrounds the role of Cues (Chapter seven), without denying the role of the other concepts operating in the background.

Taken together, the three company cases, company-capital market situations and theoretical concepts are argued to provide a plausible and interesting explanation of the process whereby particular financial numbers become meaningful at the company-capital market interface.

4.4 Reflections on quality

As noted by others, there are different ways to evaluate qualitative interpretivist research (see e.g. Sandberg, 2005). The proliferation of different measures to assess the quality of such work is in part related to what is being studied (open systems), how such studies are performed (inductively), as well as differences in ontological and epistemological assumptions underlying the knowledge produced (see Sjögren, 2006, p. 70; Sandberg, 2005). Without engaging in a longstanding and very much lively debate of these issues, this thesis notes that two measures has gained particular traction in the evaluation of social studies of accounting in recent years (see e.g. Kornberger et al., 2010; Barker et al., 2012; Covaleski et al., 2013; Cullen et al., 2013; Edgley et

al., 2015; Eshraghi & Taffler, 2015; Crepaz et al., 2016). Accordingly, this thesis argues that the research undertaken may appropriately be judged according to the measures of *authenticity* and *plausibility*, put forward by scholars in the qualitative field of organisation studies and studies of accounting (see Golden-Biddle & Locke, 1993; Lukka & Modell, 2010).

In terms of authenticity, great care has been taken in the case descriptions that follows (Chapters five to seven) to bring out as much detail and richness (Ahrens & Dent, 1998) as possible, relevant to the research issues studied, to convey a sense of the everyday activities of the IR professionals and the situations of company-capital market interactions observed in the field. This involved preserving the emic concepts and expressions used by the shadowed and interviewed individuals, before reinterpreting them in relation to the etic concepts outlined in Chapter three. Moreover, all quotes from interviewees have been audited and approved by the quoted individuals with respect to their emic accuracy, as well as a full and detailed reading of the case descriptions by the Head of IR in each company for the same purpose. It should be noted that while full agreement as to the substantive emic accuracy and completeness of the case descriptions was reached, the etic interpretations and conclusions drawn from them is the full and sole responsibility of the researcher, and not representative of the opinions or sentiments of the IR professionals in the three companies. As discussed earlier, these etic interpretations emerged gradually and abductively while being in the field and can therefore be argued to be the type of "thick explanations" described by Lukka & Modell (2010, p. 462) and Lukka (2014, p. 559), linking the authenticity and plausibility dimensions of the research work undertaken.

In terms of plausibility, the analysis and contributions of this thesis have been positioned in relation to the domain literature in accounting and company-capital market interaction (see Chapter two) as well as to the method literature on frame analysis (see Chapter three) in the symbolic interactionist tradition (Lukka & Vinnari, 2014). It is my contention that the analysis and findings made in this thesis (see the discussion in Chapter eight) 'make sense' with respect to previous observations made in these literatures and could be "inter-subjectively accepted as a likely" by the research community to which I aim to contribute (Lukka & Modell, 2010, p. 469; Golden-Biddle & Locke, 1993, p. 600).

In addition to the above reflections on the quality of the present research work, it should also be noted that it was conducted and overseen in an organised academic setting where it has been subject to various forms of formal and informal scrutiny. The work has been conducted in conformity with situated traditions of empirical rigour and richness (see Lind, 1996; Hellman, 2000; Wedin, 2001; Hjelström, 2005; Kraus, 2007; Carlsson-Wall, 2011) and interpretivist modes of analysis (see Kallifatides, 2002; Sjögren, 2006; Lund, 2013; Hagbjer, 2014; Christner, 2015; Gillqvist, 2016) prevailing at the academic institution of the researcher. This latter aspect has, perhaps more than any other considerations, shaped the design, data collection and analysis of the study and forms the basis of which I claim to have made a substantively adequate account in terms of the quality of research.

4.5 Backdrop: Introducing the three case companies

The three companies whose interactions with capital market actors were followed in the course of this study from 2013 to 2014 were all domiciled in Stockholm, both in terms of the location of their corporate headquarter as well as their primary stock listing. However, all three were highly international in terms of their operations, management, and ownership structure. They were also large companies, with 29,000 to 110,000 full time employees, $13 billion to $35 billion in consolidated revenues, and $14 billion to $866 billion in consolidated total assets recorded in their financial accounts for 2013 (see Table 4.2 for an overview of each case company).

The capital market interest in these companies was high and they were all among the most traded stocks at the Nasdaq OMX Stockholm stock exchange at the time of study. Each of them counted at least $30 billion or more in market capitalisation and were followed by more than 111 sell-side analysts in total, working at financial intermediary institutions from around the world (see Table 4.2).

Table 4.2. Overview of case companies

	InduCo	*TechCo*	*FinCo*
Corporate headquarter and main listing	Stockholm	Stockholm	Stockholm
Sector of operations	Industrial engineering	Technology	Financial services
Geography of operations	180 countries globally	180 countries globally	5 European regions
Number of employees	40,000	110,000	29,000
Revenues	13 billion USD	35 billion USD	14 billion USD
Total assets	14 billion USD	41 billion USD	866 billion USD
Market capitalisation	30 billion USD	40 billion USD	50 billion USD
Non-Swedish ownership of share capital	47%	61%	75%
Number of analysts covering the company	29	46	36
Number of members in the IR team	2	6 (+1)	5
IR team reporting directly to	CFO	Head of Communications	CFO

Note to table: All Information and numbers are taken from the annual reports for 2013 or the IR-section of the corporate webpages. Numbers denoted in other currencies than USD were converted to USD using the quoted exchange rate of 31 December 2013 published by Sveriges Riksbank (Sweden's central bank).

4.5.1 Organisation of the investor relations function

The IR function was organised as a group-level corporate function in the three case companies, known internally and externally as the 'IR team'. In InduCo and FinCo, the manager of the team, with the title Head of IR, reported directly to the CFO. In TechCo, the Head of IR formally reported to the Head of Communications, but in practice worked closely with the CFO. The proximity to senior management was not only organisational, but also physical. In all three companies, the offices of the IR team were located at the executive floor of the corporate headquarters, within some fifty meters of the offices of the CEO, CFO, and other members of the senior management.[18] It was therefore common to have senior management members stopping by the IR offices unannounced and many of the IR-team members were on a first-name basis with senior management. Organisationally, IR operated as a relatively autonomous unit but, as will be shown in the case descriptions going forward, they relied on formalised and informal cooperation from other corporate group functions and staff in the different business areas. The teams were small units, between two to six members, but representative of the normal size of IR functions at large listed companies in Europe at the time of study (see Cheuvreux, 2012).

In terms of activities, all three IR teams performed a similar range of tasks, both internally and externally. Internal activities included overseeing or writing much of the content in the front and back ends of the annual and quarterly financial reports. The department of finance prepared the actual financial statements with related notes, but everything else in the reports was the responsibility of the IR team. This included making the financial reports available to the public and preparing the presentations made by senior management as the reports were released. IR maintained the financial communication sections of the corporate web site and kept a record of past financial

[18] Senior management in InduCo consisted of the CEO, CFO, four business area managers, and four corporate group functions managers. Senior management in TechCo consisted of the CEO, CFO, Chief Technology Officer (CTO), three business area managers, two regional managers, and seven corporate group functions managers. Senior management in FinCo consisted of the CEO, CFO, Chief Risk Officer (CRO), and three business area managers.

communication, such as reports, presentations and financial numbers for internal and external use. Internal activities also included updating senior management and other relevant internal parties at regular intervals (monthly or quarterly) on the financial market development such as the company share-price movements, ownership structure, and investor and analyst sentiments expressed in meetings or analyst reports. This included preparing senior management or other corporate members for meetings with investors and analysts, anticipating questions from the capital market actors, and formulating appropriate answers. The internal work could be summarised as taking ownership of the company's capital-market strategy and working with senior management and other corporate members in keeping the strategy updated and consistent over time internally and externally.

In terms of external activities, all three IR teams organised and participated in meetings and presentations for investors and analysts.[19] They answered daily queries via phone or e-mail, mostly from analysts, and maintained relations with debt rating agencies such as Standard & Poor's and other financial services firms. They were also in charge of the organisation and execution of two main annual events hosted by the companies: the Capital Market's Day (CMD) and the Annual General Shareholders' Meeting (AGM). These were both full-day events, but aimed at different groups of actors. The CMD targeted institutional investors and financial analysts; while the retail investors (i.e. a large number of private individuals holding only a small number of shares and collectively in control of only a minor part of the share capital) took a more prominent role at the AGM. The external work could be summarised as maintaining relations with capital market actors on behalf of the company.

Each IR team had a similar but slightly different composition and structure. Members of all three teams had relatively extensive backgrounds in financial communication. Their inclusion into the teams was often based on experience with capital market interaction, such as previous work as financial sell-side analysts, investment brokers or as IR team members in other companies. Or, it was based on experience that made them particularly knowledgeable about the company they represented, such as working in

[19] More details regarding the practices related to investor and analyst meetings will follow in the next section.

management control, the finance department, or in a technical position (engineering and debt instruments respectively in two of the case companies). All three teams had a mix of people with the respective types of previous experience present among its members.

InduCo had the smallest IR team of the three companies. It consisted of two individuals, the Head of IR and an Investor Relations Officer (IRO). Both individuals shared the tasks outlined above. However, the Head of IR took the lead in the report writing and undertook more of the external presentation work at for example quarterly press conferences and conference calls; while the IRO took on more of the coordination work associated with planning meetings, roadshows and the corporate webpage.

TechCo had the largest IR team with six members.[20] The team consisted of the Head of IR, three IROs, one Annual Report Project Leader, and one Coordinator. The previous Head of IR resigned one month prior to the start of the study. Therefore, one of the IROs took on the role of Acting Head of IR, with the attendant responsibilities, and remained in this role until a new Head of IR was recruited, and joined the team about midway through the study.[21] The Head of IR functioned as the external front figure of IR at events and maintained the main contacts with Senior Management. The three IROs prepared financial reports and presentations, and managed the lion's share of investor meetings and analyst contacts. The Annual Report Project Leader's main responsibility was to coordinate the production of the TechCo annual report across a range of internal content providers from various parts of the TechCo organisation, as well as to fact-check all statements made in the financial communication on a continuous basis. The Coordinator mainly handled contacts with investment banks and other organisers to schedule investor meetings and roadshows, in addition to contacts with retail investors.

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[20] The TechCo IR team had a seventh, part-time, member based in the US. This person served a coordinating role, such as booking roadshows and investor meetings in North America. Due to the geographical distance, and minor role in the team, this person was not included in the present study.

[21] All organisational transitions involve changes in work practices, to a greater or lesser extent. However, as the focus of this study was on the situated micro-practices of the IR work in very particular situations, any such changes in the case of TechCo did not manifest themselves in a way that affected the analysis undertaken.

The FinCo IR team consisted of five members. The Head of IR, with responsibilities similar to those of the other Heads of IR above, the Senior IRO, the IRO, the IT IRO, and the Coordinator. The Senior IRO and the IRO had similar responsibilities, but the Senior IRO took the lead with respect to the financial report writing. The IT IRO served a specialised function to handle the digital initiatives and communication channels of the IR work, and only worked internally at FinCo. The Coordinator had similar responsibilities as the Coordinator in TechCo.

Below follow three sections that provide a brief overview of the three IR activities foregrounded in the empirical descriptions given in Chapters five to seven, to serve as a backdrop to the discussion.

4.5.2 Investor meetings and roadshows

The three case companies each had between three hundred to close to a thousand meetings with investors and analysts during the full fiscal year of 2013. These meetings were of slightly different types and formats.

The majority of the meetings were physical face-to-face meetings between the company and one investor. Although often referred to as one-on-one, the investor was usually represented by more than one person – for example a portfolio manager and a buy-side analyst. At least one member of IR, either the Head of IR or an IRO, was present in all meetings. When a member of senior management (e.g. the CEO or the CFO) hosted the meeting, the member of IR took a more passive role and supported the senior-management person with facts and figures when needed or mediated the discussion with the lead representative of the investor. IR representatives also hosted many meetings alone. In some circumstances, the same investor could be met with as often as once per quarter, however, most were met with only once a year. Thus, both corporate and investor representatives usually exchanged business cards at the beginning of the meeting to serve as a reminder of name, title and organisation of everyone. Meetings usually lasted a little less than one hour. Although meetings were sometimes labelled as 'private', they never entailed disclosure of new so-called 'price sensitive' information, as this would be in violation of the companies' stock listing agreement.

Similar meetings were also held with sell-side analysts. However, they interacted more frequently with IR and senior management and were therefore often familiar to the corporate representatives. Moreover, meetings with investors and sell-side analysts could also be organised as one-on-one conference calls via telephone, but in other respects similar to the physical meetings.

Group meetings constituted a second type of meeting. Typically, one or a few members of the senior management, accompanied by one or a few members of IR, hosted these meetings for between five to fifteen investors and analysts. Group meetings were often conducted in the form of a lunch or a dinner. Group meetings could also take the form of a conference call. However, conference calls were often open to any investor or analyst who wished to register and take part in it, rather than by explicit invitation from the company or a meeting organiser.

A majority of physical meetings, group or one-on-one, took place off-site from corporate headquarters. In these cases, a few meetings were always scheduled in the same geographic area – usually a metropolitan financial centre such as Frankfurt, London and New York – and referred to as a roadshow. In other respects, the meetings on-site and off-site were similar. Roadshows were always organised by a hosting investment bank employing a broker with relationships to most of the participating investors. The organisational unit in the investment bank that set up these meetings was called 'Corporate Access'. Thus, three different types of representatives of the hosting investment bank was involved in organising a roadshow: The Broker who had relations with investors; the Sell-Side Analyst who had relations with the company; and Corporate Access who mediated everything with the IR Coordinator and booked travel arrangements, accommodations, meeting spaces etc. Different investment banks often competed against each other to organise roadshows for the three case companies. IR rotated roadshows among international investment banks to reach different investors and, to a lesser extent, maintain good relationships with the sell-side analysts who covered them.[22] The choice to use a particular investment bank was often based on

[22] Informants in all three case companies pointed out that "maintaining good relationships with the analysts who covered them" did not involve attempts to influence or evaluate the analysts' current sell-, buy-, or hold recommendations for the company stocks. Rather, "good relations" meant that the IR team

the strength of its presence in terms of investor clients in the geographic area where the roadshow took place.

Roadshows were scheduled about three to six months before they took place and could be spread out across the year according to the varying opportunities and priorities of the companies. However, all three companies always scheduled a series of roadshows to major financial centres around the world right after they published and presented their quarterly financial results in Stockholm four times a year.

4.5.3 Capital markets days

All three case companies hosted an annual Capital Markets Day (CMD) during the period of study. The intended audience for this event was existing and potential investors, as well as sell-side financial analysts. Attendance was by invitation only, given to about one hundred to one hundred and fifty guests who had registered interest in advance. However, the CMDs were also simultaneously web-casted to the public with an additional audience of investors and analysts following the day online.

The CMD was the most important event for IR, where the foundation of the financial communication was presented to the capital market and major changes in strategy and financial targets announced to this group of actors. The format of the day followed a similar pattern in all three companies: Opening speeches by the CEO and CFO followed by a Questions & Answers (Q&A) session; then management presentations by the heads of all business areas, also followed by a Q&A. Lunch was served in the middle of the day. In InduCo and TechCo, there would be opportunities to see presentations of products from the different business areas and to talk and ask questions to sales and engineering representatives, either before or after the main presentations. The day typically ended with a dinner hosted by the CEO, or alternatively this dinner occurred on the night before the CMD.

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was understanding of the fact that sell-side analysts needed to generate trading commission for their investment banks, and that roadshows was a means of doing so.

4.5.4 Quarterly report writing

All three companies published interim financial reports on a quarterly basis. The release of these reports received much attention in the general business press, as well as among actors at the capital market. The period around the quarterly-report release dates accounted for most of the total trading volumes in the company shares, caused the largest share-price movements over short time horizons, and prompted the majority of the over one hundred sell-side analysts covering the three companies to issue new reports both before and after the day of the releases.

The quarterly reporting partitioned the work of the IR teams into four distinct cycles over the fiscal year. Each cycle consisted of three periods that stretched across the three months until the start of the next cycle.

The start of the quarterly reporting cycle was known as the silent period. It began about a week before or on the last day of the quarter to be covered by the report, and lasted about four weeks. In accordance with the companies' stock listing agreement, all financial communication was suspended during the silent period while the members of the IR team wrote the report and its associated documents. Various internal security measures were taken during the silent period to prevent external leakage of information pertaining to the quarterly report. Notably, either all or parts of the executive floor was sealed off to anyone without explicit clearance.

During the silent period, the activities of the IR teams centred around crafting two documents. 'The Report', was the formal document in which the companies' performance for the previous quarter was presented by a mix of numerical, graphical and textual means. The presentation and content of the financial statements in the Report were regulated by financial reporting standards. There was also extensive regulation concerning when and how the Report was publicly disclosed. The second document was referred to as 'The Presentation'. It was used by the CEO and CFO to present the quarterly results at the quarterly-report press conference and conference call for investors and analysts.

In addition to the above documents, two other documents were also in focus of the IR work during the silent period. These could be delimited in

the format of 'documents' or merely represent two working areas with attendant documentation practices. The first was referred to as 'The Q&A'. It was a document that listed all (expected) potential questions investors and analysts might have regarding the numbers in the Report. These questions were developed by members of the IR team, based on their experience and knowledge about the individuals that made out the investor and analyst community. It also listed approved answers and internal reasoning around specific financial numbers in the Report. The Q&A document was strictly for internal use by individuals interacting with capital market actors. The second document was the 'Fact Book'. It was a public document best likened to an encyclopaedia of financial and operational facts up until the current quarter. It included a five-year history for a number of metrics. This 'document' was either integrated into the corporate IR part of the website or available as a separate document for download there.

The silent period was followed by the quarterly roadshow period about three or four weeks into the new quarter. It stared on the day the quarterly report was released and continued for one to three weeks. During the quarterly roadshow period the senior management travelled with the IR team to meet and present the quarterly results to investors and analysts around the world. The Presentation, described above, was the key document used at the various investor meetings.

Once the quarterly roadshow period ended, there was a period of 'business as usual' until the next silent period. This third and final period of the quarterly reporting cycle was between one to one and a half months long.

This concludes the brief overview of the three case companies and their IR work. Next follow three empirical chapters that will zoom in on particular situations of IR work observed in the case companies.

Chapter 5

InduCo: The role of audiences

This chapter is about the role of *audiences* in the framing of financial performance. Throughout the period of study, interviewees in all three case companies emphasised the importance of selecting and having the 'right' investors – a practice that they themselves referred to as "targeting" – in their work to present the financial numbers to the capital market actors. When probed about the reasons for this practice the interviewees claimed that only some investors shared the long-term view of financial numbers that the company had. However, even with the 'right' type of investor, the interviewees claimed that company representatives would have the need to engage in a series of interactions to 'educate' investors about the company for the investor to 'properly understand' the company and its numbers.

This thesis argues that these activities and other of a similar kind were part of two intertwined processes in the corporate participants' work with financial numbers linked to the concept of audience (Goffman, 1959, p. 16; 1974, p. 124ff). The first process was that of *knowing the audience*, and the second, that of *shaping the audience*.

The chapter explores these two processes through episodes taken from the IR work in InduCo. The backstage section places emphasis on episodes of the former process with work associated to the use of two tools by the IR professionals in connection to quarterly reporting and the planning of roadshows to meet investors. The front stage section will place emphasis on the latter process of shaping the audience with episodes from a European road-

show undertaken in the spring of 2014 to bring about a particular understanding of financial numbers such as Orders[23] and Operating Margin[24] in relation to the then recent economic downturn in the mining industry.

5.1 Backstage: Episodes of knowing the audience

This account of the backstage work in InduCo to know and shape its investor base begins a few days after a hectic fourth quarterly report period finished. It follows episodes throughout the spring of 2014. The account centres on the processes to produce the tangible outputs of this work in the form of internal reports and briefings for senior management and IR-members about to interact or post-interacting with capital market actors.

Through the conceptual lens adopted in this thesis, the observed work appeared to entertain two very different notions of *the audience,* with processes running parallel to each other in the daily work. The first notion, referred to as "the market" in daily language at InduCo, was the idea of the audience as an average aggregate of a large group of anonymous market actors. I term this notion *the Consensus Audience* going forward in the chapter. Sections 5.1.1 to 5.1.3 below will explore the work to know the Consensus Audience. The second notion of audience in InduCo took the form of individual investors and analysts about to be engaged in interaction with. In this notion of audience, the participants were not anonymous, rather their names and characteristics formed part of the InduCo members' processes of knowing the audience. I will refer to this notion as the *Situated Audience*. Sections 5.1.4 to 5.1.6 will explore the backstage work to know and also shape this audience in the framing work of InduCo's financial numbers.

[23] The Orders was a number denoted in MSEK and referred to placed orders by InduCo customers during a given accrual time period such as a quarter or a fiscal year. The Orders would eventually translate into revenues in the income statement and was therefore considered a more important number than revenues by investors and analysts following InduCo because of its forward looking qualities.

[24] The Operating Margin was expressed as a percentage with operating profit in the numerator and revenues in the denominator. Both operating profit and revenues were numbers reported in the income statement and the former was the profit before financial items and taxes in the income statement.

5.1.1 Knowing the consensus audience: The consensus tool

In the office of the IR team at InduCo, particularly in and around the release of quarterly reports, there were often phrases such as "the market expects" or "the market thinks" used in interactions among the IR team members and other corporate staff. This is not surprising since the IR team internally functioned as the go-to-person for both senior management and other corporate staff on matters related to insights about capital market information, reactions and expectations.

In order to be able to answer what "the market thinks" the IR team made use of a specific tool, referred to hereafter as the 'consensus tool'.[25] The tool was a computer program accessed by the IR team through a terminal in the treasury department. It consisted of a patchwork of windows with capital market data supplied in real time from the consensus service supplier. For example, it contained stock prices, the day-trade in terms of number of buy and sell orders for stocks, analyst projections of corporate financial numbers, stock market indices, and news headlines among other things. This data was exported from the terminal into an Excel file in order to be manipulated and adapted for internal uses.

The consensus tool was able to report capital market data on all listed companies on the major stock exchanges in the world, and the connected activities undertaken by capital market actors. This ability to see a 'full picture' of the surrounding activities at the capital markets was important for the internal work and stressed by the IR team as the main function of the consensus tool.

However, although the 'full picture' given by the tool was the starting point to understand the audience of InduCo, it remained only just that. The IR team did not consider information on *all* listed companies and analysts to give insight into what 'the market' thought or would think about InduCo's financial numbers. Rather the internal work to create insight into the market place was about identifying and selecting a subset of particular companies and analysts. It was this subset that the InduCo corporate members saw as

[25] The term 'consensus tool' was not part of the daily language use by InduCo's IR team. Rather the practice was to refer to the tool by the brand name of the service supplier such as Bloomberg or SME Direct.

the 'the market' and that they tried to gauge the opinions and reactions to particular financial numbers released or about to be released. A strip from a sales-pitch meeting between the IRO and a potential new consensus service supplier illustrates this prevailing idea at InduCo:

> **Consensus supplier representative:** […]. There is a fifteen-minute delay [on the data reported] but you can get real time if you wish.
>
> **IRO:** No, no we do not really need it in real time. But is it possible for me to create our own list of share prices and trading with for example Swedish and American peers to [InduCo]?
>
> **Consensus supplier representative:** Yes of course.

The importance for the IRO to adapt the interface to include only "peers to [InduCo]" as the strip illustrates was a feature of the consensus tool on par with its ability to provide data on a larger amount of stocks, markets and analysts, including the timeliness of this information, for her work. Clearly, who were considered part of 'the market' internally at InduCo was not independent of the internal activities of the corporate members but rather a continually revised outcome of these activities to understand the financial market context of the company.

The observed activities connected to the consensus tool and also the very existence of such a tool in InduCo, bear witness to the idea that the InduCo corporate members entertained the notion of an audience to their financial numbers of an abstract kind, a Consensus Audience, that was important for them to know. This audience held certain opinions or had certain understandings about the company and its financial numbers that the corporate members in turn had to know in order to shape that understanding for the release of new numbers. The head of IR described this in the following manner.

> Somehow investors and analysts have an opinion, 'this is the Company', or the stock is it really that they talk about. There are two parts. The collective can have an opinion, or the individual investors and analysts can have an opinion, about the company; then they can have an opinion about the stock. […]. An investor

> or analyst wants to have an impression of a company. If you look at our investor presentation we present certain key characteristics and figures that we want to be associated with; that we are consistent in the strategy, that we have an agile and resilient business model. This we want to be associated with by the investor collective. That they should think that 'this is the way it is'. And of course you want to influence that. **(Head of IR at InduCo)**

In the above quote "the investor collective" illustrates the notion of the Consensus Audience, an abstract counterpart the corporate members are envisioning in their work to explain and account for the company's financial performance to capital market actors.

The physical output of the work with the consensus tool took the form of internal reports to senior management and the board of directors. These were compiled quarterly to function as briefing material before and after the release of InduCo's quarterly financial reports. It is to episodes of the work to compile such a report, for one specific quarterly release of financial numbers, which we now will turn.

5.1.2 Knowing for a specific performance: Pre-consensus report

On a morning one week before the release of the Q1 report the IR team was working in their sealed office.[26] The IRO was about to start preparing the board meeting material for the meeting on the release of the Q1 report. This material took the form of a pre-consensus report.[27] The IRO went down a few floors to the treasury department and accessed the consensus tool terminal there. The extraction of market data into the IR team's Excel file took only a minute because they had previously configured the user interface in the terminal to download a specific set of numbers on InduCo and a few selected peer companies, as well as sell-side analysts' consensus averages.

---

[26] To live up to the stock listing agreement it was not enough to cease financial communication with the outside world. Steps also had to be taken to protect the 'price-sensitive' information about to be published in the quarterly report from leaks within corporate headquarters. Thus the IR office was sealed-off temporarily from the rest of the organisation by means of locked doors and other special security measures.

[27] The term 'pre-consensus report' was not used in the daily language by the IR team in InduCo. Rather it would be referred to simply as "board material" along with the draft of the Q1 report that was simultaneously sent to the board with the 'pre-consensus report'.

Although the consensus tool was pre-configured to a certain set of peer companies, the process of putting together the pre-consensus report entailed to revise which companies these were. For example, when the IRO updated a graph comparing the Operating Margin in one of their business areas with one selected peer she made the following remark:

> **IRO:** Here it does not work because we bought [VacuumInc]. It would be good if we could get in [CompetitorVacuum] here somehow because they are a good peer to compare against.

The background to the comment was that the acquisition of VacuumInc had broadened the acquiring business area in InduCo into an adjacent and new business. In this new business, the average Operating Margin was different than in the main business of the business area. The IRO therefore reasoned that in order for the IR team, senior management, and the board to understand and compare InduCo's financial performance with its peer group, the peer group should be adjusted. It should be this adjusted peer-group comparison that would then be translated into the comment on the periods result for the business area in the quarterly report. This adjustment of the peer group did not only affect the internal activities but also had to be conveyed to the capital market actors to try to bring them into this new understanding of the business area.

The outcome of which peers that normally where part of the consensus report was a product of the IR team's ongoing interactions both within InduCo, such as conversations with business area managers, and with the audience of investors and financial analysts throughout the year.[28] However, oftentimes the base of the peers came from the annual report writing process, as the IRO explains:

> I use the peers that we write about in the annual report as a base – and they are updated annually after approval from the business areas. Sometimes [the CEO]

[28] The issue of the establishment of a peer group has been somewhat discussed by prior research in the company-capital market domain, such as the works by Zuckerman (2004) and Beunza & Garud (2007).

> wish that more firms are to be taken in as peers in this report to the board, and then I put that in. (**IRO**)

In the same vein, not only internal interactions but also external interactions gave rise to changes in the peer group. For example, in the period prior to the Q1 report release cause and effect of various InduCo numbers had been related to the performance of the companies that made out the customer base of InduCo when discussing these numbers in meetings with investors. The IRO therefore made the following remark during her work with the Q1 pre-consensus report:

> **IRO**: Maybe we could put in the customers' share prices [development] here. That could be an indication of the coming demand in the different business areas.

The remark was made as a suggestion for a future innovation of the pre-consensus report and was not acted upon at this time. However, it highlights that numbers used internally and externally for comparison and analysis before presenting the quarterly periods result were not static but an outcome of the process to know and interact with the recipient audience of the new quarterly report in the previous periods.

The section of the pre-consensus report that gave most explicit understanding of the audience's framings in the short term was titled "Estimates ahead of Q1 2014". It contained sell-side analysts' forecasts of a number of financial metrics on the performance of InduCo. The first page of this section was a list of all sell-side analysts currently covering InduCo with analyst firm, analyst name, recommendation, target price on the InduCo share for the coming 12 months, and the date when the listed recommendation was made (see Figure 5.1 below).

Figure 5.1: List of sell-side analyst share price recommendations

Buys	46.7%
Holds	33.3%
Sells	20.0%
12M Tgt Px	190,55
Last Price	193,5
Return Potential	-1.5%
1 Year Return	19.4%

Firm	Analyst	Recommendatio	Tgt Px	Date
[redacted]	[redacted]	market perform	170	[redacted]
		sell	170	
		buy	220	
		buy	220	
		reduce	199	
		overweight		
		hold	195	
		hold	180	
		neutral	181	
		buy	230	
		overweight	215	
		buy	210	
		sell		
		buy	200	
		hold	185	
		buy	205	
		Buy/Cautious	236	
		neutral	159	
		hold	175	

Reproduced from the Q1 pre-consensus report p. 11; redactions added.

At the time of this particular observation in InduCo, the list seen in Figure 5.1 was manually updated by the IR team by looking through the published analyst reports. If a new report by an analyst had been published the updated recommendation was entered into the list. The list played a dual purpose for knowing the part of the audience that made out the sell-side analyst corps for senior management and the IR team.

Firstly, it gave them an overview of the market landscape regarding the overall financial performance of InduCo abstracted into the form of target prices. In this, a particular point of interest was to monitor the size of the range of target prices among the analysts. The strip below from a meeting between the IRO and a consensus supplier exemplifies this point as the two parties are going over the details of the service to be provided some weeks after the Q1 reporting period ended:

IRO: You could also put in a graph here showing the spread between high and low target prices.

Consensus supplier representative: In percent or in absolutes?

IRO: Absolute numbers. We need to know if the discrepancy is too large, and if it is we can sort of get a feel for the percent anyway by the numbers.

Secondly, the list also disaggregated the abstract market consensus into the physical individuals that made up this market consensus number in order to understand it better. The following strip from the same meeting as the strip above serves as an illustration:

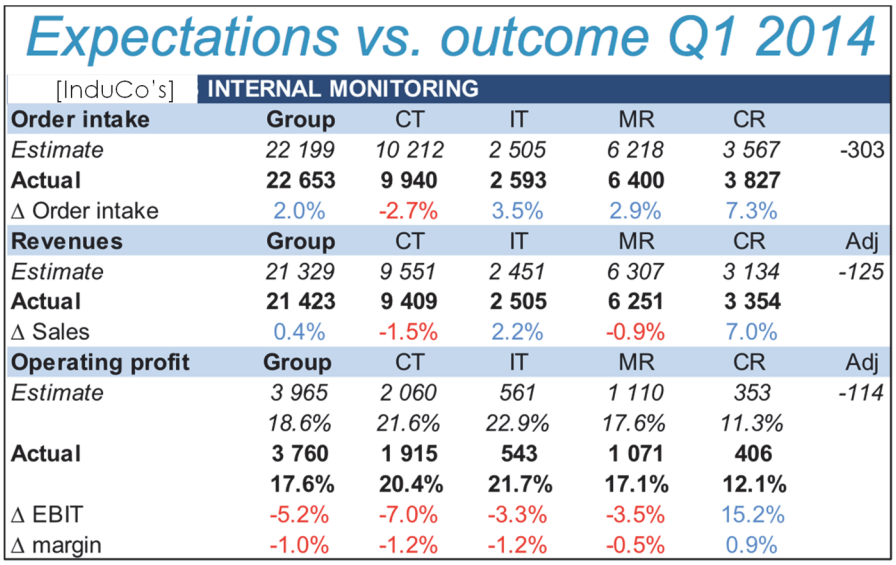
Consensus supplier representative: Would you be interested in knowing which analysts are covering you, do you keep track?

IRO: We only know if they have left us coverage-wise when we see that they have not provided a report for a quarter or two. Then we call them and ask what happened. […] Before you start in July you will get an updated list of the analysts that cover us. […] Management have their own favourite analyst they follow and care about. [The IRO drew a finger down the list of sell-side analysts on the second page of the example of a consensus report the service supplier had provided for the meeting]. [The CEO] looks at the report and looks for them. So they very much look at this analyst list and their recommendations.

In this way the work to know 'the market' before they released the new report allowed InduCo participants to locate and monitor if specific individuals representing the Consensus Audience were sharing the framing of the financial performance held by them or not. This could be used both as input to further framing work among the organisational members but also as a cue on how to engage with this particular market participant in future interactions.

The section on sell-side analyst forecasts moreover contained a comparison of these forecasts for a few key accounting numbers in InduCo and the actual Q1 accounting numbers that were about to be released a week later. In particular both the Orders and the Operating Margin were part of this comparison with analyst estimates as can be seen in Figure 5.2 below:

Figure 5.2: Table of sell-side analyst forecasts of Q1 report numbers and actual Q1 report numbers to be released



Expectations vs. outcome Q1 2014

[InduCo's]	INTERNAL MONITORING					
Order intake	**Group**	CT	IT	MR	CR	
Estimate	*22 199*	*10 212*	*2 505*	*6 218*	*3 567*	-303
Actual	**22 653**	**9 940**	**2 593**	**6 400**	**3 827**	
Δ Order intake	2.0%	-2.7%	3.5%	2.9%	7.3%	
Revenues	**Group**	CT	IT	MR	CR	Adj
Estimate	*21 329*	*9 551*	*2 451*	*6 307*	*3 134*	*-125*
Actual	**21 423**	**9 409**	**2 505**	**6 251**	**3 354**	
Δ Sales	0.4%	-1.5%	2.2%	-0.9%	7.0%	
Operating profit	**Group**	CT	IT	MR	CR	Adj
Estimate	*3 965*	*2 060*	*561*	*1 110*	*353*	*-114*
	18.6%	*21.6%*	*22.9%*	*17.6%*	*11.3%*	
Actual	**3 760**	**1 915**	**543**	**1 071**	**406**	
	17.6%	**20.4%**	**21.7%**	**17.1%**	**12.1%**	
Δ EBIT	-5.2%	-7.0%	-3.3%	-3.5%	15.2%	
Δ margin	-1.0%	-1.2%	-1.2%	-0.5%	0.9%	

Reproduced from the Q1 pre-consensus report p. 13; table cropped and redactions added.

The estimate-numbers in the table reproduced in Figure 5.2 were calculated by the IRO manually by adding together the estimates found in the 15 pre-Q1 analyst reports that were published at the time, a week before the Q1 report release, and then dividing them by 15. Thus the IRO created a preliminary average consensus-estimate number.[29] As can be seen in Figure 5.2, the comparison was not only concerned by the overall group numbers but also broken down to the four business areas in InduCo (denoted by the column headings "CT", "IT", "MR", and "CR" in the figure).

The table could be used as input for the framing process of the report by adding further explanatory sentences around particular numbers, or as a means to gauge the potential Consensus Audience response when the quarterly numbers would be released, or to anticipate questions during the quarterly report press conference and investor meetings. For example, the actual value of the Orders for the business area denoted "IT" was 3.5% higher than the estimated value of the Orders to be released in the Q1 report. The IR

[29] See also later in Chapter seven and the 'preliminary consensus' in FinCo.

team thus expected the audience response to the release of the actual Orders number to be positive. However, even a positive deviation could cause concern internally if it was large. It would pose the question if there were elements of the underlying drivers of the Orders such as the customer demand that had been misunderstood by the audience when InduCo had communicated about the Orders previously. Similarly, the Operating Margin of "IT" would come out 1.2% lower than the available estimates. The IR team could thus expect that the Q&A following the Q1 presentation to contain questions on the causes of the lower Operating Margin of the business area and accordingly investigate and prepare answers to such questions beforehand.

However, the calculation of the estimated version of the numbers was not accepted without question by the IR team. Numbers had to qualify to be included, usually by means of their judged relationship to other numbers. In an observed strip from the production of the Q1 pre-consensus report a discussion among the IR-team members ensued as an analyst was identified to have made a deviant estimate of the Orders and the Operating Margin. The conclusion reached by the IR team was that the analyst has somehow miscalculated his estimates and therefore these estimates were removed from the overall consensus summation.

The observation indicates that the IR team considered individuals in the audience that deviated in a pronounced way from the rest of group, while simultaneously also being far from the internal accounting system version of the number, not to be representative of the framings held by market actors. Instead of being considered to hold a different view of a particular number, the participant was considered to use a faulty model of calculation to which interpretative elements were being applied. The solution was thus to exclude such individuals from the arithmetic calculation of the pre-Q1 consensus-estimate version of the numbers in the consensus report. This in order to avoid internal (mis-)understandings of the Consensus Audience by senior management and the board in their deliberations on the interpretation and description of the financial result to be released.

This points to an important aspect of the Consensus Audience. That is, to be part of the Consensus Audience was in part an achievement of individuals. Only certain individuals, whether they were members of the analyst corps, the investor collective, or corporate members of peer companies

would qualify to form part of the audience, and the process to determine this was shaped by the interactive patterns of these parties at the company-capital market interface of InduCo. Individuals who did not qualify were *framed* out of importance, and like the analyst in the strip above simply left outside of the consensus.

It was not only quantitative data in the section on the analyst estimates of the upcoming Q1 numbers. It also contained quotes from the preamble in the analysts' reports. In this particular pre-consensus report six analyst quotes had been selected to represent the market audience's interpretative elements in the framings of the numbers. Below one such quote from the pre-consensus report re-constructs the main strokes of the elements of one analysts framing of the upcoming Q1 version of the Orders:

> *Recovery gradual, headwinds steady* – We look for flat orders y-o-y, organically (vs. -4% in Q4). […]. The recovery of compressor orders should continue to be held back by a lack of large orders. We nevertheless see order volume growth of 4% against a fairly easy comparison. The [VacuumInc] acquisition will be included in the numbers for the first time and will add around 20% to sales. We forecast SEK 6.3bn of Mining orders, which would be up slightly against Q4's SEK 6.2bn, but reflects roughly stable demand excluding seasonality. **(Analyst quote in Q1 Pre-Consensus Report, p.15)**

The quote gave IR, senor management and the board of directors a set of cues such as "recovery of compressor orders should continue to be held back by a lack of large orders" and "Mining orders […] reflects roughly stable demand excluding seasonality". These cues could then be used internally to re-enact this particular audience participant's framing of the Orders number. It helped to give insight where more framing work might be needed in the Q-report or the Q-presentation for example if these interpretations did not correspond to the understandings held internally.

In this process to re-enact the Consensus Audience's framings of particular numbers, the IR professionals alongside senior management also relied on their own direct interactions with capital market participants to aide in this process of understanding the counterpart before the event. The Head of IR illustrates this:

> We have the most contact with the financial market in Investor Relations. That also means that we can prepare senior management, that is, inform them about what is currently discussed, what the issues are that are being raised, and prepare them on how to answer questions. Really, just make them prepared. Because sometimes there may be questions that they have not thought through yet, or a question on details on something that has been discussed a lot. The analysts are a group of people in the financial market and very quickly certain themes develop and everyone asks about the same thing. **(Head of IR at InduCo)**

Apart from only re-enacting the Consensus Audience framing, the work in producing the pre-consensus report could also provide insight into how framing attempts by corporate participants had been picked up by the audience or understood in the manner built up in internal interactions inside the company. For example, the following quote in the pre-consensus report illustrates how a recent attempt (at the time of the observation) by the CEO to convey a framing of the Operating Margin had been picked up and understood by an analyst:

> Our take on recent CEO comments was that demand has moved sideways up and the main risk is Mining. FX is a drag and Mining margins risk suffering. **(Analyst quote in Q1 Pre-Consensus Report, p.16)**

Taken together, the interactions and analyst reports by sell-side analysts produced cues on how the Consensus Audience had understood and picked up the cues of financial numbers released by InduCo in previous periods. The process internally before the release of the Q1 report to know the audience of the report made use of these cues to re-enact the framing of this audience in order to know potential reactions, expectations, and their state of knowledge. This in turn resulted in the production of slightly new, altered or similar cues to frame financial numbers in the Q1 report to be re-enacted during subsequent presentations and meetings with capital market actors. A loop was created where the process of the capital market actors to know the company influenced the process of the corporate members to know the capital market, that in turn influenced the process of the capital market actors to know the company and so forth – a loop that brought the parties closer and closer together in their understanding of InduCo and its financial numbers. Part of this argument is described by the Head of IR below:

> If we would not talk at all with the financial market, if we would release a quarterly report and do not comment on it and we only do the absolute minimum that the regulatory framework demands, then I am convinced that the valuation would be lower than it is, over time at least. There is a premium on the valuation and we borrow at a relatively lower interest rate compared to if we would not inform.[30] I think – or I am convinced – that the market has better knowledge on [InduCo] and how we function as a company, what business model we have, because we have investor relations, compared to if we would not have had investor relations.[31] **(Head of IR at InduCo)**

5.1.3 Evaluating the performance: The post-consensus report

A few weeks after the Q1 Report release the IR team and senior management attempted to gauge the impact the report and capital market activities during the roadshow period had on the framing of InduCo's financial performance. This took the form of a post-consensus report generated by the IR team to see the change in the value of its longer-term financial performance. The post-consensus report consisted of a single table that weighted together 20 sell-side analysts' estimates for a series of key accounting numbers for each of the future three full fiscal years into a consensus estimate. This table is shown in Figure 5.3 below:

[30] InduCo did not raise capital from the stock market during the period of observation. InduCo did however raise capital through debt and the negotiated interest rates on this debt were indirectly related to the company's valuation in the stock market through the prevailing credit rating models used by the lending financial institutions.

[31] The Head of IR gave this quote in relation to the notion of 'information discount' (see for example Scholes, 1972). It was trying to convey the importance of building trust by giving information in a consistent and clear manner. The end result of such a purpose and process is arguably however to bring the understanding of the company by corporate and market participants closer together.

Figure 5.3: Sell-side analyst estimates for 2014 to 2016 for a number of key accounting metrics

	2014		2015		2016	
SEK	Average	Change	Average	Change	Average	Change
Revenues	91 102	0.3%	96 275	0.6%	101 622	0.2%
Growth	*8.6%*		*5.7%*		*5.6%*	
Non-recurring items	-114					
Operating profit	17 077	-2.8%	18 916	-1.9%	20 412	-2.5%
Margin	*18.7%*	-0.6%	*19.6%*	-0.5%	*20.1%*	-0.5%
Profit before tax	16 370	-2.0%	18 343	-1.4%	20 015	-2.1%
Profit for the period	12 416	-0.5%	13 851	-0.2%	15 107	-1.0%
EPS	10.23	-0.5%	11.41	-0.3%	12.45	-1.0%

Estimates from 20 analysts as of May [redacted]th.

The change column shows the change in estimates compared to the estimates before the Q1 2014 report.

Reproduced from the Q1 post-consensus report p. 1; redactions added.

What were of interest in the table for IR and senior management were not so much the levels of the numbers such as "Revenues" (synonymous with the Orders when referring to future periods in InduCo) and Operating "Margin". Rather it was the level of the percentage change in these numbers' value that were of interest. In an arithmetic sense, the framing of the Orders number during the Q1 earnings presentation, Q&A, analyst- and investor meetings had led the consensus version of the Orders (or "Revenues" in Figure 5.3) to be adjusted between 0.2% to 0.6% higher for the coming three years. This was taken by the IR team and senior management to represent a change in framing by the Consensus Audience of InduCo's (future) financial performance. Similarly, the framing work during the quarterly cycle had led to a downward adjustment of the Operating Margin by 0.5 to 0.6 percentage points, taken in InduCo to represent a similar change in audience framing. Or as expressed in the words by the IRO below:

> If we take this quarter, then [Business Area 1] had slightly weak margins; the same thing with [Business Area 2] whose margins had turned upward but were still somewhat weak. Then you can see how the expectations before and afterwards had gone down. So then we do a figure where we compare what the expectations on the full fiscal year were before the report, and also for the year after that, and then we can see 'OK, expectations for 2015 after this particular

> report has increased here and decreased there.' […]. We send this to senior management, not to the board, because this is what they want to see. If you are a president for a business area it makes sense for you to see if this changed the expectations on next year or not. **(IRO)**

In summary, sections 5.1.1 to 5.1.3 has delineated episodes of the work in InduCo of knowing a particular type of audience of its financial performance, the Consensus Audience. This audience was of an abstract kind, a "collective" of investors and analysts or "the market" using the words of the InduCo members. Furthermore the borders of this audience was not a priori given but a result of the framing processes taking place inside InduCo and outside the organisation in capital market interaction.

The next sections, 5.1.4 to 5.1.6, will move the focus to the organisational work of knowing and shaping a second, different, kind of audience of InduCo's financial performance, the Situated Audience.

5.1.4 Knowing the situated audience: The investor profile tool

During the first year of observation, InduCo corporate members had 295 meetings and conference calls, and interacted with 601 unique investor individuals to discuss its financial numbers. To organise interaction around the financial numbers on this scale the IR team relied on a tool referred to here as the 'investor profile tool'.[32]

The investor profile tool was a web-based software that held information on almost all major investors and funds globally, both on an organisational level for the investor organisations and funds within them, and on an individual level for particular analysts and fund managers. On the organisational level, the tool reported address and contact information for the fund, its affiliation with other funds and its subsidiary status, its size in terms of assets under management and of what type, its investment approach and portfolio turnover, and holding history of particular stocks among other things. On an individual level the tool reported the title, focus and function of the analyst

[32] The term 'investor profile tool' was not usually used by the IR professionals. Instead the brand name of the service supplier such as Thomson One (today Nasdaq) or Ipreo was used to refer to the tool. At times it could be referred to as the "CRM system" (Client Relations Management system), a term used in the software by the current investor profile tool supplier of InduCo.

or fund manager, his or hers coverage area, and employment history with the current and previous funds.

From the general information described above, the interface of the tool was adapted to InduCo. For example, because InduCo and capital market actors had defined the company as belonging to the industrial sector,[33] the tool reported a particular fund's top industrial stock holdings, buys and sells. It also reported the fund's ownership history of InduCo stock and the stocks of companies that InduCo had listed as its closest peers. InduCo IR members could also input who their primary contact at the fund was and information on previous interactions with the fund or a particular individual at a fund.

The investor profile tool thus functioned as a reference system to maintain an archive of past interactions with the capital market audience. Partly, the cause of this practice can be traced back to the need for a function such as IR to document its activities since the output of efforts was difficult to measure in other terms. However, the more frequent use of the tool in the day-to-day work proved to be related to its possibilities to select *who* and *how* to interact with capital market actors. The tool provided the IR team with visibility as the face-to-face interactions had long since grown to numbers that made it very hard for the IR professionals to remember specific situations of interaction from memory.

The observed activities connected to the investor profile tool and also the existence of such a tool in InduCo, brings forward the idea that the InduCo corporate members entertained a second notion of audience, alongside that of the Consensus Audience discussed above. This audience was more of a concrete kind, a Situated Audience, of individuals and organisations that they needed to know in order to interact with. The constitution of this audience was the counterparts in investor and (sell-side) analyst meetings, whom corporate members had to interact with in a direct face-to-face manner.

The following two sections describe the activities and practices InduCo members engaged in to know and shape this second type of audience to their financial numbers.

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[33] See also Zuckerman (2004) and Beunza & Garud (2007) for more on industry classification.

5.1.5 Who to face as the audience: Targeting

One afternoon in the week following the Q4 Report release the IRO was in the office and had just received an e-mail from a brokering firm that was organising a roadshow for InduCo to take place in a few weeks time. The e-mail contained a list of names with funds and fund managers that the brokering firm representative suggested InduCo senior management to meet with. Some of the names on the list were in bold letters. The IRO explained:

> The ones in bold are investors that are especially good clients of the broker, whom they earn a lot of commission from. So if possible, they [the broker representatives] want me to allocate CEO or CFO meetings to those. **(IRO)**

The IRO dragged the e-mail with the list to one of her computer screens and opened up the investor profile tool on the second screen and started checking each fund from the top of the list going down. The IRO placed either a "1", "2" or "3" next to the names on the list according to certain criteria. In addition to size, type, and investment style of the fund, the IRO took into consideration if InduCo representatives had interacted with the fund or fund manager previously and if the fund had large existing holdings of InduCo stock when she made her prioritisation. "1" was placed next to those the IR team most preferred to allocate a meeting to while a "2" or "3" marked descending order of preference. The whole process went rather quickly and some names were not checked, as the IRO knew them by sight. The amount of names with a "1" placed before was about the same as the number of meeting slots for the planned roadshow. However, the IRO commented: "In practice, we will have meetings with some 2:s and worst case some 3:s too, because not all of these will be able to be booked for meetings by them [the broker representatives]." In the process the IRO took some consideration to the broker representative's preferences as well. For example, the IRO pointed to one name on the list and noted the following:

> **IRO:** This one would really be a 3 for us but since they [the brokers] think he is important I have put him down as a 2. The 1:s, however, are often a given.

The e-mail was then sent off to the broker firm for the corporate access staff to start booking the meetings.

What the above episode illustrates is that – just like with the Consensus Audience – a first aspect of the process of knowing the *Situated Audience* was that its make up was observed to be an outcome of this process rather than a priori given. InduCo corporate members would not accept a meeting request from an investor or analyst without question, nor would they travel to a particular region without specific cause.

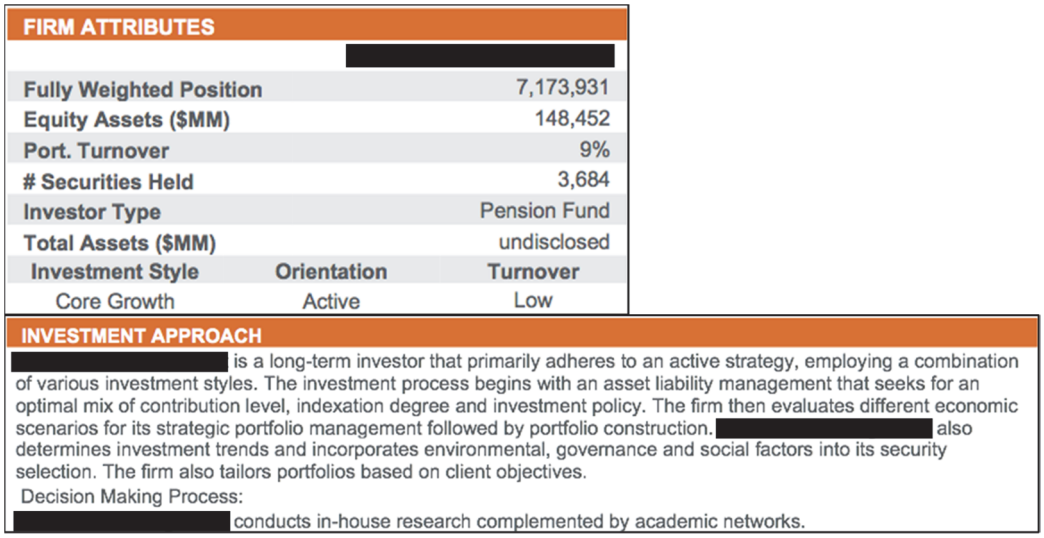
To understand the process illustrated in the episode it is helpful to look at why InduCo members would schedule the roadshow with the broker firm in the first place. Although capital market interactions to some degree were reactive, there was an underlying systematic thinking among corporate members on how to pursue it, as the following quote by the IRO explains:

> […] I did a rather large targeting this summer. Looked through where the money in the world is, which cities, and who in each city sits with the most capital to invest. Then, I sorted on which cities the capital sits in the most – our capital – to plan ahead. I did a plan for 2013-2014 of which days, which cities we should pay a visit, […], and who we should meet if we go there. We have to get a bit better at this so that if we go to a particular city there are perhaps top three [investors] there, and those three we have to meet. If someone of them is unavailable then perhaps we should not go on that day […]. **(IRO)**

This systematic thinking regarding capital market interaction, or "targeting" as the IRO termed it, was a part of this process of knowing the InduCo Situated Audience. As the quote says, it created a map of "where the money in the world is" for the corporate members and guided which cities were visited and whom they met with there. The exclusion rate of both geographies and individual investors were high. In this latter respect, the process of knowing the audience was intertwined with the process of shaping the make up of the audience they were trying to know.

Once a geographical decision for a meeting had been made, the episode above illustrated that the IR team would consult the investor profile tool. An illustration of how part of this information was rendered in the tool to the corporate members is given by Figure 5.4 and 5.5, below.

Figure 5.4: Firm attributes and investment approach from a fund briefing page in the investor profile tool



FIRM ATTRIBUTES

[redacted]

Fully Weighted Position	7,173,931
Equity Assets ($MM)	148,452
Port. Turnover	9%
# Securities Held	3,684
Investor Type	Pension Fund
Total Assets ($MM)	undisclosed

Investment Style	**Orientation**	**Turnover**
Core Growth	Active	Low

INVESTMENT APPROACH

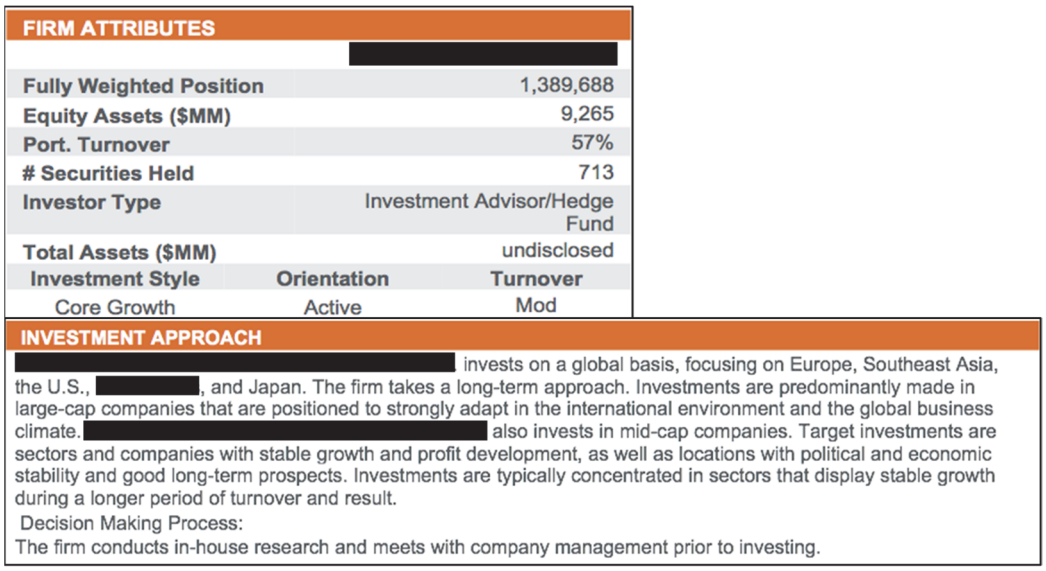
[redacted] is a long-term investor that primarily adheres to an active strategy, employing a combination of various investment styles. The investment process begins with an asset liability management that seeks for an optimal mix of contribution level, indexation degree and investment policy. The firm then evaluates different economic scenarios for its strategic portfolio management followed by portfolio construction. [redacted] also determines investment trends and incorporates environmental, governance and social factors into its security selection. The firm also tailors portfolios based on client objectives.

Decision Making Process:

[redacted] conducts in-house research complemented by academic networks.

Reproduced from briefing material for a European roadshow p. 1; redactions added.

Figure 5.5: Firm attributes and investment approach from a fund briefing page in the investor profile tool



FIRM ATTRIBUTES

[redacted]

Fully Weighted Position	1,389,688
Equity Assets ($MM)	9,265
Port. Turnover	57%
# Securities Held	713
Investor Type	Investment Advisor/Hedge Fund
Total Assets ($MM)	undisclosed

Investment Style	**Orientation**	**Turnover**
Core Growth	Active	Mod

INVESTMENT APPROACH

[redacted] invests on a global basis, focusing on Europe, Southeast Asia, the U.S., [redacted], and Japan. The firm takes a long-term approach. Investments are predominantly made in large-cap companies that are positioned to strongly adapt in the international environment and the global business climate. [redacted] also invests in mid-cap companies. Target investments are sectors and companies with stable growth and profit development, as well as locations with political and economic stability and good long-term prospects. Investments are typically concentrated in sectors that display stable growth during a longer period of turnover and result.

Decision Making Process:

The firm conducts in-house research and meets with company management prior to investing.

Reproduced from briefing material for a European roadshow p. 4; redactions added.

Both funds in Figure 5.4 and Figure 5.5 are funds that InduCo interacted with during the period of observation. However, if the two funds were to compete for a single meeting slot with InduCo senior management, the fund in Figure 5.4 would be the preferred choice by the IR team. It was very large, holding more than $148 billion in equities, with a lower portfolio turnover and was a pension-fund type of investor. The fund depicted in Figure 5.5 was still attractive despite being of the hedge-fund type with a moderate portfolio turnover because of its "Core Growth" or "long-term" investment approach. Moreover, InduCo seemed to fit the fund's profile since it was described as "investments are predominantly made in large-cap companies that are positioned to strongly adapt in the international environment and global business" which had many of the cues InduCo internally used to describe its corporate strategy.

Taken together, the information on both funds indicated to the IR team that the fund representatives would be attractive to interact with. The funds were large enough to make the representatives become influential in the collective of the capital market actors whom on a regular basis followed the financial numbers of InduCo, while simultaneously the profiles indicated that these fund members would approach the financial numbers of InduCo with a view similar to the one held by the corporate individuals internally.

To give more colour to the cognitive process behind these choices, the following quote made by the IRO on the inclusion of hedge funds into the Situated Audience can serve as an illustration:

> A lot of those we meet are long-term, but we gladly meet with hedge funds too. I know that there are companies that do not want to meet with hedge funds but we have no problem meeting them and we gladly let our CEO sit and talk with them. There are long-term hedge funds too. If you would look at it very critically then hedge funds can be a sound part of the mix because if there would be a period when the stock goes off for some reason, then they can actually tone down that some. If it would be so that everyone for some reason wants to sell, well then they could actually help out and buy in that period. […] so we have sound discussions with them many times. **(IRO)**

As can be seen, "long-term" was important and so was to achieve a "sound […] mix" of participants in the Situated Audience group to "tone down"

sudden changes in the share price. These were thus qualities in Situated Audience participants sought after in the internal deliberations on the allocation of investor meetings.

Among these qualities the interactive history of the investor was especially important for the allocation of a meeting. The Head of IR explains:

> […] is there a large shareholder for example, that is not on their list then we at least want to ask the question: 'maybe we should meet with this investor?' And is there someone [on the list] that we have never met or heard of then you also might pose the question: 'who is this, why does this investor want to meet us?' Then it could be the case that that the broker has had contact with this investor for maybe a year and talked about industrial stocks or Swedish stocks or [InduCo] specifically and this investor has built up an interest and now wants to meet us. We do not have that knowledge – which investor who is interested at the moment – it is the broker that has that type of knowledge. **(Head of IR at InduCo)**

As the quote illustrates, an investor that the corporate participants had "never met or heard of" would have less chance of a meeting than an investor who did. However if such an investor could be shown to have an indirect relationship to InduCo via broker interactions on areas that InduCo considered part of its framing such as "industrial", "Swedish" or the company itself, this would change the IR professionals' willingness to set up a meeting. In other words, the membership in the Situated Audience group appeared to be a self-reinforcing process based on interactions among the set of participants active at the company-capital market interface of InduCo.

However, the quote also illustrates that, although the final decision regarding a particular investor meeting rested with the InduCo members, the make up of the Situated Audience was very much a collectively negotiated process between InduCo members as well as capital market actors such as brokers. Some capital market actors were thus instrumental in shaping the Situated Audience of InduCo and the quote by the Head of IR gives some insight into the internal line of thought among the corporate participants in this process.

Inclusion and exclusion of membership in the Situated Audience could also be determined by the actions of individual capital market actors. Being

"a large shareholder", i.e. a capital market participant taking on larger ownership stakes in the share, also determined it. Therefore a part of the work at InduCo was to figure out who their large owners were, as explained by the Head of IR with the example of hedge funds below:

> If [hedge funds] do not tell us how much they own then it is very difficult to find out. Then allocation [of meetings] is more based on what you think. […]. That [judgement] depends a little bit on what interest they have shown in the past quarter or year. If it is the case that they have had a continuous contact, sent a mail question now and then and called us at times, then you can suspect that they have some interest. Either they are shareholders or interested to become that. […]. I think that we have a pretty good idea of who are potentially important, perhaps not shareholders right now but have been and perhaps will be again. **(Head of IR)**

Yet, as the quote indicates, determining ownership in the stock was not always straight forward and therefore the fall-back criteria for allocating meetings was again the interactive history such as questions sent via mail or phone calls.

The reason for the importance placed in the interactive history of capital market actors was related to the amount of framing work the corporate participants anticipated would be needed to bring about a shared understanding in the meeting:

> We do not want our CEO to spend an hour with a person who does not know our company. He should not be explaining what a compressor does. Then it should rather be [a meeting with] me saying 'OK, 40% of our revenues come from compressors, this is what a compressor is and this is how they work.' It is more my job to educate and we know [who is educated] because we always follow up on all meetings we have had. We have a system where we can see if someone has met with us often or has had conference calls often. Then the likelihood increases for that person to meet with [senor] management because then we know that the person is educated enough to be able to have a good discussion. Then it becomes an interplay and not only our CEO or CFO giving information. Then there are discussions on a higher level, such as 'why do you not do it this way' or 'have you thought about this?' **(IRO)**

As the quotes shows, "good discussion" and "educated enough" was the sought after outcome in investor meetings. The corporate participants thus sought out capital market participants who could bring greater understanding of the market aspects of the financial numbers to the corporate members and aide in the internal framing work to understand the numbers to a greater degree.

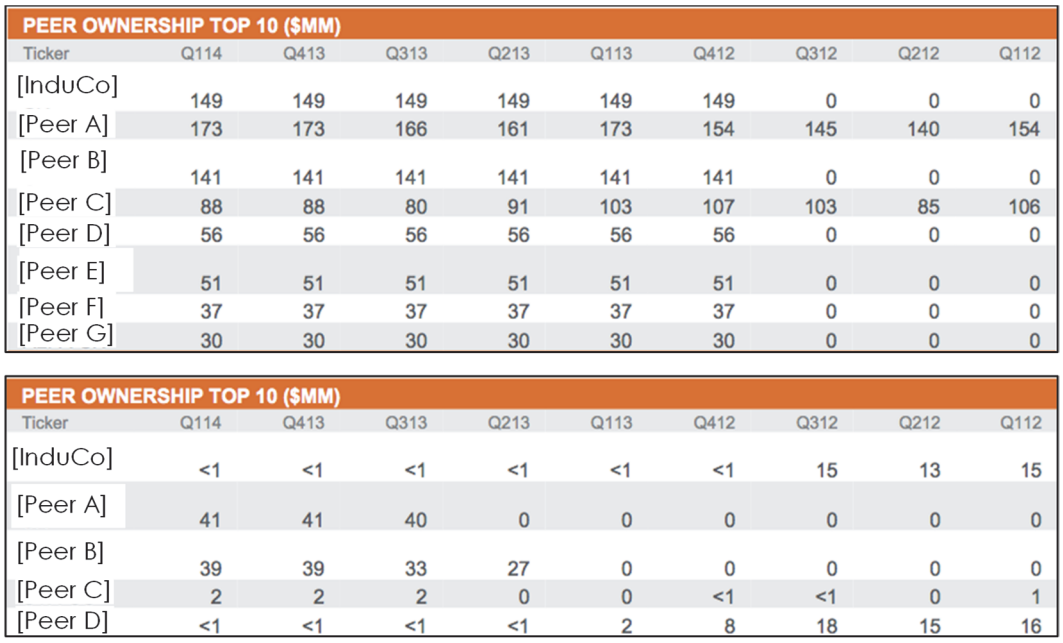
This latter aspect, brings us to the subject of the next section in the process of knowing the audience – concerned with how "good discussions" were achieved in interactions with whoever was facing the corporate participants in a given meeting.

5.1.6 How to face the audience: Investor profiles

A second aspect of the process of knowing the Situated Audience was related to ways in which how to interact with particular investors once a meeting was scheduled.

Before most face-to-face investor meetings, the IR team would print a one-page briefing of the fund, accompanied by a one-page briefing of each of the investor participants from the fund from the investor profile tool. The briefings were made available to all of the corporate participants from InduCo to be present in the meeting. One particular item looked at in the fund briefing was the ownership history of InduCo and its peers. Figure 5.6, below, depicts how this item was reproduced in fund briefings for two different funds:

Figure 5.6: Peer ownership section from two fund briefing pages in the investor profile tool



PEER OWNERSHIP TOP 10 ($MM)

Ticker	Q114	Q413	Q313	Q213	Q113	Q412	Q312	Q212	Q112
[InduCo]	149	149	149	149	149	149	0	0	0
[Peer A]	173	173	166	161	173	154	145	140	154
[Peer B]	141	141	141	141	141	141	0	0	0
[Peer C]	88	88	80	91	103	107	103	85	106
[Peer D]	56	56	56	56	56	56	0	0	0
[Peer E]	51	51	51	51	51	51	0	0	0
[Peer F]	37	37	37	37	37	37	0	0	0
[Peer G]	30	30	30	30	30	30	0	0	0

PEER OWNERSHIP TOP 10 ($MM)

Ticker	Q114	Q413	Q313	Q213	Q113	Q412	Q312	Q212	Q112
[InduCo]	<1	<1	<1	<1	<1	<1	15	13	15
[Peer A]	41	41	40	0	0	0	0	0	0
[Peer B]	39	39	33	27	0	0	0	0	0
[Peer C]	2	2	2	0	0	<1	<1	0	1
[Peer D]	<1	<1	<1	<1	2	8	18	15	16

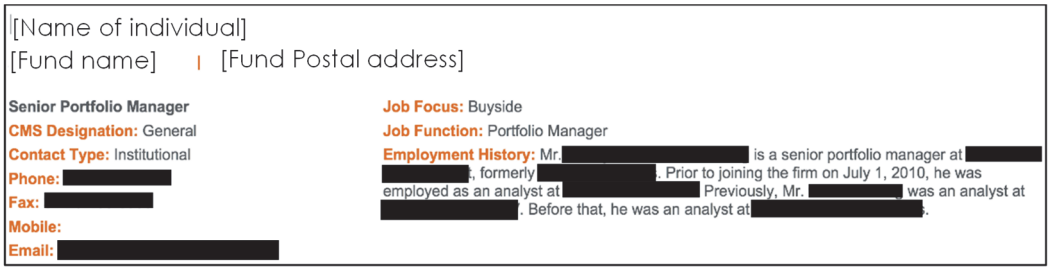
Reproduced from briefing material for a European roadshow p. 1 & 4; redactions added.

These two tables in Figure 5.6 profiled two funds scheduled for meetings at the European roadshow discussed later in the front stage section. The upper table told the corporate participants that InduCo was one of this fund's larger holdings in the peer group. This in turn, together with the observation of a stable holding history for the past six quarters, indicated that the fund's reason to meet and discuss InduCo's financial numbers was probably driven by the fund participants' interest in confirming their current analysis of the InduCo investment case and to discuss any new development in the financial numbers that might cause the fund participants to change their overarching view of the company's future financial performance. The other meeting, profiled by the lower table in Figure 5.6, the indications was the opposite. The fund participants in this meeting would probably be more interested in discussing InduCo's financial numbers to glean insight into the investment cases of peers to InduCo, or to reassess the fund's decision to sell of its InduCo holdings.

In many respects, these cues from the process of knowing investors helped corporate participants to anticipate and adjust discussions around numbers for the particular counterpart to be met with. They could know or suspect beforehand which layers of a particular number's framing that would be activated or needed to be activated in a meeting to convey a particular framing held inside InduCo.

A second aspect of knowing the Situated Audience related to how to interact with an individual to be met with concerned the person's professional title at the fund and which funds this individual had worked for previously. Figure 5.7 illustrates how the outcome of this work would be cued to the corporate participants through the investor profile tool:

Figure 5.7: Professional work description for a portfolio manager from a fund briefing page in the investor profile tool


[Name of individual]
[Fund name] | [Fund Postal address]

Senior Portfolio Manager
CMS Designation: General
Contact Type: Institutional
Phone: [redacted]
Fax: [redacted]
Mobile:
Email: [redacted]

Job Focus: Buyside
Job Function: Portfolio Manager
Employment History: Mr. [redacted] is a senior portfolio manager at [redacted], formerly [redacted]. Prior to joining the firm on July 1, 2010, he was employed as an analyst at [redacted] Previously, Mr. [redacted] was an analyst at [redacted]. Before that, he was an analyst at [redacted].

Reproduced from briefing material for a European roadshow p. 3; redactions added.

The example in Figure 5.7 cued to the InduCo representatives that this individual was a decision maker rather than an advisor by his title and function of "Portfolio Manager". Furthermore, that this was the individual's first position as portfolio manager while previously he worked as an (buy-side) analyst for three other funds. These pieces of information on the counterpart to be met with in a meeting affected how the corporate participants at InduCo approached the discussion of specific financial numbers in meetings, as well

as formed part of the expectations the InduCo members had on the formulation of questions and level of knowledge of the particular counterpart.[34]

A third aspect in the process of knowing investors before meetings was information on the history of interactions the individual had had with InduCo participants prior to the particular meeting to be held (not tied specifically to whether the individual was working for a particular fund at the time). Whenever a meeting had been held with an investor the IR-team member present in the meeting would do a manual entry in the investor profile tool. The notes were not made in a systematic fashion but rather in haste with keywords on items deemed important to remember for future meetings with the person. These included the knowledge state of the individual by sentences such as "[Name of individual] was well informed in many companies"; more detail on the fund's investment approach told in the meeting such as for example "1/2 fundamental, 1/2 quant of assets"; and topics of discussion raised by the individual marked by keywords such as "Business outlook, Margins and AM, Corp cost" (quotes taken from the fund briefing page of the same investor individual as seen in Figure 5.7). The notes were used as preparation by the InduCo representatives before new meetings with an investor individual so that framing work to shape the audience participant's understanding of InduCo financial numbers could continue where it last left off.

This is not to argue that the framing was a one-sided flow from corporate participants but rather that the process of knowing the audience enabled the two parties to engage in collective framing work more easily. Below two InduCo voices expressing this idea in their work:

> I think also that you create the knowledge together through continuous contacts. **(Head of IR speaking on the topic of investor meetings)**

> […] because a form of discussion is really what we strive for in the end. To understand what the shareholders want while they want to understand what we do. **(IRO speaking on the topic of investor meetings)**

[34] More precisely how these signals were translated into differences in meetings will be treated in the front-stage section of the chapter.

In summary, the backstage section has placed focus on the process of *knowing the audience* in framing work of financial numbers at the company-capital market interface of InduCo. By examining strips of activity in this process it is argued that the work in InduCo appeared to entertain two very different notions of audience to its numbers. The first, treated in section 5.1.1 to 5.1.3 was *the Consensus Audience*. Knowing the Consensus Audience entailed work to map expectations and interpretations of an aggregated kind regarding the financial numbers and became primarily important in instances of quarterly report releases. The second notion treated in sections 5.1.4 to 5.1.6 was that of *the Situated Audience*. Knowing this Situated Audience of flesh and blood individuals entailed work to select who to set up meetings with and to collect cues regarding how to face a particular individual in a scheduled meeting.

In the next section, we leave the backstage work of InduCo to know its audience and explore how InduCo members went about shaping its audience in front stage interactions.

5.2 Front stage: Episodes of shaping the audience

This section gives an account of the role of audience in the front-stage work to make financial numbers meaningful. Front stage, a second audience-centred process came more into prominence that this thesis term as the process of shaping the audience.

To echo the voice of the Head of IR quoted earlier, shaping the audience was about activities directed at influencing the "impression" of the company and the things the financial numbers were "associated with" in the minds of individual investors and analysts, as well as in the investor collective as a whole. In daily language use, shaping the audience could be referred to as activities to "educate" investors about the company.

The process of shaping the audience is thus a part of the framing process of financial numbers that has semblance to the studies made in the 'impression management' stream, and the intentionality of actors in framing work (see for example Aerts, 2005; Westphal & Graebner, 2010). This section will, however, set intentions aside and focus on the mechanisms whereby the process of shaping the audience unfolded in situations of interaction between company and investor representatives, to further our understanding of the

role of audience in framing work of financial numbers. As we shall see, shaping the audience was very much a collective and bi-directional process where influence appeared to flow in both directions.

To examine the process of shaping the audience the section illustrates episodes from a roadshow undertaken by the IRO in InduCo to five European cities to meet with nine large investors in private[35] meetings in the spring of 2014. In particular it focuses on the framing of two important financial numbers for InduCo's financial performance – the Orders and the Operating Margin.

5.2.1 Undertaking the roadshow

The roadshow in question came about as a result of an offer from the Swedish branch office of a large international investment bank a few weeks before it was to take place. Two circumstances were decisive for the IR team to go on this particular roadshow with this particular investment bank. The first was that the investment bank had strong brokerage presence and corporate access[36] expertise in the particular European region on offer to be visited, a region with many current and potential new investors with an attractive investment profile for InduCo. Secondly, the roadshow could be planned to coincide with a reverse roadshow[37] hosted by another investment bank taking a group of Swedish investors to visit InduCo's production plant in the region, which required an IR presence. Thus the IR team could extend the number of investor interactions undertaken in a single trip.

The roadshow stretched over two days with meetings held at the premises of the different investors to be met with. The IRO from InduCo was the sole corporate representative in the meetings. The hosting investment bank

[35] The meetings are designated as 'private' in the sense that the questions and interests of the investor in the meeting are kept confidential towards the greater investment community. There are however strict regulatory requirements on the part of the company to not reveal any new 'price sensitive' information to the investor. This means that the company cannot engage in any use of specific numbers not publicly available to describe its financial development.

[36] See Chapter four for a description of the function of corporate access in IR related work.

[37] A 'reverse roadshow' is a term for a roadshow-format where the investors have multiple meetings with different companies on corporate sites organised by a hosting investment bank.

had two representatives at most[38] meetings; a regional broker with personal relationships to the fund managers of the investors in his capacity as client manager; and an analyst with a personal relationship to the InduCo IR team in his capacity of covering Nordic industrial companies for the investment bank. The investor had most often two or more representatives in the meetings. Their main representative would be a senior manager responsible for the equity holdings of a particular industry or geography (in which the InduCo stock was categorised) for either an entire fund or a particular portfolio within a fund at the investor. The main investor representative had as a rule a buy-side analyst or one or more junior colleagues with him or her.

An emergent realisation from observing these meetings was that there were recurring themes raised in almost all the meetings. One theme that was particularly prevalent and much discussed was a theme the participants often cued by the words "the Mining Story" or simply "Mining".

In broad strokes the Mining Story began when a period of unseasonably high investments by mining companies globally came to an abrupt halt in early fall of 2012. High price levels on both coal and metal ore changed into low levels as global demand faltered and mining companies reacted by slamming the breaks on investments in new mining equipment, which was one of the product areas of InduCo. Analyst reports described the situation in fall of 2012 as "the continually deteriorating global macroeconomic situation and especially the negative news flow surrounding the mining industry as of late" (Sell-side analyst report from October 2012, p. 1). A drop in coal prices set off what was in late 2012 and 2013 described as a "global mining crisis" when copper, gold and iron ore followed suite. By April 2013, more than 16 CEOs of major global mining companies had been replaced by their corporate boards for the lack of profitability and the "excessive" investments made just before the economic downturn in their companies. The word "mining" made the headline of almost all analyst reports on InduCo published from the fall of 2012, 2013 and well into 2014. All the while the low price levels of ore and weak demand for new mining equipment continued throughout the period of study, with minor fluctuations setting off intermittent speculations of a possible trend break by analysts and other capital market actors.

[38] The broker was absent in one meeting due to the policy of the investor to not allow brokers in private meetings. The analyst only attended the first six meetings and then travelled back home.

Against this backdrop the next sections moves into strips of activities observed in the roadshow meetings that illustrate mechanisms and aspects of the process to shape the audience.

5.2.2 The use of cues in shaping a framing layer

At the time of the roadshow to be undertaken, the Mining Story had been a central theme in InduCo-capital market interaction for more than a year. A relationship between this "Story" and InduCo's financial numbers had become an important layer in the framing of numbers such as the Orders and the Operating Margin affirmed through quarterly reports, analyst reports, conference calls and past investor meetings among other things.

However, in the internal framing work and the process of knowing the audience, the corporate participants perceived a dissonance between the InduCo internal version of this framing layer and the version that circulated among the market audience. The perceived dissonance concerned the arithmetic magnitude the Mining Story should have on the group financial numbers because the two versions of the layer differed in emphasis of particular dimension in the Mining Story. Therefore it was important to the IRO during the roadshow to emphasise particular aspects in the investor meetings and thereby shaping the investors' understanding of the relationship between the Story and the numbers.

One of the main mechanisms in this shaping process, used by both parties in the meetings, was the use of cues to re-enact or extend particular framing layers to change or modify the other party's view of a number. Below a move into the Mining Story in meeting 4 is illustrated. As the sequence of dialogue illustrates, the use of "the hot potato" joke by the investor participant and the acknowledgment of "mining" preceded by a pause by the corporate participant worked as cues to calibrate the two parties to enter into this particular area of the numbers' framing:

> **Senior portfolio manager**: So, to the hot potato then [laughs].
>
> **IRO:** Yes [pauses], mining. [The IRO provides a brief general account of recent developments of the business area and the customers in the mining industry].

These cues filled a double purpose since they indicated not only the change to a new discussion topic but also that both participants shared the understanding that this area was problematic for the view of the overall financial performance of the company. This entry then set the tone for how the conversation regarding the financial numbers proceeded.

Once discussion in a meeting had moved into the framing layer of the numbers cued by "mining" the IRO used certain cues to emphasise particular aspects and thereby attempted to shape the investor's understanding towards a framing held by the corporate members. One such cue was "diversified business" (or "diversified company"). An illustration of the use of this cue is given below through a strip from meeting 3 with an investor who had just made several questions regarding the decline of the Operating Margin in the business area with operations in mining. The IRO had before the meeting seen that the fund had divested its entire holdings of InduCo shares, some 18 million dollars, three quarters previously which could possibly be connected the rise of the Mining Story among the market audience. Therefore, on a question regarding the economic outlook for the company she responded:

> We are a very *diversified company* so it is hard to see a particular trend. But as shareholders or share investors you must be aware that the share is reacting to the mining news. *Even though only 6% of revenues are coming from mining equipment, the share seems to be overreacting.* Although we think that the market understands that we are a diversified company, still they seem to over-emphasise and put us with the mining equipment companies, although that is only a small part. **(IRO at investor meeting 3, European roadshow, author's emphasis)**

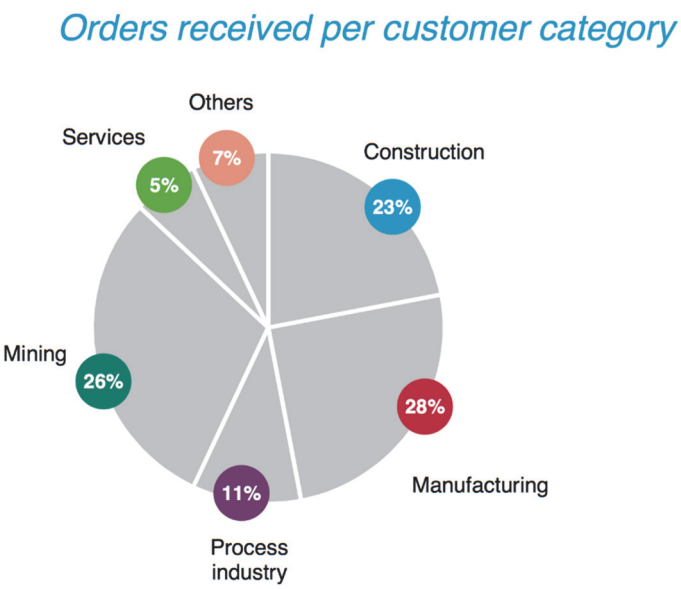
The quote from the meeting illustrates how the IRO brought in and emphasised a particular dimension cued by "diversified company" into the discussion of the Mining Story. The IRO related this dimension to the numerical composition of the group Orders number by implying that mining equipment operations was "only 6%." The IRO did this because the interpretation of the corporate participants at InduCo was that the market audience had a version of the Mining Story implying an impact on the financial numbers of more than this percentage, perhaps as far as inferring a 100%-impact by categorising the company numbers "with the mining equipment companies."

The magnitude of the mining impact would carry not only to calculations on future levels of the Orders number but also to the Operating Margin since this number also was a weighted average of the Operating Margins of the underlying different operations. In other words, through the process of knowing the audience the corporate participants felt a need to shape the audience's framing of the Orders and Operating Margin numbers so that these numbers would better represent the corporate reality, *as perceived* by the corporate participants, and cues was one means of doing so.

The remark by the IRO above furthermore contained cues such as "as […] share investors you must be aware" and "we think that the market understands that." These were cues that spoke of a different mechanism in the process of shaping the audience; that of its collaborative and negotiated character. Although the intention of corporate participants could be that of "educating" the investors in a unidirectional sense, the framing work built on the free will of participants to either accept or reject a given premise in a frame. It was only through voluntary participation in framing work that *shared* understanding could emerge. Thus, the tone and way cues were used in shaping processes, were always observed together with attempts to find common ground in a frame before introducing or modifying a particular framing layer of a number, or make the difference in framing appear smaller than it was initially.

Not only verbal cues were used in the meetings. To further emphasise the dimension cued by "Diversified Business" the IRO had prepared a slide in a presentation package that was used in four of the meetings, including the meeting with the above-mentioned quote. As can be seen in Figure 5.8, below, the slide graphically illustrates the group Order's number as a pie with the relative size of sub-level Orders numbers that jointly constitute the group number with the caption "Diversified Businesses":

Figure 5.8: Image from slide with title "Diversified Businesses" from an investor presentation



Reproduced from the investor presentation document for a European roadshow p. 17; slide cropped.

The graphical image in Figure 5.8 functioned as a cue for this dimension in the meeting because it did not arithmetically divide the group Orders number in a way that was customarily done in the financial accounts by business area. Rather, in order to emphasise the dimension of "diversified business" it arithmetically partitioned the group number along the dimension of "customer category." This way the part coming from the customers in the distressed industry of mining could be singled out for visualisation to the situated audience in order to foster a new understanding among these individuals of its quantitative impact on the financial numbers. In this case, that the Orders *only* represented 26% of services and equipment orders from mining customers, and thus simultaneously that the Orders represented 74% of operations from other industries. The use of the graphical image in the meetings was thus an attempt by the IRO to tone down the relevance of the Mining Story in the capital market framing of InduCo's financial numbers.

Cues was however not the only mechanism in the process of shaping the audience. Anchoring was another aspect used in relation to a specific audience to bring about particular re-framings of numbers. It is toward this mechanism the next section will turn continuing the example of the Mining Story and the framing of the Orders and the Operating Margin.

5.2.3 The use of anchoring in shaping a framing layer

Continuing the example of the Mining Story, the strip below from meeting 3 illustrates a framing breakdown:

> **Fund manager:** In mining, how much has operating margin come down?
>
> **IRO:** Yes. It has come down from 23.8% to 18.8%, which includes 70 million SEK in restructuring costs. We suffer from under-absorption but they [the particular business area] are still contributing to the group profits, partly due to the strong aftermarket. […].
>
> [The two investor participants in the meeting asked a few more rather specific questions regarding numbers and the IRO replied to them but through the investor responses, it became increasingly noticeable that the investor participants did not understand the answers given.]

Hence, although the investors asked specific questions regarding specific financial numbers and received specific responses to those questions, the corporate and investor participants failed to reach a shared understanding of the Operating Margin. There was a framing breakdown in the meeting where the numbers and information flowing between the interactants did not form a coherent whole – a frame – that would provide a sense of what was going on with the Operating Margin in relation to mining for both sets of participants. The IRO therefore took control of the situation and stopped the discussion. Then the IRO made a clear shift in framing by moving the conversation to the level of activities and conditions in operations:

> [The IRO interrupts the flow of conversation.]

> **IRO:** Maybe I should talk a bit about InduCo as a whole, what kind of animal it is because it puts these things more in perspective? [The IRO then moves on to describe products from the different business areas of the company]. In mining for example, if the customer buys a machine for ten then another 50 will be spent on aftermarket because these hard rock machines consume themselves just by being used. […].

This detour, away from the specific topic of the Operating Margin into operational activities and products, was a way for the IRO bring in more of the world surrounding the Operating Margin number into the situation of the meeting. This shaped the situated audience participants to situate the Operating Margin into a larger whole until they understood – marked below by the fund manager's "I see" – and the discussion could then return to the Operating Margin directly again:

> **Fund manager:** I see. So how can you explain why we see margin in mining decreasing and how can you get it up again?

> **IRO:** We have a number of initiatives, however firstly it is important to know that we only produce the core component of drilling rigs, […]. But also the margin you see is very hampered by the currency head wind with the expensive krona, and our acquisition in China that went through is not contributing to the margin yet.

In the final response in the strip, the IRO then linked the Operating Margin back to this environing world by statements such as "we only produce the core component of drilling rigs" and "the margin you see is very hampered by the currency head wind". Together these elements shaped the investors' understanding by anchoring the Gross Margin to specific products, activities and macro-economic conditions.

The investor participants' lack of frames due to little or no experience of interaction about the InduCo numbers was a common cause of such framing breakdowns as illustrated above. However, the lack of frames could then also be one of the primary motivations for both investors and IR professionals to schedule a meeting in the first place. These were then referred to as introduction meetings. If an investor had little experience following the InduCo financial numbers he or she had less links to operational and environing-

world aspects to draw from in formulating questions on particular numbers, and therefore often failed to adequately specify them. Sometimes the only option open to the investor was to ask questions directly on the numerical level, which could prevent the corporate participant from answering them due to the stock listing agreement.[39] A sequence of dialogue from meeting 5 is an illustrative example of this situation:

> **Fund manager**: What is the outlook[40] for mining?
>
> **IRO:** We do not give outlooks. We only give outlook for the [coming] quarter and there we always say it will remain flattish for the group as a whole [said in a humorous tone][41]. What you should ask is how production orders are going, and that you should ask the mining companies [not us]. […].You have to take a stance on whether you think that the mines will start to extract more ore or not. That is what drives Orders for us.

The investor in the above dialogue wanted to know the future arithmetic level of the Orders linked to mining, but lacked contextual information to understand how future levels of the financial number was connected to dimensions of the non-financial aspects of it. Therefore he bluntly asked precisely what he wanted to know, "What is the outlook", ignoring non-financial links of the number. This prevented the IRO from answering the question due to the stock listing regulations as discussed above. However, the IRO resolved the situation by extending the framing of the Orders by anchoring it to the development of InduCo customers and thereby shaped the investor's understanding on how he could go about to re-create the arithmetic part of the future version of Orders he was interested in.

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[39] Specific arithmetic levels of financial numbers were considered price-sensitive information according to the stock listing agreement and thus if the question concerned an arithmetic level of a financial number not yet publicly disclosed it could not be answered by the corporate participant in the meeting.

[40] The word "outlook" was used in corporate-capital market interaction to mean corporate expectations regarding the arithmetic level of InduCo financial numbers in future periods.

[41] This is a joke that may or may not have been lost on this particular investor although the counterpart did laugh at it. Persons following InduCo would know that the diversification of the businesses across the four business areas of the company would cause fluctuations in financial numbers across the four areas to cancel out most of the time for a given quarter. Therefore rendering this recurring quarterly outlook statement devoid of meaning to the point that the CEO would use it as a standard joke in quarterly presentations.

The use of anchoring was not only prevalent in introductory meetings with investors. It was also used as a mechanism to reduce dissonances between corporate and capital market framings, in a similar manner to the use of cues we saw in the previous section. As an illustration, below we see a second dimension in the Mining-Story framing layer of the Orders that the IRO attempted to shape the audience into. It concerned the drivers of the Orders number in mining. The market audience appeared to have missed or downplayed that the Orders number was not only driven by the customers' capital expenditures (CAPEX) but also by their operating expenditures (OPEX). The corporate view was thus that although customers cut back on investments in new equipment they still serviced their existing machinery. In the first part of the strip we see how the IRO segued into this aspect from a question on the pricing of product sales that would end up as the customers' CAPEX in meeting 8:

> **Portfolio manager:** So what is price on order for [InduCo]?
>
> **IRO:** It is rather good, surprisingly good [flips in her folder to find the number]. It is actually [percentage number]. But we are not so concerned with pricing because we sell on value propositions and not on price. It is about raising productivity of our customers. [Elaborates on how InduCo's strategy is not to be a price competitor]. One of the ways we provide value to our customers is by ensuring that the machines do not cause costly delays by breaking down, not only by selling higher quality products but also through service contracts, our aftermarket business. [Elaborates about the InduCo aftermarket business, also known as their service operations].

The IRO moved from CAPEX-pricing into an argument about value for customers. As part of that argument the IRO incorporated that "service contracts, our aftermarket business" – i.e. OPEX by customers – was an important component of that, and thereby an important component of the Orders. However, because this was a new aspect of the Orders for the investor, he contested the link between the Orders and OPEX in light of the tough climate for the mining company customers through his follow-up question:

> **Portfolio manager:** So are they [InduCo customers] bringing that in-house when they have lower sales?

> **IRO:** Yes, we see that happening. But even when they do it themselves they still have to order the parts from us as the years pass and the machines break down. […]. Mostly it is filters that need to be changed and even though we do not make them, we are the ones supplying them by sourcing from our suppliers […].

The investor probed the proposed anchoring first in terms of non-financial aspects – would not the customers try to service their machines themselves if they are in economic trouble? The IRO responded by admitting that this was indeed to some extent happening but that there were parts of the OPEX-activities that would always stay within the InduCo-Orders number – "they still have to order the parts from us". The negotiation of the proposed anchoring to this new dimension then continued as the investor contested the financial part of the link to the Orders:

> **Portfolio manager:** Really, but can the selling of fewer products be offset by the aftermarket business?
>
> **IRO:** Yes, the aftermarket is actually twice as profitable for us.
>
> **Portfolio manager:** So what is the margin [Operating Margin] on that?
>
> **IRO:** It is about 20% overall, not commenting on particular products or segments. But some background to this margin is [elaborates on a few operational numbers and business area percentages]. You can calculate it yourselves but I cannot give you the number.

The IRO response of "aftermarket is actually twice as profitable" answered directly to this challenge in the investor's question and the matter closed once the investor appeared to accept the framing with his move to the Operating Margin number, given the importance of the OPEX-activities. Anchoring the Orders to OPEX in the strip above reshaped the audience participant's framing of the number and opened up for different views of the arithmetic future levels of the Orders. Presumably, the interaction had resulted in a framing now shared by both sets of participants at the company-capital market interface divide.

5.2.4 A change in framing?

After the conclusion of the roadshow, the IRO travelled back to corporate headquarters. Already the day after, the hosting investment bank's sell-side analyst published a report titled "Conclusions from the IR roadshow". The report was positive and advocated a buy-recommendation for the InduCo stock. With respect to the particular framing layer in focus for this analysis, the analyst wrote, "We are convinced mining demand should hold up due to replacement needs" (Sell-side analyst report, hosting investment bank, p. 1). The latter appears to indicate that the framing work spent by the IRO on bringing in the OPEX-dimension into the Orders had been successful.

The IR team also received feedback from the investors mediated by the hosting investment bank who asked the investors to describe their take on the meetings. Here a more mixed view emerged if a change in framing had occurred or not among the audience. Below quotes from two investors who had not changed framing:

> My main concern is still the mining division. The effects of the commodity boom will take years to digest and create headwind for the stock and its performance. […]. We're going to remain on the sidelines for now, ready to buy on any correction […]. **(Investor A, hosting investment bank's investor feedback report, p. 2)**

> [InduCo] is a big long-term holding for us. Despite the size of the holding (in absolute terms), we're currently on neutral due to a negative outlook for the mining industry, the high valuation, the risk/reward in future acquisitions and question marks over the stickiness of exiting service contracts. **(Investor B, hosting investment bank's investor feedback report, p. 2)**

However, some in the Situated Audience gave signs that a change had occurred:

> I appreciated the timing of the meeting as it gave me the possibility to straighten out a couple of questions. I share the company's macro view, and was positively surprised by *the magnitude of its flexibility to offset declining demand in the mining sector* […]. **(Investor D, hosting investment bank's investor feedback report, p. 2, author's emphasis)**

> As a consequence of the meeting, the company is back on my screen *because the mining story is less important* and there is a possibility that the stock might get out of that 'Full Metal Jacket'. **(Investor E, hosting investment bank's investor feedback report, p. 2, author's emphasis)**

These were some of the results from the process of shaping the audience that took place in nine investor meetings. During the first year of the study there were 286 more meetings like them where InduCo representatives met with their situated audience.

Chapter 6

TechCo: The role of anchoring

This chapter is about the role of *anchoring* in the framing of financial numbers. The practice of linking financial numbers to operational, product market, macro-economic and other aspects of the world surrounding the strict financial interpretation of the numbers was prolific in all case companies during the period of study. This practice had importance for both the production of cues (as seen later in Chapter seven) and the knowing and shaping of audiences (as seen in Chapter five). Its primary role in the observed framing processes lied in its strength to convince interacting participants of the accuracy and status of an emergent proposed framing of a financial number. Anchoring was the process of linking the framing in the situation to the environing world (Goffman, 1974, p. 248).

The chapter probes this work by illustrating episodes taken from TechCo. It will focus on one of the key events in the financial year of the company when anchoring was placed centre stage – the Capital Markets Day (CMD). The backstage section focuses on the preparatory work and cognitive processes of the IR professionals in the months leading up to this event. Thereafter, the front stage section focuses on episodes from the day of the CMD and the interactive situations where anchoring of key financial numbers such as the Gross Margin[42] took centre stage.

[42] The Gross Margin was defined as the difference between net sales and cost of sales, divided by net sales as recorded in the TechCo consolidated income statement. The Gross Margin was expressed as a percentage number.

6.1 Backstage: Episodes of anchoring numbers inside TechCo

In the fall every year, TechCo hosted a Capital Markets Day (CMD) for its existing and potential investors. Attendance at the event was through invitation only, given to about 150 guests. However, the CMD was also simultaneously web-casted to the public and usually recorded an additional 150 individuals following the day online.

The CMD was the most important yearly event for IR, where the foundation of the financial communication was presented to the capital market and major changes in strategy and financial targets would be announced to this group of actors. The format of the day followed a recurring pattern: Opening speeches by the CEO and CFO followed by a Questions & Answers (Q&A) session; then management presentations by all the heads of business areas, also followed by a Q&A; lunch would be served in the middle of the day and then the afternoon would be spent on presentations and seminars on a selection of particular areas of operations or product categories with more of a technology focus and the possibility for investors to ask questions. The day would end with a dinner hosted by the CEO, or alternatively this dinner would occur on the night before the CMD.

This account of the backstage work in TechCo will focus on the preparatory work undertaken to host a CMD in the fall of 2013. In particular, it will explore the cognitive processes of the IR-team members connected to their work of anchoring particular financial numbers to be presented at the event. The first section will give a brief overview of the planning process in the time leading up to the event. Thereafter, the next section will describe the collective nature of the process, as one out of two observed characteristics of anchoring. The final section of backstage work will explore anchoring as a process of finding, selecting and creating links between a financial number and the world of operations in the context of preparing a CMD.

6.1.1 Planning the capital markets day

The date of the particular CMD discussed in this chapter was set and communicated already before Christmas the year before. Planning started six month prior to the CMD in the spring, at which point the Acting Head of IR took on the role of project leader managing the content of the day, while the IR Coordinator took on the role of event manager handling the practicalities in collaboration with an external event agency.

The Acting Head of IR established a timetable for the preparation process and reserved time slots in the calendars of senior management for milestone meetings. She also began the planning by interacting with IR's contacts out in the organisation to get input to sketch a possible theme or line of argument running throughout the day. IR commissioned interviews with ten large shareholders using a third party to map their key concerns regarding the company. After these initial steps, the IR team held workshops with the management of each of TechCo's four business areas to further elaborate on the content of the CMD.

In the middle of the summer, a CMD idea was presented to senior management. It consisted of an outline of the day with a proposed theme and some example slides of what this could look like. At the meeting the theme and outline were discussed and then decided upon. Towards the end of summer, the slides and slots of the CMD began to be filled with actual content. Each speaker on the day was tasked with preparing his content, backed by his working group consisting of strategy, finance, communication and technical staff from the speaker's organisation or office. However, the content production was overseen by the IR team on a continual basis to ensure that the speakers stayed within the theme and format decided upon at the senior management meeting.

Minor changes in content continued up until the very last moment. The IR team did the final touches to the presentation slides at midnight the night before the CMD and then sent them to be printed.

6.1.2 Managing the collective process of anchoring

The summary of the planning process in the previous section highlights that the IR team or senior management were not alone in the creation of the material to be put forward at the CMD – rather it was a collective process that relied on people from multiple parts of the organisation through interactions dispersed over time. This section will probe this collective nature of the process of coming up with the material that contextualised the financial numbers for the capital market actors – a process that is understood in this thesis as *anchoring* the framing of the TechCo financial numbers.[43]

IR's main source of information about the operations came through formalised channels from the four business areas and the regional areas established in connection with the financial reporting during the year. The Acting Head of IR explains:

> Oh yes, they really talk about reality. We have a format where we ask them, partly just to give us the numbers so that we are speaking about the same numbers. It is above all sales and also their forecasts; what targets they have are also included. Then we ask them to comment on their result and have a section where we ask them to comment on how the market is looking, what is happening on the market and how the competition is, macro economic factors such as inflation, growth rate and such things. We also want them to comment on if there are any regulatory risks or things that change the competitive situation. We have some questions regarding their customers, if there is anyone that changed strategy recently or simply changed their way of acting in general, big changes in management and such. This is information that we would never share with the [capital] market but we feel we need in order to be able to talk about the [product] markets [to them]. **(Acting Head of IR)**

The Acting Head of IR is indicating in the above quote that the groundwork to anchor financial numbers came from the process set out in the quarterly

[43] As pointed out in Chapter three, the outcome of anchoring that positions a framing to the environing world tends to be recursively taken into the participants' framework of interpretation and thus become an additional part of the framing (see also Goffman, 1974, p. 249). Nevertheless, it is useful to distinguish the process of anchoring within the process of framing for analytical purposes to demonstrate how numerical meaning comes about in this empirical setting.

financial reporting where the IR professionals relied on the assistance of various organisational parts in a manner that reflected the company's formal hierarchy. Alongside these more formal channels, the IR team had over time created a list of key personnel from the entire organisation that they perceived to have a good overview of what was going on in operations – people that could "validate that [IR's] analysis is correct" (Acting Head of IR). These were internal contacts that the IR-team members relied on whenever investors or analysts contacted them with questions related to very particular or technical aspects of the business in the periods between the quarterly reporting cycles. The following quote explains:

> But then we have a lot of contacts internally. For some you feel that this is a great person, he really has the ability to talk – because they show that towards us in how they are able to explain things. But it is always we who answer – an investor is not allowed to directly contact a spokesperson – all questions are addressed to us and generally it is we who answer them too. That means that we have to have a lot of contacts out in the company to get the answers and it is in such conversations that we hold now where they try to explain to us 'this is how it is' – then we formulate an answer. […]. But we generally appoint persons ourselves simply because we have good experiences with them, but it has to be someone that has a strategic position who can add something. (**Acting Head of IR**)

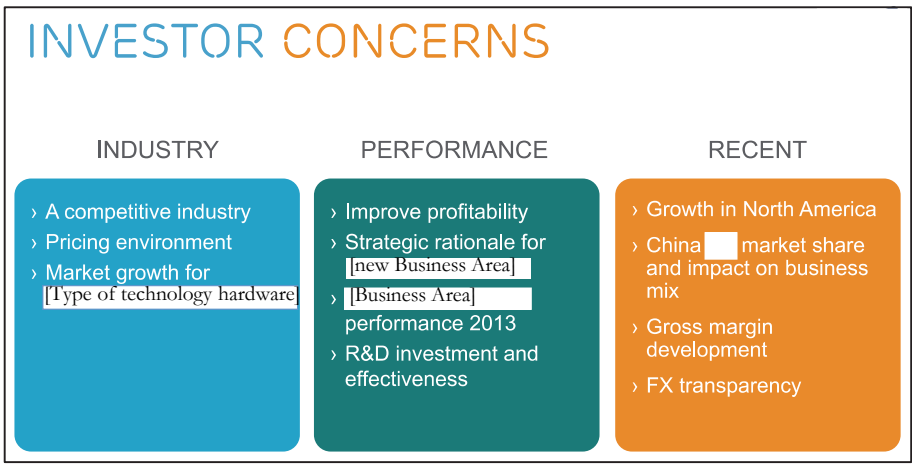
The above quote illustrates that apart from formal chains of reporting, the process of anchoring entailed many interactions inside the company to understand "how it is", i.e. the reality in operations that the financial numbers would be made to represent. The people contacted in this work, that was ongoing throughout the year for the IR team, could range from technical staff to sales staff and others on levels from central corporate down to local business units out in the business areas. However, as pointed out in the quote, they had to have "a strategic position" which usually entailed that the person was a manager of sorts with some overview of how a particular product or sales-area mapped onto a larger set of operations rather than an engineer or sales manager preoccupied within a narrow scope.

Going into the specific CMD preparations therefore meant that the IR team had a sense of the relationship between a particular suggested theme for the day and the respective parts of operations. This 'sense' was a result

of their interactions with a diverse collection of people internally throughout the year. In other words, the collection of interactions held previously came to indicate the relationship between the framing of financial performance to be presented on the CMD and the world of operations.

The IR team also took steps to ensure that the theme of the CMD would be linked to the prospective audience of the day, the investors. TechCo had a similar set of processes in place to understand the audience of their financial numbers to that of InduCo, portrayed in Chapter six. In addition to these processes, TechCo commissioned an interview study performed by a third party to prepare for the CMD. As explained in the previous section, the outcome of the interview study was a list of key concerns regarding TechCo's financial performance voiced by ten of the company's large investors. The investors were of an institutional type but not so large as to be explicitly represented on the board of directors and as such were thought of by the IR team as representative of the type of audience they aimed the CMD at. These key investor concerns are illustrated in Figure 6.1, below. As seen in the figure, the IR team organised these concerns into three broad themes and also displayed them at the beginning of the CMD to show the situated audience that the TechCo corporate participants were responsive to input from the investor community.

Figure 6.1: Investor Concerns



Reproduced from Head of IR presentation slides at the TechCo 2013 CMD, p. 3; redactions added.

One of the challenges for the IR team when they managed the production of content for the CMD was to make sure the perspectives held by Senior Management, people in operations and investors would come together. The theme of the CMD and all of its elements had to connect with these in order to successfully shape the understanding of the participants present. Below the Tech-IRO elaborates on the reasoning of the IR team in undertaking this work:

> Now I am working with the business areas to define what areas they will have the seminars on and that has to be a combination of what the investors – we did a survey with ten large investors on what they want to see on the CMD – [think]. We mix that with what [senior] management said had to be included, with what the business areas want to show and talk about. It is not always those three [things come together]. **(Tech-IRO)**

As the quote illustrates, the process entailed to negotiate differing views of what aspects of operations that would be most representative to situate the financial understanding of the company. The IR team did not perceive they themselves had a particular agenda in these negotiations but as stated in the quote below they tended to favour the view of the audience:

> We agree with the investors, basically, because things that occupy them end up on our plate. [Now for example] they have a thousand questions on [product category], [so] now I have argued forcefully for [name of business area] to have [product category] as part of its seminar in the afternoon, to get more into detail regarding why our solution is preferable [at the product market]. **(Tech-IRO)**

However, most of the time the internal differing viewpoints were on different levels in the framing to be anchored to different things. As we see in the quote below, the Senior Management was most concerned with how the CMD would link to overall corporate strategy, while the audience of investors tended to be more concerned about "concrete" and "specific" issues such as converging the views given by the other companies in the technology industry of TechCo or specific corporate outcomes on the part of TechCo in the near future. Business units and business areas were concerned with

their technology and sales advancements and opportunities wanting to illustrate and link that in relation to increased or potential revenue growth and or profitability. The Tech-IRO explains:

> But their viewpoints are on different levels. [The CEO] and [the CFO] talk about how we should present our strategy and what should be included, when we talk about efficiency programs at [TechCo] and the Order-to-cash Program. That is what [the CEO] and [the CFO] care most for. While the investors are coming at it in this way: 'why are they saying this and those saying that, how many and why, would it not be better if we got a higher market share in China?' It is much more concrete and specific. With [the CEO] and [the CFO] it is about strategies and efficiency programs. […]. There is no business unit, and no business area that could hold a seminar of their own about the Order-to-cash Program, that is [the CFO]'s program, so in that case these viewpoints do not clash. **(Tech-IRO)**

The quote illustrates that managing the anchoring process internally was less about single layer clashes in negotiations of how to link financial numbers and performance to operational aspects in a representative way. Rather, it was about a multi-layer negotiation and managing, where some elements had to be brought forward more on the expense of others in order to create a coherent framing that was accepted by all the participants involved. As the IR team put this process in motion they took on the role of monitor and manager and "owned" the master documents detailing the overarching CMD theme that was collectively emerging. In this way the process entailed the IR team to exert control of the production of meaning as the following quote illustrates.

> Now we are sketching on an idea, what speakers we could have, and how we could plan the story line so that there is a single line of argument running throughout. Then also to try to take another step regarding what each speaker should speak about more precisely. So this time we try to control quite a lot, [actually] we have done that every year, and it is rather challenging because all the involved business units of course also want to control [the content]. **(Acting Head of IR)**

"Control" in the context of this observed framing work should be understood as more frequent interaction as the following quote illustrates.

> We are responsible for the full picture; it cannot go off in any direction. We do not dare to let it go but they can start to work on it and then we have a very frequent interaction with them. **(Acting Head of IR)**

One of the reasons why it was "challenging" to control the collective process was that the stakes for the internal participants involved were perceived as high. Anchoring itself was only a process to create and enhance the representational capacity of the financial numbers, however the manner in which it shaped the overall understanding of the financial performance of TechCo also had effects that could re-cast the very reality the numbers aspired to represent. The Head of IR explains:

> I hold the conviction – and that is what I have seen in the companies I worked for – that if you have a clear equity story, possibly with financial targets, that you announce publicly and are very clear about to the financial market, which is also perceived by customers, financial media and others, then it will also become reality internally. What I mean is that then I think that many understand that 'this is now reality, we have to do this to create value, if we do not then we will loose the confidence of our owners and that is not good either in the end.' **(Head of IR)**

The high stakes and the perceived need to 'control' the process of anchoring draw attention to the dual nature of the process in the backstage work. Anchoring was as much about *finding* links between a number and its environing world, as it was about *selecting* which of these links had the best representational capacity for the number to make its meaning shared across participants of the organisation-market divide. In terms of cognitive work, anchoring could thus be understood as *creating* linkages between a number and its environing world, as it was only the selected links that were brought into the front stage interactions. The next section will turn to this second aspect of anchoring financial numbers.

6.1.3 Anchoring as finding and selecting links

A second aspect of the anchoring process observed internally involved organising all the different operational activities and processes found in the

collective process into coherent and simple linkages to the financial performance. This section will probe the cognitive reasoning of the IR team as they engaged in this activity to produce the CMD.

The overarching aim of the CMD on the part of the corporate participants was to leave the audience of investors with an understanding of the company so that its financial performance would be valued in the relation to the world TechCo was operating within. Unlike the quarterly report presentations, it was not about introducing new financial numbers to the capital market actors but rather to lay the groundwork for future quarterly result numbers to be understood in particular ways. The Acting Head of IR elaborates:

> But what is important is to convey knowledge, understanding of the company. It is not really to give guidance[44] but to explain another dimension of the company. We have a very complex business and what we want is for the investors and analysts to have understood the company further when leaving [the CMD], and of course for them to have understood the company's possibilities, potential and an understanding of why we make certain choices. It is very much about anchoring our strategies and perhaps also – we are well known for selling [name of product category] but we do so much more – we feel that we must ensure that we are judged and valued for all our parts. **(Acting Head of IR)**

Part of this groundwork to shape the understanding of future financial numbers was, as the quote illustrates, about "anchoring [their] strategies." The Acting Head of IR was thus taking the reverse perspective that illustrates the symmetry of the process of anchoring. Just as the framing of financial numbers was anchored to espoused strategies, so the espoused strategies were anchored to the understanding of the financial numbers. Linking the two aspects of TechCo together reinforced the understanding of the two aspects simultaneously. This was similar for all the operational aspects brought into the process of producing the CMD.

The symmetry of anchoring therefore allowed the process of producing the CMD to be partly reversed to that of producing the quarterly reporting in terms of anchoring, although the outcome of framing financial numbers

[44] The term 'guidance' in this context refers to the practice of companies to give projections of financial numbers in future periods to the capital market actors.

was the same. In the quarterly reporting work,[45] the financial number would most often be the starting point, irrespective of whether its arithmetic level was known or not at the start of the process, because the primary objective of quarterly reporting was to present the numbers. At the CMD, the primary objective was not to present new numbers but to situate past and future numbers to the operations and industry environment, among other things, of TechCo. The work process of the IR team was therefore partly reversed in that they would start from things other than financial numbers and then work their way back to them to create a representative link between number and environment.

The process of producing the CMD started out from an "abstract", almost holistic view of the company and its activities but would rather quickly turn towards ways of making the link between this overarching image and the financial performance more "concrete". One part of this, as indicated in the quote below, was to go more into detail about the products and processes of operations. The Acting Head of IR explains:

> [TechCo Corporate Vision] is too distant, one can use it to some extent but it becomes too abstract. The CEO can talk about [TechCo corporate vision] and also how [TechCo] could position itself within it. So it is possible that the CEO summarises the strategy, […]. However it would mainly be about any changes in the strategy – for example if we would change our customer base, it would mean that we perhaps are addressing a whole new market – or if we make any other changes in the company such as a new venture into a different technology that would address our existing customers in our customer base. He absolutely needs to cover that bit and get it into a context. However, our business area heads have to be more concrete and go into product areas explaining more clearly, also in strategic terms why you choose this and for what purpose, to land in something that is purely financial that the investors can connect to how they should value [TechCo], for example if it will generate more revenue or change our margin profile or our capital requirement and such. **(Acting Head of IR)**

[45] See Chapter seven for more details regarding the process of producing the quarterly report and presentation.

However, when the Acting Head of IR uses the terms "concrete" and "abstract" in the quote it is less about their literal meaning and more about describing a characteristic of the anchoring process. What was more "concrete" was in the work studied more about further anchoring, i.e. filling out the details upstream or downstream a causal linkage between a number and a phenomenon, rather than claiming that what was upstream or downstream a linkage was more or less "concrete". The amount of further anchoring – or making things more "concrete" – was in the end determined by the level of comfort[46] the IR team and other corporate participants felt about the linkage's ability to enhance the representational capacity of the number in a particular framing.

Because of the symmetry of anchoring one aspect of anchoring was to visualise for the investors the operating drivers of particular parts of the business and what type of product market TechCo operated on. The Tech-IRO gives the following example on this aspect of anchoring that was an ongoing discussion between the IR team, Head of Communication and a strategy adviser at the CEO office at the time:

> […] it would be good to be a bit concrete. Why not talk about billing and charging, real time billing and charging of data, why this is important and how the [TechCo customers] are working right now to streamline their existing systems to be able to handle all this data, the different data tariffs that have to emerge going forward. It becomes very concrete to show the market and the drivers of this development, our position and our products, the competitors and what we do right now to take the next step to maintain our leadership or to become number one. It is on a very concrete level, it is about looking at the machines and see what functions they have, what makes the [TechCo customers] like them. It is a lot more hands-on than 'the group strategy until 2015.' **(Tech-IRO)**

The other aspect of anchoring was to point to the financial implications of these operative aspects and to turn them back into numbers again:

> […] in the end they have to put something into a model, you have to go down to that level again. We also have to help out with that, what all this waffle means

[46] 'Comfort' in these instances bore a strong semblance to the understanding of this concept in Pentland (1993) with respect to the auditing process.

> in practice. […] in the end he sits with his Excel sheet and has to do a model for the first quarter of 2013 and then you have to come down to that level too. **(IRO)**

In other words, anchoring was partly a process to "internally try to understand what the opportunities for profit and opportunities for growth are and make a valuation of that" (Head of IR). This latter practice of "valuation" was not prevalent in a literal sense but rather in terms of guiding the thinking of the IR team as they undertook their internal work.

Producing the CMD therefore entailed iteration between the two forms of anchoring. On one hand, to bring out all the operational aspects and drivers that the numbers were meant to represent; and on the other to link all the operational aspects back to the numbers. This in turn increased the complexity with so much detail brought forward on various aspects. The IR team therefore saw a need to simplify the content to fit with the team's understanding of the current knowledge level of the perceived situated audience. Below follows this reasoning voiced by the IRO:

> Internally […] we use words, we use a lot of words, and we use many parameters of explanation, which we can change internally a lot as the journey continues. You have to respect that analysts and investors have a lot of companies to follow and they cannot [keep up with all that detail]. You have to keep it on a fairly steady level, high level. […]. Come back to the fundamentals somehow. **(IRO)**

For each financial number the IR team would try to stick to only a few explanatory parameters. Below the Acting Head of IR illustrates with the example of the Gross Margin:

> […] we want to be as precise as possible to the market so that they really draw the right conclusions. *We have tried to stick to three explanatory parameters when it comes to the gross margin. The modernisation projects* has been one, *the business mix* – the difference between software, hardware, and services – and then we have the *global-services* part as a separate one. But somehow it is not that simple. There are more things that influences and I feel that there is more and more… we become more and more precise on [what the underlying drivers are]. **(Acting Head of IR, author's emphasis)**

These "parameters" were the end-result of internal interactions that the participants had agreed best explained or represented the arithmetic changes in particular numbers, and reversely then that these were the operational aspects that the arithmetic changes in the numbers represented or explained in financial terms. The agreement did not obscure the internal understanding among the company staff that this still was a simplification of a very complex operational reality, but it made it possible to represent – *anchor* – the organisation to the external capital market actors' understanding.

The end game of organising the complexity of the operational aspects in financial terms at the CMD – i.e. internally selecting the links between number and operations in order to display them in a different space-time region front stage and thereby create them in this situation – did in the minds of the IR team come down to presenting the capital market actors with a simple choice: "distribute" or "reinvest". The Head of IR explains:

> The shareholders ask the question to management: 'all right, you have two alternatives to this money; one is to distribute it to us, and two is to reinvest into the company.' An equity story is precisely about balancing these two in a clear way and show how much you are going to distribute and how much to reinvest. […]. So long as you can show to your shareholders that 'this is how it is and we think that we can reinvest this in the company at a better return than you can if you get the money back to invest in the capital market.' […]. The day you say 'no we do not see the opportunities, right now there are not investment opportunities that are large and interesting enough in the company' then we will distribute the money. This is what it is about this year, to explain what it is that is so interesting about the company that we can invest in that creates value. That is the main thesis, the story, at the capital markets day. **(Head of IR)**

The stakes at the CMD were therefore high in the minds of the corporate participants at TechCo.

The next section will move front stage at the day of the CMD, out of the cognitive minds of the IR professionals into observations of how the interactions unfolded to anchor one financial number of TechCo. In that section we will see how the found and selected links between number and environing world were displayed and discussed, and thereby 'created' in the framing of the numbers in that situation.

6.2 Front stage: Episodes of anchoring numbers with the audience

At precisely 8.30 am the Head of IR took the stage at the TechCo Capital Markets Day 2013 and welcomed the 150 investors and analysts seated in the large auditorium. Parts of the audience were some of TechCo's largest shareholders and most influential financial analysts, as well as TechCo's entire Senior Management team. This was the day that would set the tone for the rest of the TechCo financial year, and like the annual report, would serve as the benchmark and reference to understand the coming year's financial numbers and performance for the corporate members and capital market actors following TechCo.

The overarching theme of the day was cued by the word "Transformation" and set the overall tone for the corporate presentations aimed at explaining the corporate view and trends of the most important financial numbers and the linked operations and environment of TechCo to the assembled capital market audience.

One of the most important financial numbers of TechCo was the Gross Margin as a result of the practice of using this number in the industry of TechCo as an indicator of profitability.[47] This front stage section will follow how the Gross Margin became meaningful at the CMD through the process of anchoring the number to the environing world. The series of strips will begin with a section featuring episodes from the CFO presentation, then move into a section covering two-way interaction at the three different Question & Answers (Q&A) sessions during the day, and end with section on how the Gross Margin anchoring was rendered through capital market reactions during the days following the CMD.

[47] Particular industry classifications tend to be associated with a particular financial metric used in the valuations of the companies belonging to the same industry classification, with variations between industry classifications regarding the primary metric used by financial analysts (see Zuckerman, 2004; Beunza & Garud, 2007).

6.2.1 Creating links: CFO Presentation

The CFO was the second speaker of the day at the CMD, following the CEO presentation. He walked onto the stage that was filled by a giant diode-screen holding a clicker in his hand. The CFO was in fact a bit too fast and started speaking at the same time as a banner introducing him filled the entire screen complemented by sound effects. The CFO remarked "Oh wow, that's me, okay" and then continued quite unperturbed with his talk despite being in front of a large auditorium of investors and analysts. Throughout his presentation he spoke with a calm, confident and factual voice that contrasted to the CEO's more energetic pitch before.

After a few minutes speaking on other topics the CFO turned to the first in a series of arguments aimed at anchoring the Gross Margin. He outlined the first of the three "explanatory parameters" for the Gross Margin (see quote by Acting Head of IR previously) that the TechCo participants had agreed on in their internal interactions:

> If we then look at the next slide, this is really *a mixed picture that tries to explain margin development* and you have seen it – you have seen it last year as well. But I think, once a year, we disclose for all of you the mix in terms of software, hardware and services. And all of those two deliverables are *important obviously to understand the margin profile of the company*. **(CFO presenting at the TechCo CMD, author's emphasis)**

As the CFO mentioned in the strip, anchoring the Gross Margin to this operational phenomenon, cued by the words "business mix", was not new in the public interactions between the company representatives and the capital market actors over the recent past. Yet the CFO stressed that linking to this part of the operations of TechCo was "important obviously to understand the margin profile of the company", i.e. a necessary layer in the framing of the Gross Margin to reach an understanding of the number anchored in the reality that TechCo was operating within. It was about reaffirming this anchoring link to recurring members of the audience and to introduce it to new members.

Continuing the argument in the above quote, the CFO then went more into detail about what 'business mix' meant to further anchor the aspect for

the audience and to introduce new members of the TechCo investment community into its meaning:

> If we – we start on the left-hand slide there, there I present software and *software share as a proportion of software and hardware*. And as you can see then in 2012 we reached 40% software share [the presentation slide illustrated software share as an increasing trend over 2010-2012 by means of a bar graph], if I take all software and hardware combined. If I look at this year, the *trend is actually slightly down*, and that has to do with the structure declining in the [type of technology] mainly, but also slightly lower revenue on the support solution side. **(CFO presenting at the TechCo CMD, author's emphasis)**

In the strip the CFO explained that one part of what "business mix" meant was "software as a proportion [the total] of the software and hardware [sales]". He also mentioned a dynamic in this operational layer that he implicitly implied would have a Gross Margin impact since "the trend is actually slightly down". For those in the audience that had partaken in previous company-capital market interaction with TechCo this cued that the Gross Margin development this year would be arithmetically lower since software operations had higher Gross Margins than hardware operations.

However, the CFO then continued and indicated that the interpretation of the future Gross Margins was not entirely stable as this part of operations was in a state of "transformation", linking back to the overarching theme of the CMD:

> *The trend, as we enter into what I would call the new core* and you can ask a lot of questions, both to [Chief Technology Officer], [Head of Business Area A] and [Head of Business Area B], later on how we define that. But that is *fundamentally of course going to change the software profile going forward.* **(CFO presenting at the TechCo CMD, author's emphasis)**

After which he indicated the likely arithmetical direction for the Gross Margin to the audience:

> So that is why, the trend is – as well with more TV and media business, which is also and always have to be assessed, which is also software centric – *the trend will*

> *start to go up again.* **(CFO presenting at the TechCo CMD, author's emphasis)**

In other words, despite this year's lower software share, the future as seen by the operational staff in TechCo was that it would increase again, which in turn would implicitly mean that the Gross Margin in the future would increase from a financial point of view.

The CFO continued presenting the other part of the "business mix" which was related to the share of services as part of total sales, in a similar manner. He ended the argument of the link to and explanation of business mix with a concluding key message:

> So I think the – *the important thing here is that software and services will increase over time* [the CFO paused to drink some water], *but we are also making a very important bet on hardware*. Because our hardware, if you compare with competitors has better performance. […]. So it is a bet. If you think about the bets we are taking as a company, that is one of the bets, okay. **(CFO presenting at the TechCo CMD, author's emphasis)**

The CFO thus indicated that the 'business mix' would change going forward towards an increase of activity in certain parts of the operations but added that the corporate participants still were going to make "a very important bet" on the hardware part of their operations. Thus implicitly indicating to the investors that an arithmetic modelling of the future Gross Margin should not solely be anchored to the services and software parts of the TechCo operations.

The CFO outlined the other two 'explanatory parameters' – "modernisation projects" and "global services" – in a similar fashion to the first above. He had thus made a first link to these three internally selected operational phenomena and the Gross Margin but not gotten into detail about their particular arithmetic links to the number. Anchoring the Gross Margin in this way to the three operational phenomena early in the presentation framed the Gross Margin in the situation to be limited to only these while simultaneously visualising a linkage and representation of the Gross Margin to the world of operations. In other words, the anchoring established the border of the

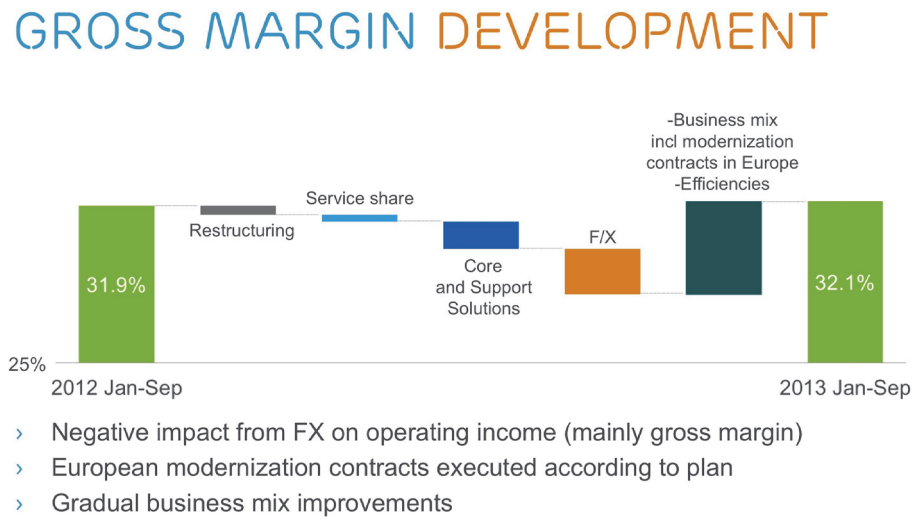
Gross Margin framing, telling the audience what fell within and what fell outside of it, before going into details to further anchor the framing.

Midway through the presentation the CFO tackled the Gross Margin number head on and got into details on arithmetic links between the number and the operations:

> Okay, gross margin, famous topic. I guess important slide. I decided[48] to put the gross margin development from a bridge point of view, the first nine months of last year compared to the first nine months of this year. **(CFO presenting at the TechCo CMD)**

The slide that the CFO was referring to is reproduced below in Figure 6.2. It was internally referred to as the "Gross Margin Bridge" and displayed in graphical terms a set of "elements" and their arithmetic magnitude in a comparison of the 2012 version of the Gross Margin with the 2013 version of the Gross Margin for the first nine months of these years.

Figure 6.2: Gross Margin Development Bridge



Reproduced from CFO presentation slides at the TechCo 2013 CMD, p.12; redactions added.

[48] The use of "I" here refers largely to the ultimate decision regarding the slides and content of the presentation. It was the IR team who had written the presentation and suggested the "bridge" style of explanation earlier that year as an outcome of their interactions with various parts of the TechCo organisation and capital market actors, as discussed in the backstage section previously.

These "elements" or graphical boxes in the figure that appears to take the Gross Margin 2012 from the level of 31.9% to its 2013 level of 32.1% represented the selected aspects of operations and the operational environment that the corporate participants attempted to anchor the Gross Margin to, so as to bring about a particular understanding among its investor audience. The CFO continued his presentation by commenting each of the graphical boxes.

The first two aspects were handled briefly by the CFO and he indicated to the audience that these had been covered in previous company-capital market interactions. Both aspects were indicated to have a small negative arithmetic impact on the Gross Margin.

At the third aspect he linked the Gross Margin a bit further into details of the operations by referring to different technologies produced by the company and its competitors:

> We have there a negative impact on core and support solutions. The majority, approximately I would say two-thirds are coming from the [type of technology] decline. And this is also why it is so important to win the new core race, and it is not only – it is evolved packet [technology 1] of course, but it is fourth generations [technology 2]. It is [technology 3] driven a lot by [technical feature] over [technology 4] and things like that come back with a positive trend on the core side. **(CFO presenting at the TechCo CMD)**

As the strip shows, the interactions at the CMD implied a high degree of previous involvement in TechCo interaction in order to understand what was going on in the speech. Referring to different technologies, most often by simply using their abbreviation, made a detailed anchoring argument of a financial number quite unintelligible for investors and persons outside the usual audience group. This points to that the TechCo capital market interaction was about building an emergent and evolving understanding of particular financial numbers, where certain layers of previous anchoring were treated as self-evident, or an already established part of a number's framing. In the above case, what "core" was and its links to the Gross Margin was treated in such a manner by the CFO.

Up until this point, the CFO had only raised aspects anchoring the Gross Margin that were known by the audience from previous company-capital

market interactions. He had slightly modified their current arithmetic linkages to the number but not changed their overall meaning and existence within the Gross Margin framing. However, as we move to the fourth graphical box in Figure 6.2 this was about to change. This was an introduction of a new chain of anchoring.

Introducing 'F/X' into the framing of the Gross Margin

The fourth aspect in the Gross Margin Bridge that the CFO turned to was of an entirely different character than the rest of the aspects. Anchoring the Gross Margin explicitly to foreign exchange rate fluctuations (F/X) by illustrating this graphical box was a new introduction on the part of the corporate participants into the ongoing company-capital market interaction around this number. However, as the CFO went through all the five 'elements' in the Bridge seen in Figure 6.2, he did not make a point of emphasising the newness of F/X in the debate when he covered it:

> Then we have the F/X impact. This year we have a head wind on F/X. It is predominantly impacting gross margin, and if you do the maths here you would see – and this is estimates – but it is approximately 200 basis points. **(CFO presenting at the TechCo CMD)**

In the above statement, the CFO was anchoring the Gross Margin with the cue "F/X" to macro-economic developments in the world beyond the TechCo operations, seemingly outside the control of the corporate participants.[49] Moreover he provided a direct link between this phenomenon and the Gross Margin number by estimating the arithmetic effect on the number to be "approximately 200 basis points".

[49] The timing of introducing the F/X aspect into the framing of the Gross Margin at a time when its effect negatively influenced the arithmetic level of the number speaks in favour of the works by Aerts (2005), Westphal & Graebner (2010) among others on impression management and the intentionality of actors in framing work. However, albeit that the intentions of actors in framing work is an interesting area in its own right, this thesis is concerned with the hitherto unanswered question of understanding how the process of framing financial numbers takes place in the first place.

Although, the CFO did not emphasise that anchoring the Gross Margin to 'F/X' was new, he did return to the aspect as he summarised the Gross Margin Bridge[50] slide providing additional details:

> So this is then bridging the gross margin, and if you look at the F/X impact as I said, it is mainly transaction exposure, meaning exports from – from Sweden here impacting gross margin. If you do translation exposure, *there might be some more negative impacts on the bottom-line but the bigger picture is due to transaction exposure on gross margin*. **(CFO presenting at the TechCo CMD, author's emphasis)**

Apart from emphasising the importance of 'F/X' for understanding the Gross Margin, the CFO also indicated that the anchoring to 'F/X' was limited to the Gross Margin number and should not spill over to other numbers such as net profit. He emphasised this in an effort to guide the participants' framing work in line with the corporate view.

Later in the presentation, after having established the link between 'F/X' and the Gross Margin in the above episode, the CFO went into great detail about the F/X aspect without explicitly mentioning the Gross Margin. The argument detailed the currencies that were linked to the 'F/X' aspect and the manner this part of the environing world entered into the operational world of TechCo, and how this in turn manifested itself into financial implications:

> But look you know, F/X for me, we are in 180 countries, so we will have to manage this in the best possible way. And we do. […]. I mean, obviously [Business Area 1] and [Business Area 2] that do a lot of exports form Sweden, they are impacted by transaction exposure the most. Whilst [Business Area 3] that has most of their contracts in local currencies are impacted by translation exposure.
>
> If we then take the exposure on sales and income, this is the disclosures we do in the annual report. A couple of things here, I mean sales exposures, the biggest ones we have are in US dollar and euro. **(CFO presenting at the TechCo CMD)**

[50] The CFO covered the fifth element of the Gross Margin Bridge seen in Figure 6.2 in a similar manner to the core-technology element of the bridge illustrated previously, before he summed up the bridge-slide.

This was about further anchoring F/X to its composite parts, as understood by the corporate participants, in order to create greater understanding among the investors. It was about providing enough anchoring for the investors and analysts to be comfortable[51] implementing this framing of the Gross Margin into their valuation models. One way to achieve this was to give direct arithmetic links between the phenomena and financial implications using stylised examples:

> We have if we look at the income side – perhaps that is more important – I mean, this is then the US dollar income expressed in Swedish krona last year. So of course, *if the dollar weakens against the krona by 10%, it will*, overtime, if we exclude hedging, *have a SEK2.6 billion impact on the bottom line*. That is what this slide is showing. It can go the other way around as well, I just want to say that. But this is how you should study and understand the slide. **(CFO presenting at the TechCo CMD, author's emphasis)**

In the above quote the CFO gave the example that if one particular and important currency would weaken against the TechCo reporting currency by "10%" it would impact the net profit number (presumably via the Gross Margin) by "SEK2.6 billion". Furthermore, to make the link between the 'F/X' phenomenon and the financial implications even further anchored the CFO also detailed how parts of it would be handled by the TechCo accounting system:

> Then finally, on this one, new hedge accounting, we decided to implement a new model for – or abandon hedge accounting from 1st of January this year. The impact will be gradual. I think by Q1 of next year we are basically in the new model. But what is happening, obviously, is that items that used to be reported under Other Comprehensive Income are now reported under Other Operating Income and Expenses. Also when they are unrealised, okay? **(CFO presenting at the TechCo CMD)**

[51] Again, the term 'comfortable' is used in the sense outlined by Pentland (1993) with respect to auditing processes.

As a part of this detailing of the financial implications, the CFO gave links to how this could be modelled by the investor audience if they wished to understand the implications for future financial numbers:

> If you take the hedge stock, as an example the US dollar, you can see here that most of the contracts now are contracts that we have signed after 1st of January [pointing to a bar diagram at the slide graphically illustrating the proportion of 2012 contracts versus 2013 contracts in the hedge stock]. If you look at the valuations then, well, contracts' value to market rate at closing. That means basically that, *if you want to understand how this goes, you look at the currencies versus SEK in the last day of each month to understand how these items are impacting the P&L.* […] when you evaluate the stock, if the currency stays flat in the quarter, no P&L impact. **(CFO presenting at the TechCo CMD, author's emphasis)**

In other words, although anchoring a phenomenon such as 'F/X' to the Gross Margin would start out on an overall level – such as an uncertain macro-economic environment in this case – participants would gradually move the conversation into greater and greater detail to how precisely the link between this item outside the framing of the number would relate to it and thus recursively make the item part of it – in the above case ending in specific modelling advice with particular arithmetic magnitudes on currency fluctuations and earnings impact.

Thus far, the example of anchoring the Gross Margin to 'F/X' and other operational and environing world aspects has only illustrated how one side, the corporate participants, presented the arguments of anchoring. However, as noted in the backstage section of this chapter previously, anchoring is a collective process. Therefore, we now turn to episodes of two-way interaction between both sets of participants at the CMD to understand more about the how the process of anchoring made the financial numbers become meaningful.

6.2.2 Probing and contesting links: The Q&A

The first session of two-way interaction followed the CEO and CFO presentations. This was a highly structured and public interaction referred to as a "Q&A" (Questions & Answers) session conducted in plenum. In the Q&A,

anyone in the audience could request to ask one or two questions to the corporate representatives on stage. The Head of IR moderated all three Q&A sessions during the day by giving the floor to the people asking questions and intervening if the questions or answers became too lengthy or drifted off topic. The majority of the audience consisted of investors; however it was mainly (sell-side) analysts that asked questions. In this first session, the CEO, CFO and Head of IR took the stage following the presentation of the CFO:

> **Head of IR:** Thank you, [name of CFO]. So, now we have about 30 minutes for Q&A. So, [name of CEO], you are welcome to sweat up on the stage. I think we have – on the right side there and on the left side – we will have microphones. And let us start on the left side here.

> **Analyst:** Yes, [states his name] from [name of investment bank]. I just wanted to go back to you – to your slide, your bridge, [name of CFO]. [Asks a first question]. And then, second of all, if I look at the other *bridge that you have given for gross margin* – which is very helpful – *do I need to conclude from that that you had about 600 basis points of basically positive coming from the mix*, including the negative impact from modernisations? That would be great, thank you. **(Author's emphasis)**

In his question above, the analyst was invoking two of the 'explanatory parameters' probing the proposed anchoring by suggesting a quantified arithmetic link between one of the elements of the "Bridge" and the Gross Margin of "600 basis points". In his question, the analyst was also giving off cues to the corporate participants that he had not picked up the revised anchoring between the Gross Margin and "[business] mix". Because, the CFO had in talking about the 'business mix' aspect prior to introducing the 'Bridge' in his presentation said the effect from 'business mix' was on a long-term trend of positive but negative this year. The CFO responded:

> **CFO:** [Answers the first question]. On the gross margin bridge there, you know, *last year the modernisation project had a negative impact* in the same bridge. *This year, the modernisation projects have a positive impact* on the same bridge, all according to plan because obviously we are comparing with the situation a year ago. **(Author's emphasis)**

As we can see in the strip, the CFO deflects the proposed quantification of the arithmetic link – i.e. does not deny or confirm the proposed number – by focussing his answer on correcting the analyst's understanding of the direction of the arithmetic effects between the anchoring of the Gross Margin to the two aspects 'business mix' and 'modernisation projects'. Saying that "last year" the arithmetic effects of this anchoring was flowing in one direction but "This year" the arithmetic links in the anchoring flows in the reverse direction.

The second person asking a question in the Q&A session attempted, like the analyst before him, to establish a quantified arithmetic link between the 'business mix' and 'modernisation projects' aspects but in a different manner. Instead of suggesting a particular number, he invoked cues from the CFO's CMD presentations this year and last year thereby signalling to the CFO that he shared or had at least understood the corporate framing of the Gross Margin regarding these layers but still wished for a clarification of their quantitative links to the Gross Margin:

> **Analyst:** […]. Just another question around the gross margin. [Name of CFO], *last year you said* that 80% or so of the pressure that you were feeling was related to the increase of services in the mix, and about 20% was [hardware] modernisation. And *just in terms of what you suggested today looking forward*, that the services continue to grow, software will continue to grow, but also hardware continues to be important. I was just wondering *if you could help us again with the magnitude – relative magnitude of those impacts going forward?* **(Author's emphasis)**

The question posed could be interpreted in different ways. One interpretation of the analyst question is a subtle questioning of the revised proposed anchoring of 'business mix' provided that, as the analyst rightly (albeit implicitly) pointed out, if all three parts of the 'business mix' are growing how does that alter the 'business mix' towards more software-centric higher margin operations? In other words, asking for more detailed links between proposed anchoring arguments and financial numbers was a means for capital market actors to test both parties' understanding of the framing.

In his answer, the CFO began by situating his reply in terms of the overarching three areas anchoring the Gross Margin to the operations:

> **CFO:** I think that what I am trying to – what I am trying to, of course, describe here is that we – we have been talking about three different relevant drivers or dynamics around the gross margin. *It is the services share. It is the modernisation project. And it is the business mix*, right? **(Author's emphasis)**

Then he anchored the first aspect of 'services share' a bit further to the Gross Margin by reiterating implicitly that the service operations had a lower Gross Margin but had the quality of being "stable" and the ability to "grow":

> **CFO:** I gave you this rule of thumb so you can model yourself. I mean, *if the services business continues to improve it will have an impact on the company gross margin. That does not mean that it is bad business because earnings are stable and should grow*, of course, in that part of the business. So I think that if we go forward, if [name of head of business area] has success with executing on his strategy, he will grow faster than the services market. And *then naturally services will continue to be an important element*. I think *that is one aspect*. **(Author's emphasis)**

In the above argument, the CFO did not want to provide any quantified links between the 'sales share' and the Gross Margin but by pointing to the aspects of growth, stability and services market he attempted to reinforce the proposed anchoring of the Gross Margin to the aspect and convey a sense of the arithmetic magnitude going forward. As seen above, he ended by tying the diverse package of links together by the words "an important element" and "that is one aspect." Then he moved on the next bundle of links cued by the words 'modernisation projects':

> **CFO:** The other aspect is, of course, the [technology] roll-out revenue. And, you know, I typically answer this way. If you think about the [technology] roll-out revenue *prior to all of this big coverage and modernisation projects*, let us say around 2008-2009, it was nearly around *SEK22 billion*. If we take the first nine months of *this year, plus a quarter of last year, I think we operated revenue roll-out of around 31* or so. So as some of these projects now start to disappear from the mix and we get into more capacity, I mean *[technology] roll-out will decline over time*. And that has – that will have, of course, an impact on the gross margin. **(Author's emphasis)**

This part of the CFO's answer did contain some quantification of the links between the second aspect – 'modernisation projects' – and the financial number. By placing the two numbers "SEK22 billion" and "31" he indicated

that the arithmetic magnitude of the change from "coverage" to "capacity" as the former disappeared going forward. It would make the hardware part of total sales SEK9 billion lower (but likely in need of adjustment for time differences such as inflation). However, the CFO ended his answer to the analyst's question by saying:

> **CFO:** Again, I said that to some of you yesterday,[52] that is all good but that is only mechanical. The important thing is that the underlying gross margin on the businesses are improving.

The CFO was thus distancing himself from all those details by saying "that is only mechanical" and conveyed the overall corporate framing of the number "underlying gross margin on the businesses are improving."

However, this overall framing of "improving" continued to be challenged by the audience. After some time an analyst returned to the matter asking for more links to be convinced:

> **Analyst:** You proudly state that you are a top-five software company…
>
> **CEO:** By revenue. [interjecting in the analyst's question]
>
> **Analyst:** By revenue – but clearly not by profit. And I know you have addressed this in the past, and *I still do not understand why software revenue does not translate into a much bigger profit pile*. So, if you could take us through how we rationalise that – because theoretically, if it is 40% revenue with a software gross margin, that would be accounting for all of your gross profit. So, *what are the missing links* in… [The question is interrupted by an answer before it finished]. **(Author's emphasis)**

In his question, the analyst expressed that he failed to see how the link between the 40% software share of revenues and the aspect of 'business mix' could be reconciled with the current arithmetic low level of gross profit. He thus implied that there could be a very different framing of the Gross Margin than "improving" unless the corporate participants visualised links to further explain their understanding of the number.

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[52] Referring to informal conversations during the CMD dinner for investors the previous evening.

The CFO began his reply by confirming the analyst's understanding that the TechCo software Gross Margin was high, and also linked this high level to the other companies in the industry. However, then he pointed out to the analyst that he had misunderstood the "40% of revenues" aspect. "40%" did not represent 40% of "total company revenue" but only 40% of the sum of "software and hardware" revenues:

> **CFO:** There is no – I mean, the logic of software margins, hardware margins and service margins are the same in our company as they are in other companies, right? So software is, obviously high, very high margins. The slide there that I showed was software as a percentage of software and hardware, not total company revenue. The services slide is total company revenue. So, you have to understand that as well. And if the software revenue starts to go up here as a percentage of software-hardware, that will have a positive impact on the gross margin.

The CEO then also interjected after the CFO, to link the 'business mix' argument to the overarching theme of "transformation" at the CMD and to reinforce that this was a reality for the company, with more details on the operational decisions taken in the company on this issue:

> **CEO:** And one important element there is, of course, that we can price it as software, and we can bundle it with new ways of – of selling our software. We have already started with it, but we have a way to go there. And that is of course a transition, as was asked before. You transition your conversion models as the processes are changing. And we are, of course, coming from a very hardware-centric world to be honest, and many of our competitors are there as well. But we need to take this step forward and change our models. And that, we are doing on an ongoing basis every day right now, but you need to do it in a moderate way in order not to lose something, rather, and not to do it too fast so you get other problems. We are moving that together with our customers.

The above type of specificity in answers, linked to numbers such as the Gross Margin, worked both to reinforce a particular framing – such as "improving" this case – but also to convey to the audience what the corporate participants felt the numbers represented in terms of operations. As described in the backstage section, every link brought into the interaction to explain a number simultaneously also became part of what the number represented.

After the last of the three Q&A sessions of the day, the CEO summarised the day to end the CMD:

> First of all, we are on a journey that we all the time are going to a different places. […]. And now hopefully, you have got the feeling how we have leveraged our assets in order to deliver on the value creation that we believe we can do, grow faster in the markets and maintain gross margins. And with the assets we have, we believe we can do that, and hopefully you have got the feeling how we are creating and continually develop [TechCo] in what we call the [TechCo Corporate Vision]. **(CEO concluding the TechCo CMD)**

6.2.3 Market reactions

The CMD did not get a large reaction in terms of trading at the capital market. The share price increased by 2.64% measured in terms of closing price the day before to closing price the day after the event,[53] with a turnover of 14 million shares during the event day.[54] This can be compared to the trading of TechCo shares on any given day during 2013 having an average price change in absolute terms of 1.45% and a turnover of 8 million shares, and to the four quarterly reporting days of 2013 having an average price change in absolute terms of 6.81% and a turnover of 28 million shares. [55]

However, this was expected provided that, as expressed by the Acting Head of IR above, the aim of the CMD was about fostering a new understanding of the company and its financial numbers rather than providing new numbers or other 'price sensitive' information for the short term. The question is then if a new understanding emerged among the capital market participants?

One way to explore this was to study the published analyst reports as a representation of the TechCo investment community mind-set (as outlined in Zuckerman, 2004). All analysts actively following TechCo published updates or reports during or the days following the CMD. This was in itself an

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[53] See Brown & Warner (1985) for an elaboration of the methodology behind this type of 'event' studies using stock market capital return data.

[54] Data source: Nasdaq OMX Nordic, data retrieved at www.nasdaqomxnordic.com on 2016-05-13.

[55] Using the same day-event return measure and data source. The CMD trading was around one standard deviation higher than the average daily trading during 2013 in terms of both price change and turnover.

indication of the importance of the event, in contrast to the rather low trading reactions noted above. The published reports all had similar takes and arguments of the CMD with the biggest difference being between those who held an overall "sell" recommendation and those who held an overall "buy" recommendation. Below, four analyst reports, all from large international investment banks, are illustrated as representative of the analyst reactions; two holding a "buy" recommendation (Analyst Report 1 & 2) and two holding a "sell" recommendation (Analyst Report 3 & 4).

A first observation of the analysts' understanding of the Gross Margin after the CMD, as rendered through their reports, is that they reiterated the anchoring of the three 'explanatory parameters' known from situations of company-capital market interaction on previous occasions. Below we see examples from Analyst Report 1 & 2 featuring cues such as "business mix", "modernisation" and "services" to explain the Gross Margin to their readers:

> GMs, GMs, GMs! Our thesis on GMs remains intact. Most of the focus on Q&A was around recent GM trends, and its potential evolution going forward especially given Q3 weakness. CFO noted that GMs (incl. rest.) in 9M2013 was up 20bp yoy to 32.1%, […]. During 9M2013, the company also saw a slight decrease in software as % of its software+hardware sales plus an increase in NRO as % of its services revenue. Both had an adverse impact on the mix but are likely to reverse.[56] **(Extract from Analyst Report 1)**

> […], offsetting half of the 400bps of positive impact from business mix and efficiencies. […]. We are therefore reassured vs. our thesis that margins should increase with a better mix (more capacity less [technology] modernisation). **(Extract from Analyst Report 2)**

Both reports appeared to have noticed the adjustments the corporate participants made regarding the three aspects further links to recent operational developments, such as "decrease in software as % of its software+hardware sales" and "more capacity less [technology] modernisation." The reports also linked the dynamics in the aspects to the overall CMD framing of the Gross

[56] Abbreviations: "GM" means Gross Margin, "incl. rest." means including restatements, "9M2013" means first 9 months of 2013, "bp" or "bps" means basis points, "yoy" means year-on-year (i.e. a year to year comparison), "NRO" means [Technology] Roll-Out.

Margin through words such as "evolution" and "increase" that could be compared to the cues of "transformation" and "improving" expressed by the corporate participants above.

The two analyst reports with a "sell" recommendation also reiterated the three 'explanatory parameters' as to what the Gross Margin represented. However, while acknowledging the "transformation" part of the framing they did not anchor it to the "improving" part, and remained agnostic in interpreting the sum of the links arithmetic impact on the future Gross Margins:

> Business mix remains key for gross margin, but magnitude of improvement unclear: [TechCo]'s CFO again indicated that business mix is paramount to gross margins. Software will increase in the mix (positive, in our view) as will services (negative) and within services, [technology] rollout will decline (positive), but will continue to make a strategic "bet" on hardware (negative). **(Extract from Analyst Report 3)**

> We also had a detailed diagram showing the evolution of [TechCo]'s gross margin from the first nine months of 2012 to the same period in 2013. […]. However, these were offset by an improvement in business mix and efficiencies. The implication is that the improvement in business mix is partly due to modernisation contracts in Europe. **(Extract from Analyst Report 4)**

A second observation of the analysts' understanding of the Gross Margin is that the anchoring to the new aspect of F/X had successfully affected the prevailing understanding of the number among the capital market actors. The reports rendered the links to the aspect as if it had been part of the analysts' understanding of the Gross Margin all along:

> […], but this included 200bp of headwind from FX moves, which offset the improvement seen from reversal of some impact from EU modernisation and cost efficiencies. **(Extract from Analyst Report 1)**

> [TechCo] disclosed the negative impact of FX on gross margins – we had been looking for that number since the results two weeks ago. Today, looking at the gross margin bridge for the first 3 quarters of the year vs. the same period last year, we found out that the FX headwind was probably 200bps higher, […]. **(Extract from Analyst Report 2)**

This could be interpreted as a sign that the anchoring was particularly successful, since it now was considered a 'natural' or a self-evident dimension of how to understand the number.

The "sell" reports did however frame the aspect as a risk factor with words such as "do not see FX providing a tailwind anytime soon" and "profitability is highly dependent on the US$ exchange rate":

> The recent FX drag should abate, but we do not see FX providing a tailwind anytime soon. **(Extract from Analyst Report 3)**

> The key reconciling items were losses at [Business Area] and the strong FX headwind. […]. This improvement has been hidden by the adverse FX impact. […]. Further, a few other things also became clear. The company's profitability is highly dependent on the US$ exchange rate. The dollar accounted for SEK96bn of sales and SEK26bn in income 2012. Therefore, a 10% appreciation in dollar against the krona would have a SEK2.6bn impact on [TechCo]'s profitability (excluding hedging gains/losses). **(Extract from Analyst Report 4)**

While the "buy" reports framed the F/X as a positive, supporting their overall view of "higher" future Gross Margins:

> Overall, we are reassured about the potential for margin progression – the willingness to disclose more about margins ex FX is a positive and shows that our thesis for higher margins is intact. **(Extract from Analyst Report 2)**

However, regardless if F/X was framed in positive or negative terms, the important implication of the anchoring process at the CMD was that all actors – "buy" and "sell", corporate and capital market actors alike – from now on had to position their understanding of the Gross Margin in relation to this part of reality. This meant that the representational capacity of the Gross Margin had now *changed*, a number such as 32.1% did not only represent the financial implications of operational activities such as 'business mix', 'modernisation projects', and 'services'; but now also that of 'F/X' i.e. that operations were undertaken in 180 countries with many different currencies. The shared understanding of the Gross Margin and its arithmetic level of 32.1% was different from before the CMD, i.e. before the anchoring process took place. Anchoring is thus a key element in framing processes to understand

how numbers can come to represent something more than their arithmetic level. How they can come to stand-in *for* something, account *for* something.

Moreover, an anchoring does not only affect the interpretative dimensions of the representation of a number. It may also affect the arithmetical dimensions of its representation. Returning to the example of the Gross Margin and F/X, linking the two together through the anchoring process caused the analysts to reformulate the arithmetic level of the Gross Margin. After the CMD, the shared understanding among this group – "buy" or "sell" recommendation alike – was that the 'real' Gross Margin was now (or in the near future) "34%" and not "the reported 32%":

> This implies that gross margins ex FX for the first 3 quarters of the year were 34% vs. the reported 32% and thus up >200bps vs. last year. **(Extract from Analyst Report 2)**

> These trends should allow GMs (excl. rest.) to improve from 32.1% in 2013 to 34.1%/34.7% in 2014/2015. **(Extract from Analyst Report 1)**

> We see gross margin improving from 32% in 2013E to 34% in 2014/15E, but myriad moving parts mean a wide range of market expectations. **(Extract from Analyst Report 3)**

The anchoring work undertaken before, during and after the CMD thus shaped both the numerical and interpretational capacity of the Gross Margin number to represent TechCo's financial performance to its capital market audience – bringing about a new shared understanding among the participants.

Chapter 7

FinCo: The role of cues

This chapter is about the role of *cues* in the framing of financial performance. Every quarter a recurring pattern of activities unfolded at corporate headquarters of the companies studied in this thesis – the quarterly reporting cycle.[57] Much of the work prior to the release of a report consisted of the production of text, explanations, narratives and the like that surrounded financial numbers in the quarterly report and the quarterly presentations. Once published, the work appeared centred at delivering and using – consuming if you will – this produced material in presentations, earnings calls and investor meetings at the company-capital market interface.

Through the conceptual lens adopted in this thesis, the chapter analyses this work as the *production and consumption of cues* to frame financial numbers in company-capital market interaction. To do this, the chapter will feature episodes from the quarterly reporting work in FinCo to release and present the company's third quarter (Q3) report in the fall of 2013. The backstage section of the chapter will focus on the work in the silent period and the production of cues. The front stage section will feature episodes from the day of the quarterly report release (Q-day) and the following quarterly roadshow period to analyse the consumption of cues. To allow for greater precision in the analysis, the framing of two numbers will be highlighted: The Core Tier 1 Ratio and the Net Loan Losses.[58]

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[57] For a schematic description of this cycle please see Section 4.5.4 in Chapter four.

[58] The Core Tier 1 Ratio is calculated using the sum of a bank's common equity (numerator) and its risk-weighted assets in the balance sheet (denominator). The ratio is used in regulation of minimum capital

7.1 Backstage: Episodes of the production of cues

The silent period in FinCo began less than three weeks before the public release date for the particular quarterly report in focus. In accordance with the company's stock listing agreement, all financial communication was suspended while the members of the IR team wrote the Report and its associated documents.[59]

The following account of the backstage work in FinCo during the silent period will focus on the process whereby a result of the period's financial performance was produced to be presented to the capital market. In other words, the work whereby a specific numerical representations of the company's performance was established internally. More specifically, the account will argue that much of this work can be characterised by the *production of cues* to be used in later front-stage work to enact a specific framing of the numbers.

The cue-production process observed could be divided into three analytical parts following an imprecise chronological order, with much overlap and iterations back and forth. The first of these parts will be treated in the next section and draws attention to the observation that the start of the quarterly reporting cycle was merely the continuation of the previous one. Cues were not invented anew but carefully adjusted into an already existing structure to ensure consistency and stability in the framing. The second part treated in Section 7.1.2 was about collecting and comparing cues from historical versions of the numbers and the expectations of the audience to create an overall framing of the particular quarterly result. The final section of backstage work, Section 7.1.3, will look at the third part which was about work to

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requirements for banks. Net Loan Losses, meanwhile, is an expense line item in the income statement of banks which is calculated as the sum of impairments or provisions, write-offs, allowances for write-offs, reversals, and recoveries on loans.

[59] As described in Chapter four, four documents were in focus: *The Report* (i.e. the formal quarterly result report published), *the Presentation* (a Power Point file used by the CEO and CFO at the international investor conference call presentation), *the Q&A* (an internal document containing potential questions and associated internally approved answers used by FinCo senior management members and the IR professionals in investor meetings), and *the Fact Book* (a public document containing various financial and operational data for the past five years of FinCo).

find or adjust cues to anchor the overall framing of the numbers to operational and environing world aspects.

7.1.1 "Insert number here": Building a skeleton structure of cues

On the very first day of the silent period, visible steps to craft the Report and its attendant documents began. But writing the Report did not start with a blank page. For the FinCo IR team, this silent period – like many others before it – took its point of departure in the Report and the Presentation from the preceding quarter. Even before the Group Finance function delivered a limited number of early financial information, the IR team had begun to articulate a skeleton frame for the presentation of financial results. The preceding quarterly report was stripped of its numerical content and "XX" was inserted to indicate where new numbers would be inserted (see Figure 7.1, below). The "XX" provided a highly abstracted representation which served as a placeholder for the as yet unknown arithmetic quantities of the quarterly figures.

Figure 7.1: Extract from early stage draft of Report with placeholders

> Credit quality continues to improve, especially in Shipping. Loan losses decreased to [20] basis points and impaired loans (in/decreased) by XX%."

Reproduced from Report draft 2, p. 1, paragraph 3.

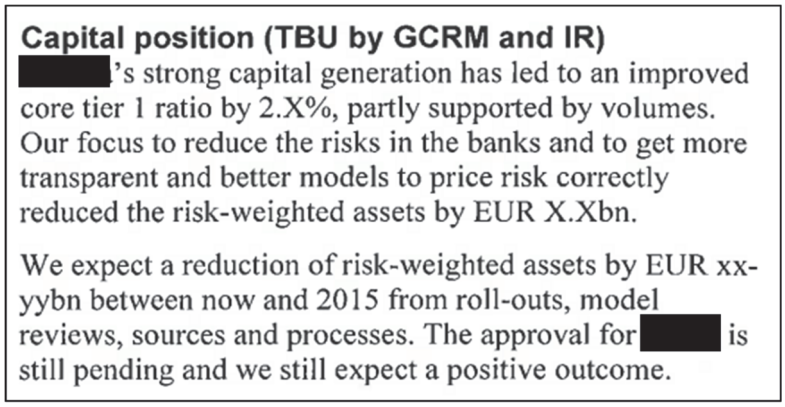
Using placeholders meant that the IR team could begin work with the framing of numbers, rather than waiting on the Group Finance function.

Here too, the preceding quarter's written communication again provided a skeleton for an initial framing of the new quarter.[60] For example, already

[60] It should also be noted that while it was not visible in the empirical data, there are arguably even more cues which signalled the anchoring of particular framing of numbers such as the Core Tier 1 Ratio and Net Loan Losses. For example, the new Basel III framework signalled that a Core Tier 1 Ratio of below 7% was bad for investors since it prevented the bank from paying dividends (BCBS 2010, p. 56). In the case of Net Loan Losses, one of its frames was that the number was a measure of the credit quality of the

in the first days of the silent period, there was a storyline around the financial number Core Tier 1 Ratio in the draft Report (see Figure 7.2). This text was largely a reproduction of the preceding quarter, but with updated dates and without specific numerical values.

Figure 7.2: Early framing of the Core tier 1 ratio



Capital position (TBU by GCRM and IR)

[redacted]'s strong capital generation has led to an improved core tier 1 ratio by 2.X%, partly supported by volumes. Our focus to reduce the risks in the banks and to get more transparent and better models to price risk correctly reduced the risk-weighted assets by EUR X.Xbn.

We expect a reduction of risk-weighted assets by EUR xx-yybn between now and 2015 from roll-outs, model reviews, sources and processes. The approval for [redacted] is still pending and we still expect a positive outcome.

Reproduced from Report draft 2, p. 2, paragraph 8; redactions added.

IR team members noted that the practice of starting out with the previous quarter's Report helped to ensure consistency over time in how financial numbers were framed. Importing all the cues that linked specific numerical levels to particular interpretations made it more likely to maintain this framing over time – albeit with slight adjusts for the quarter (the details of which will be returned to in subsequent sections of this description).

> In such a large and low risk bank as [FinCo] it is always the case that it never occurs any dramatic changes in expectations from one quarter to another, rather it is x-percent up or down, which is an advantage because then each quarter we can calibrate this – the expectations picture – and that causes you to get small changes in the expectations picture. Because what we do not want is that one moment the analysts think that they will make a hundred, the second moment

bank and that it was one of the major line items of costs in the P&L, which determined the profitability of banks during times of financial turbulence.

> that they will make eighty, or a hundred and ten. A hundred and ten is better than eighty but that is not good either because it becomes such an uncertainty of what [FinCo] will make, what the earnings capacity is really. So again, what we want is to be the large safe stable alternative and therefore we work in this transparency. **(Head of IR)**

Even as a skeleton framing for portions of the Report was being drafted in the first days of the silent period, further work was already being undertaken to explicitly articulate the overarching message regarding what the quarter's financial results represented in terms of FinCo's performance.

7.1.2 Formulating a story: The overall framing of the numbers

The previous section foregrounds the early visible framing of the as yet arithmetically unknown quarterly report's financial numbers.[61] This work drew on the manner in which the Head of IR and the Senior IRO sketched out a general storyline on the first day of the silent period, as the aggregated group financial numbers were delivered to the IR team by the Group Finance function. These aggregated level numbers provided cues for the overall framing of the financial performance of FinCo. Speaking to the researcher on day 3 of the silent period, the Senior IRO explained:

> [The Head of IR and I] start by getting – the day before yesterday or yesterday[62] – some information on the quarter, on results and such […]. We get the group result and it is there of course you start. That is after all what is the final product although one might be inquiring a bit, have some question marks, about what it is that has driven it [...]. For our part, that is where we start and in the end that is the most important, the full picture. **(Senior IRO)**

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[61] That the researcher in the early days of the silent period primarily observed interpretative layers of framing is arguably in part a methodological effect, which follows from the focus on interactions involving FinCo's IR team. As a consequence, this study lacks insight into the work of linking a chain of arithmetic layers of the frames to generate different values and aggregations of financial numbers in the Group Finance function.

[62] The first financial information was sent to the Head of IR and the Senior IRO by the Group Finance function towards the end of day 1 of the silent period. This was corroborated later in the interview and by observations.

The aggregate financial numbers provided something of a circular referent in the interactions between the two senior IR team members about how to frame the performance of FinCo: serving as both cues for framing and as targets for the same. Additional cues were provided by previous and real-time internal and external predictions and communications of development trends and key metrics, as well as previous interactions between the IR team and capital market actors or corporate managers within FinCo during the preceding quarter:

> We do a first analysis of, and start to write some in our report, based on the group results; we did that yesterday in practice. I wrote some and [the Head of IR] and I have talked some, and checked if we think it appears to be true to what we think and perhaps what the expectations the market has, what estimates they have on the Q3 result. [The financial analysts] will deliver their estimates in the next couple of days, they usually hand them in around this weekend I would say. **(Senior IRO)**

With a first IR-internally iterated Report draft in place, the interaction around the financial numbers rapidly included more participants. Routinely a number of interactions took place with key individuals within the FinCo organisation in order to establish the proposed overall framing as a shared frame.

The most important site of such interactions and a key event in the internal framing work was the so-called *storytelling meeting*. Held on day 2 of the studied silent period, the meeting was attended by the Senior Management, the Head of IR, and the Heads of the Group Finance function and the Group Strategy and Business Control function. The purpose of the meeting was to decide upon the overarching framing of the quarter's financial result that then would shape how individual numbers would be understood and cued in the report.

Two main items of business at the storytelling meeting were the initial presentation of the aggregate result numbers by the Head of Group Finance, and the subsequent presentation of the early sketch of the overall framing of these numbers by the Head of IR. The Senior IRO noted that any storyline for the Report at this stage of the silent period was a moving target, since the actual values of many numbers were either not known or could (still) change.

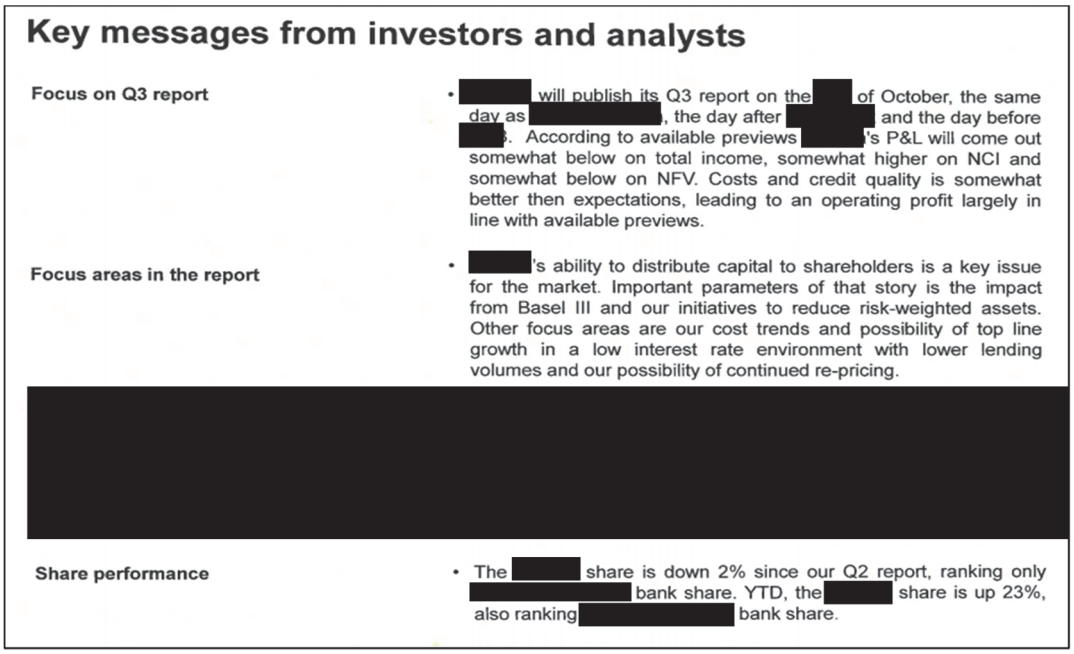
Nevertheless, the storytelling meeting was described as providing important input for how the IR team should move forward:

> Yes we try to have a structure for it, or a plan for it, already yesterday. So this we had; a bit about the view on the income, on the result, on the capital development etc. Or actually, the capital number is not entirely certain yet, but on the things we know. As I said, on income and credit losses etc. perhaps go into there. So [Head of IR] brought a suggestion on that to the meeting. At the meeting it was not so much discussion, rather they took it and thought it was OK – as long as it did not change, based on this first initial information. But it can be a lot of discussion, it depends on how uncertain it is – or how surprising it is. They discussed that on the meeting they had yesterday, senior management, and then based on that we continue the work. **(Senior IRO)**

The proposal for overall framing presented by the Head of IR in the storytelling meeting relied heavily on cues in financial analyst reports regarding the frames circulating in the financial markets (see Figure 7.3, below).[63] For example, the frame under construction needed to encompass analysts' interpretations of the Core Tier 1 Ratio regarding a proposed change in its arithmetic frame indicated by cues in the documentation on the Basel III framework that was in the process of taking regulatory effect. Anticipated changes in how the Core Tier 1 Ratio was to be calculated meant that the framing on how much dividends FinCo would be able to distribute in future years was de-stabilised. The IR team at FinCo therefore proposed that the Report should contain cues that made it easier to be (more) explicit in forthcoming interactions. This would support a (re-)stabilisation of the dividend-related layer in the frame of FinCo's Core Tier 1 Ratio.

[63] Linked to the process of knowing the audience foregrounded in Chapter five.

Figure 7.3: Proposal to consider capital market concern with dividends and regulatory impact on metrics used to calculate the Core tier 1 ratio



Key messages from investors and analysts

Focus on Q3 report	• [redacted] will publish its Q3 report on the [redacted] of October, the same day as [redacted], the day after [redacted] and the day before [redacted]. According to available previews [redacted]'s P&L will come out somewhat below on total income, somewhat higher on NCI and somewhat below on NFV. Costs and credit quality is somewhat better then expectations, leading to an operating profit largely in line with available previews.
Focus areas in the report	• [redacted]'s ability to distribute capital to shareholders is a key issue for the market. Important parameters of that story is the impact from Basel III and our initiatives to reduce risk-weighted assets. Other focus areas are our cost trends and possibility of top line growth in a low interest rate environment with lower lending volumes and our possibility of continued re-pricing.
[redacted]	
Share performance	• The [redacted] share is down 2% since our Q2 report, ranking only [redacted] bank share. YTD, the [redacted] share is up 23%, also ranking [redacted] bank share.

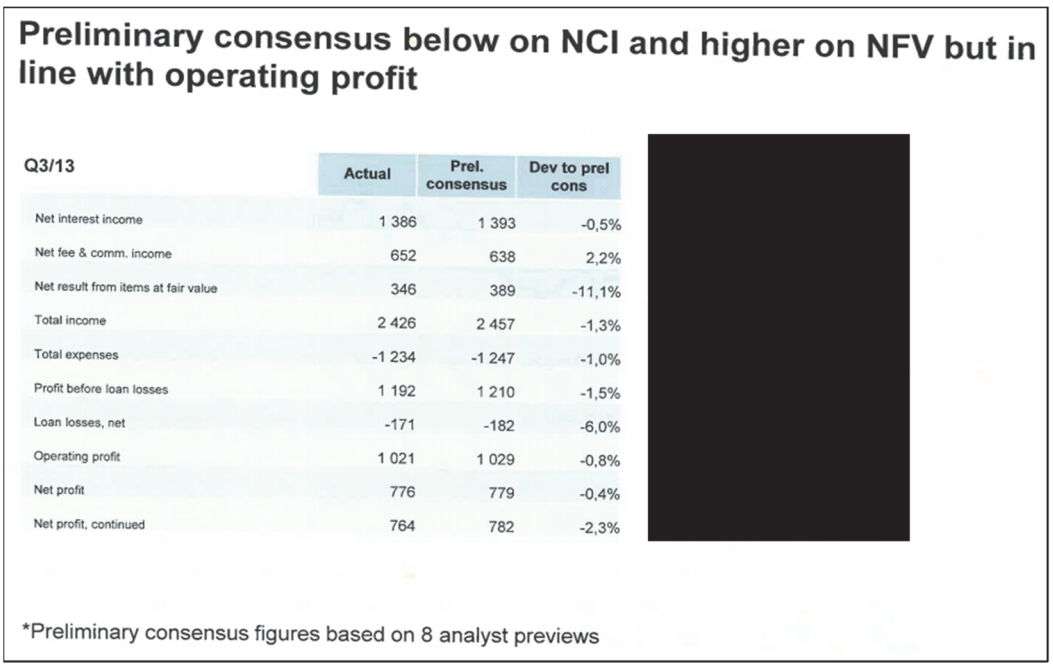
Reproduced from internal briefing by Head of IR at storytelling meeting, p. 2; redactions added.

In the storytelling meeting the Head of IR also showed a slide comparing so called 'actuals' with 'preliminary consensus' for a number of key financial metrics including the Net Loan Losses (see Figure 7.4, below). This image illustrates how the overall framing also drew on the available arithmetic versions of FinCo's new quarterly numbers and analyst forecasts.[64] The calculated 'Development to prel cons', which gave a numeric percentage value for the difference between FinCo's actual numbers and the analysts' numbers,

[64] The public consensus on FinCo's Q3-numbers compiled and published by agencies such as Thomson Reuters and Bloomberg was not available until a week after the storytelling meeting. Therefore the IR team put together the first analyst report numbers available and called it a preliminary consensus. This preliminary consensus produced a version of the financial numbers that was about to come out that built on various arithmetic frame chains of the numbers found in the analysts' (spreadsheet) valuation models. This version was then compared with the internal version of the numbers reproduced by the accounting system of FinCo (named "Actual" in Figure 7.4).

focused on the arithmetic qualities of each number's value: was it positive or negative?

Figure 7.4: Quantitative comparison between quarterly numbers to be reported and financial analyst projections of them



Preliminary consensus below on NCI and higher on NFV but in line with operating profit

Q3/13	Actual	Prel. consensus	Dev to prel cons
Net interest income	1 386	1 393	-0,5%
Net fee & comm. income	652	638	2,2%
Net result from items at fair value	346	389	-11,1%
Total income	2 426	2 457	-1,3%
Total expenses	-1 234	-1 247	-1,0%
Profit before loan losses	1 192	1 210	-1,5%
Loan losses, net	-171	-182	-6,0%
Operating profit	1 021	1 029	-0,8%
Net profit	776	779	-0,4%
Net profit, continued	764	782	-2,3%

*Preliminary consensus figures based on 8 analyst previews

Reproduced from internal briefing by Head of IR at storytelling meeting, p. 6; redactions added.

The aforementioned type of arithmetic comparison in the interactions at FinCo was a recurrent and integral part of the initial overall framing of the numbers in the silent period. Interviewees indicated, for example, that they were influential for how the cues in the sentences surrounding the numbers in the Report were phrased so that the frame proposed by FinCo could more easily be accepted by the audience. The framing process provided links to arithmetic values which were already in circulation among the audience of investors and analysts. Other comparisons were routinely produced between 'Actuals' and quantities denoting the preceding quarter, the year-to-date,

year-to-year and – perhaps most importantly, according to IR team members and senior management – the newly launched three-year plan.

The so called Financial Plan 2015 sets out expectations for the arithmetic level for various numbers in the coming three years. This plan had been communicated as FinCo's targets, a framing, to capital market actors:

> [W]e defined it this past winter as a three year plan, and this 'Financial Plan 2015' was presented on the capital markets day in March 2013. It is here for three years now. We will follow what happens along the way, but in principle this is what applies now for three years and what one should follow up on. That is our simple view on things – and it is the investors' view on things too – if management and the company committed themselves to the plan, then that is what one should follow up on. Of course there are some details that we point out here and there. But it is in principle the development of the income, the cost targets – flat costs – and how the capital efficiency is progressing, and the loan losses, of course. **(Senior IRO)**

According to the IR team, the production of *any* key numeric representation of FinCo's financial performance during the quarter must link to the levels and targets of the number in the Financial Plan 2015. In the case of the Net Loan Losses, this number was articulated to "improve" but with expectations of elevated levels in Country South and in loans to the shipping industry. The Core Tier 1 Ratio was to be maintained above 13%.

When the storytelling meeting was completed and the first few days of framing work drew to a close, an initial frame had been articulated. The proposed interpretational schema was cued by the title of the second draft of the Report: *Delivery on costs, capital and credit quality*. The notion of 'delivery' in relation to three financial dimensions linked to the results of the comparison of specific values for the Core Tier 1 Ratio, the Net Loan Losses, and a smaller number of additional metrics (see Figure 7.4, above, for a general indication of these metrics).[65]

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[65] Specifically, *Delivery on capital* forged a link to the "actual" Core Tier 1 Ratio of "somewhere above 14%" (although the exact level remained to be fixed). This was above the target level of 13%, exceeded the Q2-version of 14.0%, and also lay above the 2012 Q3-version of 12.2%. *Delivery on credit quality* drew on numbers such as Net Loan Losses of 171 MEUR, which was lower than the preliminary consensus version of 182 MEUR, lower than Q2-version of 186 MEUR, lower than the 2012 Q3-version of 236 MEUR, and in line with the target-frame of "improving". However it was some uneasiness among the IR team regarding

The overarching framing that emerged in interactions between the IR team and the senior management – encapsulated by the notion of 'delivery' in relation to the aforementioned three financial dimensions above – provided a strong cue for how to shape subsequent interactions around specific numbers within the already drafted cue-laden structure of the four quarterly reporting documents (the Report, the Presentation, the Q&A, and the Fact Book). However, in the next (temporal) phase of the silent period, the efforts to produce a representative account of FinCo's financial performance took on a different character. In contrast to the seemingly pivotal role of abstraction in conjunction with the storytelling meeting and the drafting of an overall frame, the study traced extensive anchoring in interactions between the IR team and individuals within in various functions, business areas and geographical regions of the bank. As elaborated on in the subsequent section, this study understands this anchoring as attempts to substantiate the overall frame by linking numbers to operational settings and more disaggregated numbers.

7.1.3 Anchoring numbers to ensure representation and coherence

After an overarching frame for the quarterly financial numbers had been established in interactions with senior management, the IR team proceeded with anchoring numbers such as the Net Loan Losses and the Core Tier 1 Ratio to aspects of their constitutive parts. Members of the IR team noted that it was necessary to move closer to the day-to-day operations that the numbers were claiming to represent in order to see if the arithmetic and interpretative part of their framings held up:

> [R]ight now we are in an early phase and we have just understood the group result but we are not certain on all the driving forces. We do not know, for

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this latter anchoring since the level was still considered rather high internally. Parenthetically, it was not *Delivery on income* since numbers such as total operating income of 2,426 MEUR was lower than the preliminary consensus version of 2,457 MEUR, lower than the Q2-version 2,490 MEUR, marginally higher than the 2012 Q3-version of 2,412 MEUR, and not in line with the target of "income initiatives" that indicated increases.

> example, the volume development in all segments, we have not got that compiled. So you start in this way and hope that you have the right analysis or that you have the right background material so you can do the analysis anyway. Then we start to confirm it, the first step now is that we get the business areas' material and get in the last numbers. We will probably get a balance sheet [for the group] tomorrow too, for example. **(Senior IRO)**

To delve into the drivers and component parts of specific numbers, the IR team engaged in extensive interactions with individuals from different units within the bank. A recurrent request was for disaggregated numbers and additional cues about how to understand a particular number, and much interaction took place before any supplied material was entered into the Report and the Presentation:

> [T]hey deliver quite a lot of texts with explanations and such. Sometimes we reformulate and sometimes cross out or add something. We try to spend a fair amount of time on understanding and to understand what it says, so that it is not interpreted wrongly. We try to spend a lot of time on that. Primarily it is me and [Head of IR] but also [IRO] is part of that. **(Senior IRO)**

Much of the interaction about specific numbers took place in a more ad hoc manner, and in smaller groups or two-way conversations. The Net Loan Losses was observed to be the topic of several such interactions. One example was a short exchange between the Head of IR and the Senior IRO that took place in the office. The concern was about the Net Loan Losses value for Q1 2013 that was presently included in the (ever more complete) Report and Presentation:

> **Head of IR:** Is [Country East] included in the numbers for Net Loan Losses?! I heard that from [person A], but [Country East] *cannot* be included. That would be very confusing [because Country East was divested during the year]. If [unit within FinCo] wants to include that you can say to them that they can be grumpy at me!
>
> **Senior IRO:** No, [Country East] is not included. I have heard that from [person B]. Actually, it is the case that there is an argument between [person B] and [person A] whether they should be included. But they are not.

Head of IR: Good, as long as [Country East] is not included. What will be the effect?

Senior IRO: It is 197 without removing them, or no I mean it is 197 with the [Country East] numbers removed.

Anchoring numbers such as the Net Loan Losses involved establishing links between specific calculations and proposed interpretations that would be introduced in interactions with capital market actors. This anchoring could even extend to matters such as the use of non-verbal cues when displaying specific numbers. A short illustrative example of this framing work comes from a strip of conversation between the Head of IR and the Head of controlling for one of the business areas:

Head of IR: But how confident should we be when we communicate about the credit losses, I mean body language and such?

Head of controlling in Wholesale: I do not know [tentative voice]. I am mostly thinking of the [Country West]-situation.

For the IR team a further complication was to ensure that different anchoring processes did not undermine the overall framing of the aggregated financial numbers by introducing incoherence. There was thus a two-way influence from anchoring where the overall framing was adapted by cues emerged from the anchoring to operational areas and disaggregated numbers – but also the reverse – that certain links and numbers were downplayed because they could misdirect external understanding of the overall company performance. An example is one debate within the IR team concerning credit losses, that was in itself correct but would lead to incoherence regarding the overall understanding of the company performance:

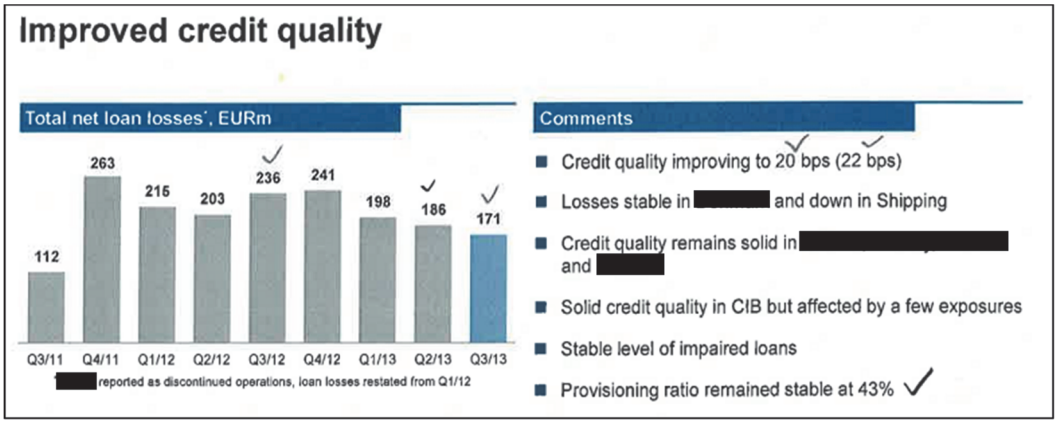
Head of IR: What is Credit doing when they write that "all areas except [Business unit]'s credit losses are excellent"? I mean, [Business unit] had massive losses. Then you cannot write like that.

IRO: Yes, it says "excellent" in the Q&A too.

> **Head of IR:** We have to remove it there too. But I will talk to her. Besides she wrote that the sale of [Country East] led to cost savings of 9 million. But that is not the case. It is just that we are *selling*, that is not cost savings. We have to change that.

As indicated in the preceding strip, the anchoring process involved linking numbers and interpretations – and then coordinating these framings at a conceptual level. There was also effort needed to manage and coordinate the various cues for the framing of the numbers set out in the four documents. One area where cues were extensively iterated was the Q&A, which was intended for internal use only when senior management or the IR team interacted with capital market participants. Cues in the Presentation could also be affected. Figure 7.5, below, is a marked up example of the Presentation with cues to frame the 171 MEUR number of this quarter:

Figure 7.5: The Net loan losses numerically, graphically and textually situated for verbal presentation to investors and financial analysts



Reproduced from Presentation draft, slide 12, mid-section; redactions added. The pencil check marks in the diagram are proofing notes when the numbers in the slide were checked against the numbers in the Report during the drafting.

The process of anchoring the Net Loan Losses number for the quarter found that the framing of the number did not include the Net Loan Losses from operations in Country East, which had been divested during the previous

quarter. This prompted work to reframe the other, historical values presented alongside it in arithmetic terms (see Figure 7.5, above). A failure to restate the arithmetic frames of the previous quarters' Net Loan Losses number posed a potential threat to the overall framing cued by the graph in the figure which indicated a downward trend in the number. One can note with interest how the addition of specific cues made visible this reframing, such as an asterix next to the graph heading and an explanatory sentence commenting about the component parts of the arithmetic values presented in the graph at the bottom of the slide.

Many interactions with multiple iterations characterised the successively more precise framing of the Core Tier 1 Ratio, one of the financial numbers whose specific arithmetic level was set very late in the silent period. One important contributing reason for this was that this number's calculation relied on the calculation of numerous other financial numbers. Below is a dialogue in the office of the IR team that illustrates how this caused the framing of the number to remain at a rather vague level until it could be properly anchored in relation to its component parts:

> **Head of IR:** [CFO] has a meeting with [person D] at four.[66] Then we have to think about how we brief [the CFO] on how we will communicate on capital and approvements.
>
> **IRO:** Yes but we have to keep it on a low level of detail because it changes all the time.
>
> **Head of IR:** Yes exactly, it is completely up in the air. So it is better to keep it general so we do not have to take things back that we said earlier. But we have to anyway think about it.

It is relevant to note how the anchoring of the Core Tier 1 Ratio concerned itself with seemingly minute changes in cues to enact the framing. Below is a dialogue between the CRO, the Head of Capital and the Senior IRO in the meeting on capital ratios. The exchange concerns the credit quality of the loan portfolio that underlies the risk-weighted assets in the Core Tier 1 Ratio:

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[66] Person D was involved in the oversight of the Report and therefore insider listed to be able to take part of unpublished price-sensitive information.

CRO: Are we on plan with what we said on the CMD [Capital Markets Day]?

Head of Capital: No, we are not because [lengthy explanation invoking internal numbers to support the claim].

CRO: OK, then I suggest we specify in the report that – instead of what we write now; 'migration is largely stable for both corporate and households'; – we write 'migration is overall stable but negative on the one and positive on the other'.

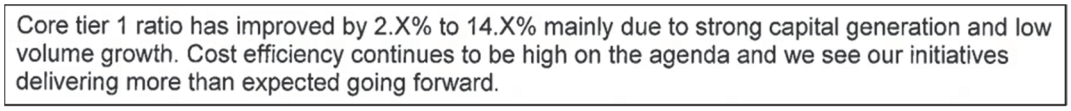
Senior IRO: Yes, but in Q2 we said 'stable effects from migration' in both, it could be good to stick to that message?

CRO: OK, let us keep it as it is.

The continuous anchoring work by the IR team and its small but successive changes in the overall framing of the Core Tier 1 Ratio emerged in the succession of drafts of the Report. This intensive work on the part of the IR team was about finding the 'right' cue to make a number representative of the organisational reality. Minute changes in wording could be perceived to have very large framing effects, as the frame later was re-enacted among the capital market actors. Below follows snapshots from different drafts of the report to illustrate this important characteristic of the cue-production process related to the framing of the Core Tier 1 Ratio.

The first version of the cue structure of the Core Tier 1 Ratio is from the draft of the Report completed immediately following the storytelling meeting with senior management (Figure 7.6, below). As previously discussed, this was the meeting where an overarching frame, cued by 'Delivery on capital', was launched. Note the wording of the explanation for the specific value – or rather, the placement and formulation around the abstract placeholder.

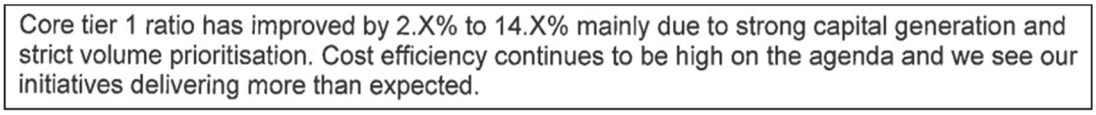
Figure 7.6: Initial wording in the paragraph on the Core tier 1 ratio in the preamble of the Report



Reproduction of Report draft 2, p. 1, paragraph 2.

In the preceding image, the cue for the framing of the number was in place even though the precise arithmetic value of the number was still unknown. However, after a few days of interactions, the cue was slightly altered in the third draft of the Report (Figure 7.7, below).

Figure 7.7: Revised wording in the paragraph on the Core tier 1 ratio in the preamble of the Report



Reproduced from Report draft 3, p. 1, paragraph 2.

Notice the change in the explanation. Rather than 'low volume growth', the Core Tier 1 Ratio was now a result of 'strict volume prioritisation'. According to interviewees, this change in wording followed interactions with other units in the bank where the IR team found that the improvement of the Core Tier 1 Ratio in terms of volumes was not simply an *effect* but could be traced to *efforts* within the bank. This was deemed important enough to include in the overall framing of the number. It was this type of internal work of finding or adapting cues to allow for a very precise framing that gave the number its ability to be representative and understood by persons outside the organisation.

The above change in framing of the number might seem trivial – but in the context of the FinCo quarterly reporting cycle it was deemed important enough to warrant the Head of IR to do a briefing on the next meeting with senior management. At this briefing, in the week following the storytelling meeting, the Head of IR showed the following slide.

Figure 7.8: Proposed change in the wording of the paragraph on the Core tier 1 ratio in the preamble of the Report

Page 1, second paragraph, changed to:
"…and strict volume prioritisation. Cost efficiency continues to be high on the agenda and we see our initiatives delivering more than expected."
["going forward" deleted]

Reproduced from internal briefing by Head of IR at senior management meeting, p. 4, paragraph 2.

Senior management approved this change and the framing work continued. In a subsequent late-stage draft that was sent to the FinCo Board of Directors, the arithmetic level of the number was (finally) fixed. The Core Tier 1 Ratio for Q3 could be entered as 14.4% in place of the long-standing 14.X%. Thus, the increase number 2.2% could replace 2.X%.

Yet this was still not the end-point in the framing journey of the Core Tier 1 Ratio in FinCo. The Board decided to change the formulation in the Report from 'strict volume prioritisation' to 'strict volume discipline'. Below we see an extract from the published Report with the final cue for the framing of the Core Tier 1 Ratio (Figure 7.9, below):

Figure 7.9: Final wording in the paragraph on the Core tier 1 ratio in the preamble of the published Report

Core tier 1 ratio has improved by 2.2 %-points to 14.4% mainly due to strong capital generation and strict volume discipline. Cost efficiency continues to be high on the agenda and we see our initiatives delivering better than expected.

Reproduced from Report final, p. 1, paragraph 2.

This example of the Core Tier 1 Ratio exemplifies the successive, iterative and interlinked elaboration of specific numeric values and their characterisation and explanation. The example of the Core Tier 1 Ratio also highlights the follow-on effects of anchoring specific numbers to substantiate the overall frame by linking numbers to operational settings and more disaggregated numbers.

In the following section, we leave the silent period and the backstage region of FinCo. The quarterly report will go public – and new interactions now take place front stage around the financial measures.

7.2 Front stage: Episodes of the consumption of cues

The silent period was followed by the quarterly roadshow period. This started on the day that the quarterly report was released (Q-day), and continued for a few weeks. During the quarterly roadshow period senior management travelled with the IR team to meet and present the quarterly result to investors and analysts around the world. These so called roadshows, where investor meetings took place off-site, were organised and hosted by an investment bank.

In this section the account of the work at FinCo to create and present a specific numerical representations of the company's quarterly performance will therefore move into the front stage regions of this work. More specifically, the account will show how this part of the work was characterised by the use and *consumption of cues* to enact the specific framing of the numbers established in the backstage work treated in the previous section.

The front stage section is divided into three parts. The first part will treat interaction in the public sphere such as the international investor conference call presentation with its subsequent Questions and Answer (Q&A) session. The use of cues to enact a particular understanding of the numbers in this time and place will be in focus. The second part will move to interaction in the private sphere, in one-to-one meetings with investors, and focus on the use of cues to adapt framing work to a specific counterpart with a certain set of pre-knowledge regarding the numbers. The final part will round off by

illustrating how the cues continued to circulate among the capital market actors after the completion of the quarterly reporting cycle.

7.2.1 Bringing the framing of the numbers to the capital market

The Report was released at precisely 07.00 am (FinCo headquarter local time) on Q-day, when the IT IRO punched the button on his keyboard to publish the document on FinCo's corporate webpage. According to interviewees, releasing the Report well in advance of the opening of the stock market was to allow investors and analysts to read and interpret FinCo's financial performance *as it had been framed* before any trading took place. Q-day then continued with a rapid succession of meetings and presentations, including a 10.00 am press conference for the general media and the 12 o'clock lunch with the senior management and selected investors at corporate HQ. A key ingredient in this lunch meeting was the Presentation talk, which the CEO then also delivered to a wider group of investors and analysts on the international telephone conference in the afternoon.

We join this telephone conference as the CEO began his talk. Linking back to the formulation of the overarching framing made in the storytelling meeting, the basic message that was put forth was that FinCo was "delivering on the plan". However, as the following excerpt illustrates, there was a general lack of specific financials numbers. Indeed, the numbers were downplayed in relation to the strong abstract "delivery"-message which was put forth as an overarching interpretation for the particulars of FinCo's performance:

> Thank you very much, and welcome to this call. We will do it briefly because by now you have all seen the numbers, so I will talk a little about our plan going forward. *But the key message today is the reality that we are delivering according to our plan*.
> **(CEO at international telephone conference, author's emphasis added)**

The above strip shows that the CEO exerted work by terms such as "the key message today" in order to establish the internal cue "delivered" into a cue also in this external setting. It highlights the difference why some words were simply daily language use, while others functioned as *cues* in the company-

capital market interaction. While emphasis was one part of the work to establish cues, the other part was repetition as can be seen in the continuation of the above strip below:

> Income is up, costs are down, RWAs are down, and we build the Core Tier 1 to 14.4%.[67] *So, all in all, we are delivering according to the plan.*
>
> *So, I will not take you through the numbers, but rather go to the slides where we present how we delivered on the plan* and give a bit more flavour to this, and this starts on page 20, where we just reiterate our targets. And then, the initiatives – the capital initiatives, income initiatives, cost and risk initiatives. **(CEO at international telephone conference, author's emphasis added)**

Furthermore, what is visible in the above strip is that although the point of the conference call was to present the quarterly numbers, the CEO interaction was not about the numbers but rather to convey a particular understanding of the numbers.

In a similar fashion, the manner in which CEO later spoke of the Net Loan Losses closely mapped onto the specific – yet still overarching –framing of this number as previously articulated in the storytelling meeting and visually set out in the Presentation document to which the CEO was speaking (see Figure 7.5, earlier):

> Loan losses have come down and *we are saying that shipping is very low and we see clear improvement in shipping*. We also see good underlying development in [Country South], but still some credit losses in these quarters, but the underlying development is positive but could show more confidence in house prices. **(CEO at the international telephone conference, author's emphasis added)**

But not all numbers were treated thusly. The Core Tier 1 Ratio value of 14.4% was the only specific numeric value that the CEO mentioned in his introductory remarks (see above). Later during the telephone conference, the framing of this financial number was further elaborated on and explained

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[67] RWAs means Risk-Weighted Assets and is a number in the denominator of the Core Tier 1 Ratio, and it is a measure of the default-related risk of a bank's assets on the balance sheet.

through references to corporate targets, specific regional conditions and regulatory requirements. The specific Core Tier 1 Ratio – whose value and interpretation was fixed after so many iterations – was now placed in relation to other representations of FinCo:

> First of all, *we reiterate our capital target of above 13%*. Nothing much has changed except the fact that some countries have warned that they will put in a counter-cyclical buffer from the beginning. So, our blended minimum margin with a systemic risk profile and capital conservation buffer still adds up to something like 11.3% in that area. Counter-cyclical is uncertain. Some countries have said they will and some will not, so an average around 1%, 1.5% is possible here.
>
> And then, our Pillar 2 add-on, which we do not know the full effect of, we have – now we know some of it, but not all.[68] But third, we believe that 13%, maybe 13.5% is not all wrong, and that will probably be our planning assumptions.
>
> So, we have built 14.4% capital, as you see, 220 basis points in a year. *When we then adjust this for the [Country West] risk-weighted and the CRDIV effects, when they come, then we have a fully loaded Basel III today at 13.4%*.[69]
>
> We still have our initiatives on plan and *we are also here delivering according to our plan* and all the things we are doing, our many efficiency initiatives, our very standard risk initiatives, and so we still have a pro forma guidance now around 15% to 16%, including these initiatives, excluding profit and everything.
>
> And we also repeat the slide on page 23, now updated, of course, that *we have built significant capital* and, as you can see, we have during recent years built quite a lot of capital, also paid out dividends, and now the room for dividends is, of course, increasing as we approach the capital level we need. So, *dividends is very likely to go up this year* – for this year, a decision we will take in the beginning of

[68] "Pillar 2" refers to a part of the regulation of financial institutions set out in the Basel II and the then new Basel III frameworks by the Basel Committee on Banking Supervision that determined how the Core Tier 1 Ratio should be calculated (BCBS, 2006; BCBS, 2010).

[69] "CRDIV" was an acronym for the European Capital Regulation Directive IV (legislative package of Directive (2013/36) and Regulation (No 575/2013). The CRDIV would replace the Basel II framework by the then new Basel III framework in European legislation. Basel II and Basel III differed slightly in their prescription of how the Core Tier 1 Ratio should be calculated.

> the new year. **(CEO at the international telephone conference, author's emphasis added)**

As we will soon see, the Core tier 1 ratio's specific numerical value and its implication for dividends and other matters soon took front stage in the Q&A session of the conference call. Giving participants the opportunity to ask questions was routine practice; the contents of the Report and associated documents, as well as activities around the Q-day, were routinely probed in interactions by capital market actors. In such situations, participants may pose questions about the interpretation of specific numbers. One example of this is the following exchange where the CFO was asked to elaborate on which numerical value of the Core tier 1 ratio should be used to evaluate whether FinCo was on target in its performance:

> **Analyst 1:** Yes, hi. Good afternoon. Two questions, if I may. The first one on the capital. You obviously present what the number of Core Tier 1 ratios. *What is the actual figure* that you are looking at when you [inaudible] and what *we should look at when we compare to the above 13% target*, at least in the fourth quarter? If you could shed some light on that, that would be great.

The analyst was contesting the arithmetic part of the Core Tier 1 Ratio framing by saying "What is the actual figure." This was because of the shift between the two different arithmetic frames of – manners in which to calculate – the number set out in Basel II versus the Basel III frameworks that was currently taking place. The analyst did not believe in the corporate participants' arithmetic frame of the Core Tier 1 Ratio that produced the numeric value "14.4%."

The CFO response in the below strip start by implicitly invoking the "strict volume discipline" cue (see backstage section) to frame the number when he said "we are working hard on the capital and the requirements." However, then he tries to anchor the new arithmetic frame of the Core Tier 1 Ratio – and its inability to produce a clear numerical value at this point – by using cues from the regulation and the environing regulatory world of FinCo operations:

> **CFO:** Yes, I think *we are working hard on the capital and the requirements*. The tying point is, as said, that we think the formal capital requirement for [FinCo] is around 11.3%. And then, we have a number of uncertainties – we have uncertainties and *systemic risk buffer calculation*, we have on *counter-cyclical buffer*, we have on Pillar 2 treatment, and then we have some *pending approvals*, which is quite important, of course, for our capital efficiency initiatives.
>
> So, for prudent reasons you can say that we think *we will maintain the capital policy of 13%*; however, we will, until we have more clarity on all of these issues, we will target a Core tier 1 level somewhat above 13%. It might be around 50 to 100 basis points higher than the 13%, which we can then scale up and down as we get more clarity on these outstanding issues. **(Author's emphasis)**

Examples of the cues he used was "systemic risk buffer calculation", "counter-cyclical buffer" and "pending approvals" that stood in for important layers or aspects of the new arithmetic frame of the Core Tier 1 Ratio. These were cues because they had been established to be so in interactions regarding the Core Tier 1 Ratio calculation by regulators, the banks and involved capital market actors. The CFO then tried to frame his overall response by linking it to the arithmetic target-frame of the number of 13%, conveyed at the company's most recent capital markets day, as still valid. In other words, arguing that the overall framing of the performance by "delivery on capital" still held up.

However, the CFOs attempt at achieving a shared understanding failed as seen in the analyst response:

> **Analyst 1:** But where do you believe you are, and *what is the real Core tier 1 ratio we should look at the kind of 14% target?*
>
> **CFO:** That is what I am saying. The target we are operating with, as we are waiting for more clarity, is something above 13%. It is more in the area of closer to 14%. **(Author's emphasis)**

For the analyst to ask about the "real" Core Tier 1 Ratio arguably constituted a test of the framing of this financial number. The short exchange of analyst question and CFO response in this last part of the strip could be seen as a mild case of frame breaking since a shared frame of the number was not

sustained in the interaction. The CFO became less polite and more direct in his communication through his statement "That is what I am saying" in an attempt to control the situation. However, in terms of the situational roles played by the two parties in typical Q&A sessions – that functioned as an important part of the framing work of the numbers to reach shared understanding – the exchange was not 'breaking the frame' but rather more of a typical role-play (cf. Goffman, 1974, pp. 378-438, on the manufacture of negative experience in framing).

The use of specific cues linked to the overarching framing of FinCo's performance – in this case the much discussed characterisation of the Core Tier 1 Ratio as the result of "strict volume discipline" (see Figures 7.6-7.9 earlier) – can also be observed in the following exchange between the Head of IR and another analyst:

Head of IR: I am sorry, the second question was?

Analyst 2: It was a related question, because when I look at the overall size of your balance sheet, total assets has come down since 2011 to 2012, and now by about the same amount of your derivative portfolio came down. I know there is lots of other moving parts as well, but that seems to have been a big driver of the reduction, your total asset size. And I know the main regulatory metric is risk-weighted assets. I am just wondering how much more kind of GAAP asset optimisation you can do outside derivatives in your balance sheet.

Head of IR: Well, *I think that we have been extremely strict on what we call – on the volume discipline,* so we have been extremely strict on using the capital and using the balance sheet […] we have been repricing significantly. And I think it is fair to say that we have more now of a normalised balance sheet. From here I think it would be fair to expect volume as a driver – which was a kind of negative driver for income in 2013 – will be a slightly more positive driver of income in 2014. And therefore, you can also say that the balance sheet will probably more or less grow in track with that from here.

Analyst 2: Right. **(Author's emphasis)**

As seen above, the Head of IR delivered the cue that had went through so much work to enact a precise framing of the Core Tier 1 Ratio in the backstage work in the start of his answer. Thereafter, he elaborates on what the operational activities that lay behind this cue were and what the implication for the Core Tier 1 Ratio that the cue stood for such as "a normalised balance sheet" and "expect volume to be a driver". These latter were cues in themselves but on a different level of detail in the framing. The preceding strip thus highlights both the reiteration of specific wording developed during the framing process in the silent period, but also how questions and answers became a form of anchoring process of the financial numbers linking them to operational phenomena.

Another example of such publicly visible anchoring from the Q&A session concerned the Net Loan Losses, specifically the shipping exposure that was cued as a contributing factor behind the trend of lower Net Loan Losses (see also Figure 7.5, earlier):

> **Analyst 3:** OK. And *my final question was related to your shipping exposure, saying that things are moving better*. My question is if you have seen some rates improved? Does this mean that your clients are now facing a situation where they do not burn cash any longer but it starting to become cash flow negative, or is this too early?
>
> **CEO:** Still *in the tanker market*, possibly tanker market, some customers are still burning cash. But it is – the rates are not declining anymore, so there the bottom has been reached, according to our understanding and observations. But not all of the shipping companies are performing well in that segment. […].
>
> **Analyst 3:** *What about bulk?*
>
> **CEO:** The bulk side has recovered somewhat more, so that then we have a little bit better situation. And now we do not have this kind of pipeline, with many customers who would be a problem in that segment.
>
> **Analyst 3:** That is great. Thanks a lot. **(Author's emphasis)**

This exchange between the CEO and the analyst illustrates how, although FinCo is a *bank*, the work by analysts to anchor the specific financial numbers shifted the conversation to a level of operational activities and circumstances

perceivably far from the world of financial institutions, focussing on bulk shipping and tankers. The reason it did so was because links between the Net Loan Losses and the shipping industry had been anchored as something this number was particularly representative of, and therefore vital to the understanding of the number. The cues in the report and the speech therefore make visible the chain of cognitive reasoning of causal links between numbers and reality – the anchoring – that was an important part of the process of framing in order for numbers to be a representation *of* something and not simply an abstract arithmetical entity devoid of meaning.

The press conference, investor presentations, the conference call and the ensuing Q&A session with questions asked from members of a large audience and responses given to an audience of listeners can be considered a space of fairly structured interaction. In the next section we are going to look at interactions with smaller participant groups that routinely takes place after Q-day during the roadshow period of the quarterly reporting cycle.

7.2.2 Moving between layers of framing

The day following the public release of the Report senior management representatives of FinCo undertook a roadshow to London, hosted and organised by a major international investment bank. The roadshow was held to allow for private one-to-one[70] meetings with large London-based institutional investors. The meetings were held on the conference floor of one of central London's better hotels. They were organised along three tracks with the CEO and the senior IRO in one room, the CFO and the Head of IR in a second room, and the CRO and the IRO in a third room. The meetings unfolded in a similar fashion. They lasted fifty minutes and the participants were the two FinCo representatives and the fund's portfolio manager or buy-side analyst with one or two of her/his junior colleagues.[71]

The investors came in, exchanged formal greetings and business cards with the FinCo representatives, and then sat down on the opposite side of

[70] One-to-one in capital market interaction often refers to one organisation to another rather than to one person to one person.

[71] And the Author, seated next to the FinCo representatives.

the table. The investors took out notepads or computer tablets for note taking, where they also had prepared a list of questions. The IR representative had a binder with the four documents (Report, Presentation, Q&A and Fact Book) in front of her or him together with pen and pad for note taking as well.[72]

The meetings were driven by the questions from the investor. Given this format, it was remarkable how similar the set of questions across the observed meetings were.[73] Below follow four versions of the question on how the numerical level of Core Tier 1 approaching its target level should be interpreted in terms of the level of dividends for the coming year(s).

Meeting 1:

Chief investment officer: Is it your intention to pay out all retained earnings beyond that which is necessary for Core Tier 1 and the additional levels?

CRO: Yes, but there are also other aspects to consider.

Meeting 2:

Buy-side analyst: Do you think it is progression in pay-out or capital generation that is coming?

CEO: I have not decided yet.

Meeting 3:

Buy-side analyst: How will you do with dividends if you get approval on the new risk-weighted assets?

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[72] This was true for all three tracks as the Author alternated between observations of the three tracks throughout the day.

[73] The standardised trajectories of roadshow meetings is well acknowledged by practitioner literature. One practitioners' handbook has even included an advice section titled "Road Show Boredom." The section is "pointing out the extraordinary boredom of the process" since "Most of the time, you are responding to questions that you have heard dozens of times before" (Bragg, 2012, p. 243).

CFO: We will get approval. It is just a matter of discussion until we will get it.

Buy-side analyst: How will you communicate on this, in Q4 or between?

CFO: We have to communicate as soon as we know. […] we are operating on a capital requirement that is higher than the regulatory minimum. […]. So we are confident that we will increase our pay-out ratio.

Meeting 4:

Portfolio manager: So when you reach your capital targets, what will your pay-out ratio be? 70% or?

CFO: Yes we will pay out, but the level I cannot say at this point.

The FinCo representatives anticipated this question, as it was brought into the discussions in the storytelling meeting by the IR team in the early phases of the silent period previously (see Figure 7.3, earlier). The Report did not contain any information on this matter however. Two reasons for this was firstly that it still remained unclear as to what precise level the Core Tier 1 Ratio would be recalculated into when the Basel III regulation and the expected regulatory approval for the internal models for the calculation of risk-weighted assets would be in place. Secondly, and the more important reason was, that even despite the fact that the FinCo representatives had a fairly precise understanding of what the new numerical level of the Core Tier 1 Ratio would be they were still involved in internal discussions as to what it would mean if the Core Tier 1 Ratio reached its target level. The discussion among the senior management was whether to pursue operational opportunities by investing or to pay out all of the excess capital accumulated.

In other words, this latter reason was because the particular dividend-related layer of the framing of the Core Tier 1 Ratio had not yet become a shared understanding among the FinCo members. The corporate participants had therefore chosen to omit this part in the Report pending further internal interactions on the issue.

However, although the issue was not explicitly addressed in the Report, the IR team recognised that it was important for investors to understand the

implications of the reported Core Tier 1 Ratio. An answer to this question was therefore prepared and included in the Q&A document. Two versions of a response was set out, depending on how the capital market actor posed the question. The first was if the question was asked from the perspective of the Financial Plan and the targets FinCo had espoused at the CMD in the spring (see Figure 7.10, below).

Figure 7.10: Dividend policy message in response to questions on the Financial Plan and targets

> Dividend policy remains unchanged with a pay-out ratio of at least 40%. Excess capital is expected to be distributed to shareholders.

Reproduced from Q&A Final, p. 27, subsection Capital Policy.

The second version was if the question was asked from the perspective of regulatory concerns (see Figure 7.11, below).

Figure 7.11: Dividend policy message in response to questions on regulations

> [redacted] is a well-capitalised bank and one of very few [redacted] rated banks. [redacted] will be compliant with the CRDIV with a maintained dividend policy.

Reproduced from Q&A Final, p. 28, subsection Capital, paragraph 1; redactions added.

The responses of the corporate representatives in the four examples above departs from both versions seen in preceding exhibits (see Figures 7.10-7.11, above). However, they are similar in that they all try to bracket away the dimension of the level of future dividends from the discussion regarding this quarter's reported Core Tier 1 Ratio. The FinCo participants repeatedly employed this mechanism of steering clear from certain aspects of the financial numbers under discussion, albeit often in much more subtle ways than the example shown above.

This 'bracketing' mechanism was an important part in order to be able to create a structure of cues to enact a particular framing of a number even though one particular layer of the framing – such as the example above with dividends – was underdeveloped in the internal framing work. Bracketing thus allowed for cues to be placed around the bracketed part and produce an expression of a framing in speech or text irrespective of missing elements.

In the meetings observed it was often a similar case of the issue not being thoroughly clarified internally and therefore not featured in any public communication, rather than it being a case of intentionally trying to omit circumstances that would be unfavourable for FinCo when bracketing mechanisms were used. Members of the FinCo IR team emphasised that it was crucial to always answer questions and to address potentially negative information:

> Sometimes they ask questions we want to answer but sometimes not and then we bridge them over to our message. However, it is always very important that we answer their questions and address their concerns; they should never feel that we are avoiding. […]. Because if you do not take them seriously then we risk to loose their confidence and then they sell their shares, or rather, they do not buy. **(Head of IR)**

However, the manner of answering such questions and the precise wording of responses was – as has been shown – a matter of extensive prior work regarding cues to enact a precise framing, including bracketing what precisely the number was understood to represent and not.

A second mechanism in cue structures but with the opposite effect was also often observed in the meetings. Particularly related to certain non-disclosed sub-calculations or future levels of the reported financial numbers. The mechanism was the use of placeholders. The following phrase used by the CRO in meeting 1 provides an example: "I cannot give you a number but […]". A phrase such as this allowed the FinCo participant to discuss a particular circumstance of a number without actually disclosing it to the investor or if the exact level of the number was not established yet. Thus if the investor participant asked 'Will Net Loan Losses decrease by [X] per cent in Q4?' The placeholder term 'I cannot give you the number but' allowed the FinCo participant to follow it by saying for example 'We believe it could be in that area but you should also consider [XYZ] in this.' Or if the question was posed

in less specific terms such as 'How will Net Loan Losses develop in the coming periods?' the placeholder term would allow the FinCo participant to discuss it in terms of for example 'We believe it to be slightly lower due to [XYZ].'

Placeholders were thus a necessary part of a cue structure to enact a framing of a number when the particular arithmetic value of the number was either not precisely known or not possible to release to the market yet while the layer of the overall framing the number represented was still deemed important by the participants to bring into the discussions to reach understanding.

If the set of investor questions was a feature that made the conversation in the meetings more similar, another feature that made them more differentiated was the level of prior knowledge of the particular investor met with in the meeting. The shorthand answers to the questions were generally similar across meetings with minor variations as illustrated by the dividend policy example above. The difference lied instead in what preceded or followed these answers.

If the investor gave signals that she or he had a low prior knowledge of the specific financial number and FinCo through their use of certain cues (or lack thereof in questions), the corporate participant would situate the shorthand answer much more by bringing in general issues such as for example what type of operations FinCo engaged in compared to its competitors to increase the investor's understanding of the number. An example is given by the CFO in meeting 4 below:

> **CFO:** Yes, but we are on a large strategic shift towards being a universal bank. We had no corporate banking five years ago. Now we are better […]. We lie between [Competitor A] that is mainly a retail bank, and [Competitor B] that is mainly a corporate bank, while we are both.

It could also be to add general information on the regulatory environment to the answer. An example is given below by the CRO in meeting 1:

> **CRO:** It is because the regulators have their own discussion that is not done yet. It is not because our models are not good. The problem is that we are such a large bank operating in several countries and the countries have not agreed yet.

This type of more sweeping situation of answers to the questions did not take place in meetings with investors indicating they had extensive prior knowledge. One way prior knowledge would be manifested was their use of FinCo reporting cues in their questions related to the numbers. In those cases the answers by the corporate participants moved in the opposite direction, more into details of the numbers asked about. They also tended to be much more technical and numerical, bringing in sub-calculations to the particular number or talk about shifts in underlying driving factors that both parties in the conversation appeared to already be aware of. An example is given by the CFO in meeting 3:

> **CFO:** [Country North] is. Yes slower, but the loan book looks OK. On the macro aspect it is actually improved. It is up from negative figures. […]. We monitor it carefully but we are remaining with a stable view.

The cues of the level of investor knowledge regarding the particular financial metrics and FinCo came through a variety of sources into the meeting. One source, albeit indirectly observed, was through investor profiles put together by the hosting investment bank and provided to the FinCo participants.[74] Under the section "[Name of hosting investment bank] Customised Investor Information" the investment bank officials had put down their analysis of the fund manager's or analyst's prior knowledge of FinCo along with probable topics that would be asked during the meeting. An example of a profile indicating extensive prior knowledge can be found below for the buy-side analyst in Meeting 2 of a fund holding $130 million in FinCo stocks on the last quarterly count prior to the meeting:

[74] The profiles were submitted a few days before the roadshow to the FinCo IR team. The content in the profiles was checked by the IT IRO and could be complemented with information FinCo had stored in their database on past meetings with particular investor representatives or funds.

Figure 7.12: Host investment bank customised investor information for CEO and Head of IR for meeting 2

- [Fund name] have had a long-standing interest in the Scandinavian Banking sector over the last three years although their investments have been concentrated in [Competitor A], [Competitor B] and [Competitor C].
- However, this changed earlier this year with [FinCo] taking over as their main holding not just in Scandinavia but across the whole European banking sector.
- The meeting will be hosted by [buy-side analyst name] who is the analyst responsible for the Scandinavian Banks.
- He knows [FinCo] very well he will want to go through the operational trends as well as gain a deeper understanding of the balance sheet in order to get more comfort in the dividend potential .

Reproduced from Team CEO Roadshow investor profiles, p. 7; redactions added.

The phrase "He knows [FinCo] very well" in the profile cued to the FinCo participants on what level to have the discussion regarding FinCo's numbers. This can be contrasted with the profile below for the portfolio manager in Meeting 4 for a fund also holding $130 million in FinCo stocks on the last quarterly count that indicated that he was not very familiar with FinCo:

Figure 7.13: Host investment bank customised investor information for CFO and Head of IR for meeting 4

- The reason for the meeting is to understand the fundamental drivers and market trend and to better understand the operational performance of the company.
- They have focused on the financials sector for some time but want to get a better understanding of [FinCo]

Reproduced from Team CFO Roadshow investor profiles, p. 10; redactions added.

Here the phrase "want to get a better understanding of [FinCo]" in the profile indicated to the CFO and Head of IR that the same questions asked as in previous meetings would need to be explained on a different level of detail

than in meetings with others that had a longer history following FinCo's financial performance. In this respect the profiles served as cues to the FinCo representatives as how to engage with the particular investor to be met with.

However, the investor participant herself or himself proved a more direct observable source in the meeting of cues to her or his prior knowledge. During the greeting phrases the investor participant would routinely mention if he or she had been a shareholder for a long time or if they were new to the company. If the person had met with IR or management on prior occasions this would be mentioned too in the introduction talk by the investor participant at the start of the meeting. The introduction talk cited below by the portfolio manager in Meeting 4 controlling $130 million worth of FinCo stocks can serve as an illustration:

> **Portfolio manager:** I must commend you on the exceptional clarity of your Q3-report. I found it most useful when I was reading up on you. I am a new shareholder to [FinCo] and so I do not know so much about the bank at this point. […]. Do you mind giving me the numbers of what you achieved in 13 [i.e. 2013] and going to achieve?

Cues could also come in the investors' choice of some intermediate questions in between the standard set of questions that appeared to be the main interest of the investors. For example in meeting 1 the following exchange was observed between a portfolio manager holding $500 million in FinCo stocks and the Financial CRO:

> **Portfolio manager:** Could you walk us through on the capital side? I mean it is so many numbers and what is included or not and where.

> **CRO:** Well, it is not so complicated anymore […]. The Core Tier 1 Ratio will end up above 13% but below 14.4% when we recalculate to Basel III.

By posing this question the portfolio manager further strengthened the cue in the provided investor profile over the portfolio manager's team of "They are generalists so more big picture interest than nitty gritty details". This made the CRO aware that in order to convey a particular understanding re-

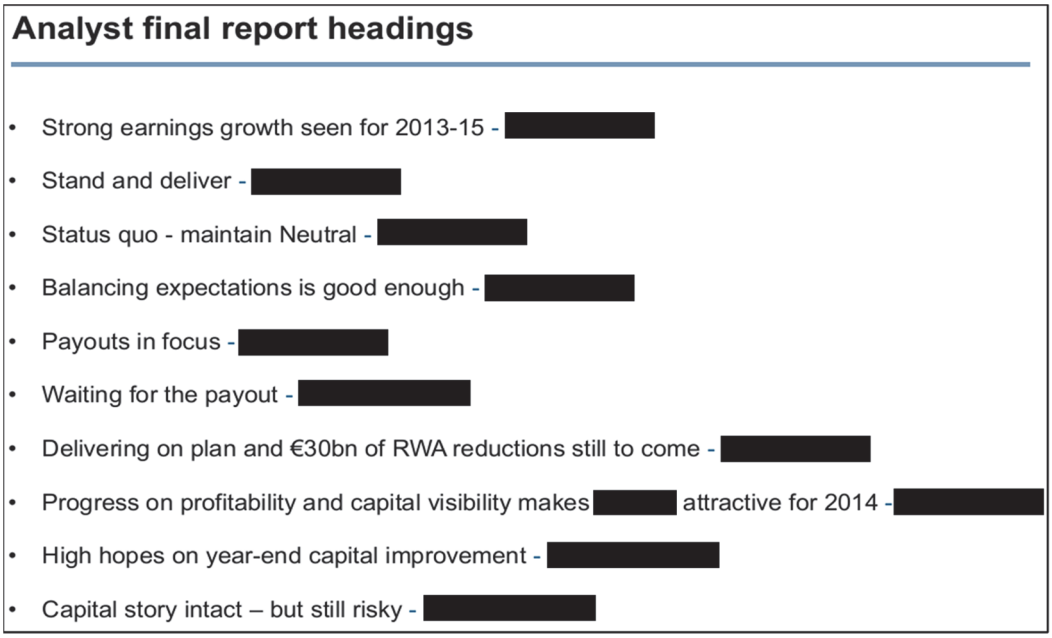
garding the financial numbers he had to situate answers and discussions surrounding numbers such as the Core Tier 1 Ratio and the Net Loan Losses in terms of more general aspects of the business rather than delving deeper into details of sub-calculations or technicalities of the operations inside FinCo.

A final observation regarding this phase of the quarterly reporting cycle was that although the investor participants generally had the first opportunity to shape the discussion to be had surrounding FinCo's quarterly financial performance through the questions they asked, the degree of freedom for FinCo representatives to convey particular understandings of financial numbers was substantial. Oftentimes this freedom came from the generality of how the questions were posed. For example regarding the Net Loan Losses, the two recurring questions posed was often phrased in terms such as "Can you tell me about the [Country South] situation?" and "What is happening in shipping?" i.e. inherently open-ended questions. This allowed the FinCo participant to bring in what he or she thought was relevant given this particular counterpart in the meeting to bring about the particular understanding regarding the Net Loan Losses that had arisen inside FinCo during the silent period of the reporting cycle. Furthermore, all observed meetings ended with a version of the following question by the investor participants "Anything more I missed that I should know?" Thus if the FinCo participant felt that there was an aspect of the quarterly financial performance that was misrepresented or omitted in the meeting he or she could bring this in. In the observed meetings, depending on the time-constraint, the FinCo representative always elaborated more or less on something additional.

7.2.3 Analysing the market response

Once the two phases of the quarterly reporting cycle had ended, the IR team was involved in evaluating how the capital market has responded to the quarterly report. The analysis included both how the FinCo share price had moved, and how analysts had written about the quarterly results and made forecasts for the company's future performance. One representation of the analyst response was the following compilation of the final report headings used in a senior management meeting a few weeks after Q-day:

Figure 7.14: Compilation of analyst final report headings



Redacted reproduction of internal senior management meeting presentation given by Head of IR, slide 4.

On this particular slide we can observe how specific – by now perhaps also for the reader quite recognisable – words such as 'deliver', were used to characterise FinCo's financial performance among this group of capital market actors. It appeared to the corporate participants as if their work to establish 'delivered according to plan' as an overall framing of the financial numbers had been successful.

In addition to the observation of how specific cues were reiterated by analysts, the IR team's analysis also suggested that analysts' forecasts were in line with how the specific quarterly financial results had been communicated. The sentiment expressed by members of the IR team was that they felt that their message had been received. Seemingly, there was a shared understanding of the organisational reality represented by these financial numbers among participants on both sides of the company-capital market interface.

Chapter 8

Discussion: Financial numbers made meaningful

This book has examined how financial numbers become meaningful at the company-capital market interface. In this chapter, the observations from each of the three cases presented herein are drawn together and discussed in relation to the general research issues put forth at the beginning of this thesis. In particular, it was noted in Chapter two that the accounting literature in the company-capital market domain primarily discussed the issue of how financial numbers become meaningful as questions of informational qualities, external influences and promotional behaviour. This thesis suggests an alternative approach to our understanding of how financial numbers become meaningful than that hitherto expressed in the accounting literature in this area. This alternative approach will be outlined in the following discussion.

The discussion is organised into two parts: The first focuses on the question of how financial numbers become meaningful at the company-capital market interface. Here it is argued that the meaning of particular financial numbers is an emergent outcome of a process of framing. This process is best described as a social and situationally contingent process of cognitive work by involved company- and capital market participants. Moreover, it is argued that the meaning of financial numbers emerges symmetrically and jointly in company-capital market interaction. Both corporate- and capital market participants are involved in producing resultant meanings of financial numbers in a negotiated and interactive manner. In this way, framing occurs

in parallel rather than sequential steps within both actor groups active at the company-capital market interface. Building on these conclusions, the second part then proposes a developed conceptual apparatus for the study of financial meaning-making. This conceptual apparatus takes its point of departure in Erving Goffman's method of frame analysis and extends three of his concepts to the specific issue of financial numbers populating the space at the company-capital market interface. The first concept, *Audience,* deals with sub-processes of framing where perspectives and experiences from both sides of the company-capital market interface are made part of the resultant frames of the numbers. *Anchoring* deals with sub-processes of framing that give financial numbers the capacity to represent organisational realities. *Cues* deals with the issue of achieving shared inter-situational framings of financial numbers across time and space.

8.1 Making financial numbers meaningful: An interactive process of framing

8.1.1 The meaning of financial numbers as enacted by framing

The interest in this thesis has been to trace the emergence of financial meaning in company-capital market interaction. It did so by undertaking an extensive field study of three company cases, following their corporate participants and key financial numbers in interactive situations over the course of almost two years. The argument has been that the expression of specific meanings of financial numbers that we have observed in the empirical material were not the result of a progressive discovery of the 'real' or inherent qualities of these financial numbers. Nor did these expressions of meanings solely depend on the different perspectives of the different participating individuals. Instead, this thesis has argued that the representative capacities and interpretations of particular financial numbers emerged *within* the situations of company-capital market interaction. The claim made in this thesis, substantiated by the empirical material, is that *the meaning of financial numbers is an emergent outcome of a process of framing.*

Consider for instance the Gross Margin of TechCo in Chapter six. At the early stages of planning the TechCo Capital Markets Day (CMD) the TechCo Investor Relations (IR) team could not simply look at the Gross Margin number of the company to understand what it meant and what it represented about the organisation. There was no meaning inherent to the financial number, nor did it have any inherent capacity to represent particular organisational activities on the part of TechCo in isolation. Rather the meaning of these numbers for the IR team was the result of a series of interactions with staff from various parts of the TechCo organisation throughout the year. These interactions teased out the meaning of the number in terms of operational activities, competitor developments, macroeconomic trends and more that lay behind arithmetic changes – past, present and future – in the number. Rather than simply about finding out 'how it is' – although that constituted the initial impetus of the process – the internal interactions entailed a negotiation among the involved participants of what the Gross Margin 'best' represented in the myriad of details that the interactions brought out. Overall corporate strategy such as the Order-to-cash Program was placed alongside technology and sales advancement in particular sub-categories of products or geographic regions, creating a multi-layered negotiation where some elements had to be brought forward more on the expense of others in order to create a coherent meaning of the Gross Margin that could be shared. The outcome of which in the TechCo case was the three 'explanatory parameters' of the Gross Margin arrived at by the corporate participants – 'The modernisation projects', 'the business mix' and 'the global services share' – that enacted this shared coherent meaning.

Similar observations could be made in the other company cases as well. We saw in Chapter five, for instance, how the representational capacity of the Orders number in InduCo changed for some of the capital market actors during investor meetings at a European roadshow. Before the roadshow, the Orders number mainly represented InduCo sales of new mining equipment for these actors. Provided that the world was in a state of a "global mining crisis" at the time, the financial number implied that InduCo faced a bleak and gloomy future in terms of financial performance. However, during the course of the investor meetings a new meaning of the Orders number emerged. With impetus in the form of cues by the InduCo investor relations

officer (IRO), the participants at the meetings began to associate the Orders with new parts of the operative world of InduCo. The Orders came to represent not only sales of mining equipment but the sales of an entire portfolio of 'diversified business' to industrial clients, in addition to replacement sales of mining equipment (so called 'OPEX'). The representational capacity of the financial number was not inherently given, but emerged as an outcome within the situations of interaction at the InduCo company-capital market interface.

The point is that these representational qualities of the financial numbers, and their interpretations, did not precede the situations of interaction in which they were articulated, but they were rather a result of them – and of the situational cognitive processes that made the participants arrive at them. In particular, we followed in all three chapters how concrete ways in which a financial number was linked and related to aspects of the organisation and the environing world precisely produced the ways in which the financial number would represent those aspects, rendering the financial number meaningful to the participants. This thesis argues that this is an instantiation of Goffman's (1974) concept of *framing* as a principle for organising experience, sustained in both mind and activity of involved participants, governing their understanding of objects and events. That is, a particular meaning of a financial number is the outcome of the enactment of a particular framing by involved participants.

This point can be illustrated by considering the transition made by the Gross Margin of TechCo in Chapter six as its framing process ventured into the frontstage region at the day of the CMD. Here we could follow how the CFO of TechCo carefully re-enacted the framing that had emerged in the internal interactions in his presentation. He used a range of graphical cues, such as the Gross Margin Bridge, as well as verbal ones to anchor the Gross Margin to the aspects of the world cued by the three 'explanatory parameters'. He explained things such as that the 'business mix' was "important obviously to understand the margin profile of the company" and how the change in proportions between software, hardware and service operations entailed shifts in the Gross Margin level over time extending to the future. Nonetheless, just as much as the presentation of the three 'explanatory pa-

rameters' anchored the Gross Margin to a reality outside of the CMD situation, it also bracketed off the other aspects of reality. In this way, the framing of the Gross Margin involved inclusions as much as exclusions of the environing world to bring about a particular meaning of the number for the participants.

However, as we saw in the same chapter, the re-enacted framing established by the CFO in his presentation did not remain unchallenged by the capital market audience present. It continued to evolve through analyst questions and counter arguments in dialogue with corporate management, linkages were further anchored to more details regarding technical arithmetic effects of the Gross Margin, as well as to issues of a broader nature such as strategic initiatives and macro-economic trends. The initially simplified corporate framing of the Gross Margin developed in concert with the audience to enact a rich, multi-layered, and shared meaning of the financial number in the CMD situation.

In this way the process introducing the three 'explanatory parameters' gave a particular kind of meaning to the Gross Margin. Had other things been introduced it would have brought about a different meaning. Regarding this latter point, the episodes from the CMD offered the possibility to follow one such new introduction to the framing of the Gross Margin that would result in a different understanding of the number. As we saw in Chapter six, the aspect of 'F/X' (foreign currency exchange effects) was new to the framing of the Gross Margin. Corporate participants singled out 'F/X' in the Gross Margin Bridge as a separate arithmetic effect in their illustration of the change in the Gross Margin over the year. After significant work on part of the corporate participants at the CMD, it appeared as if 'F/X' had successfully been made part of the shared company-capital market understanding of what the Gross Margin meant and represented, as mirrored by the subsequently published financial analyst reports in the days following the CMD. In other words, the framing process in the CMD situation had altered the meaning of the Gross Margin. Similar to the change in the Orders of InduCo in Chapter five, now the TechCo Gross Margin did not only represent operational choices about 'business mix', a growing 'global services share', and the evolution of 'modernisation projects' in technical infrastructure; it also represented the 'F/X' effects of undertaking operations in 180 countries

globally. It went so far as to reformulate the perceived 'real' arithmetic level of the Gross Margin for some participants: from the reported 32% to the 'F/X' adjusted level of 34%. This shows the issues at stake from the theoretical perspective adopted in this thesis. 'F/X' did not come into existence as a real world phenomenon on the day of the CMD, yet it only emerged as part of the shared understanding of the Gross Margin among the company- and capital market participants as a result of the framing process of the CMD situation.

Understanding these empirical observations as a process of framing also highlights that what we have seen in this book is not instantiations of a sequential passage from an arithmetic outcome to an interpretative outcome of financial numbers. On the contrary, in each of the three empirical chapters it was shown how the construction of interpretation emerged intertwined with the production of the arithmetic dimensions of the financial numbers in focus. It was a simultaneous production of numbers and production of meaning, as two different outcomes of one continuous framing process. A case of what Vollmer (2007) noted, that while "the use of numbers changes social situations", conversely ongoing social situations "transform the use of numbers as well as the informations and involvements which the numbers come to represent" (ibid, p. 579).

Consider for instance the framing process of FinCo's Core Tier 1 Ratio in Chapter seven. At the start of the 'silent period', framing of the Core Tier 1 Ratio could begin even before the arithmetic level of the number was known to corporate participants by the insertion of "X" as a placeholder in the quarterly report drafts. Thus, an unknown quantity of the Core Tier 1 Ratio of "14.X%" could still represent "strong capital generation and low volume growth". Moreover, despite no changes to the arithmetic level of the number, the framing of the Core Tier 1 Ratio could continue to evolve into "strict volume prioritisation", and subsequently into "strict volume discipline". Only at the very end of the internal framing process did the Finance department at FinCo fix the arithmetic level of the Core Tier 1 Ratio to its reported "14.4%". However, the intertwined nature of the emergent process that enacted the meaning and arithmetic level of the number did not end with the publication of the quarterly report. As the framing process moved frontstage, with interactions at the international conference call presentation

and ensuing private face-to-face investor meetings during the roadshow period both the production of meaning and the production of the arithmetic outcomes of the number continued. Here we learned that as participants anchored the Core Tier 1 Ratio to the introduction of new regulations such as the 'CRDIV' and '[Country West] risk-weights', the 'real' arithmetic levels of the financial number changed in the eyes of the company- and capital market participants. It was no longer "14.4%" but rather "13.4%", which cast doubt over the 'real' financial performance of FinCo in relation to achieving or not achieving its CMD target of 13%. The example illustrates the point made above, that the emergence of numerical meanings at times preceded the determination of precise arithmetic levels of the numbers or changed the perceived 'real' arithmetic level of the number among company and capital market participants towards the end of the process. Thus, it points to the simultaneity of the emergence of number and meaning as an outcome, intertwined in one continuous framing process.

This is a very different view than the one expressed in previous accounting literature preoccupied with the question of what information benefits that company-capital market interaction entails for the companies and the capital market actors involved (e.g. Gniewosz, 1990; Barker, 1998; Holland, 1998a; Hellman, 2000; Bowen et al., 2002; Beyer et al., 2010; Mayew et al., 2013; Fröberg, 2016). In this literature, the interface where companies and capital market actors meet is seen as a "market for information" (Barker, 1998, p. 3) with financial numbers as "pieces of information" circulating in this space "to produce a new company (or competitor) picture or insight" (Holland & Doran, 1998, p. 138). The underlying assumption in these writings is thus that the meaning of financial numbers is inherent to the numbers, ready to be discovered as 'information' through reports, presentations, conference calls or meetings. However as seen above, this is not the view given by the findings of this thesis. While we have seen how financial numbers have taken on very particular and definitive interpretative outcomes – often as a result of a report, presentation or meeting – this thesis has argued that these particular interpretative outcomes were not the result of a progressive discovery of the numbers' inherent meaning. Instead, it has been shown how each meaning was the successive outcome of the interactive activities of the involved participants. That is, neither the representational capacity nor the

resultant meaning of these numbers existed outside the interactive situations of these company- and capital market participants. Accordingly, we should not understand the process described above as a simple matter of participants expressing diverse and differing perspectives on the inherent nature of a financial number, but rather as an ongoing process of framing. This process produces and re-produces the outcome of different meanings of the number across situations. That is, what we saw was not the accumulation of an ever better knowledge of the 'true' meaning of a financial number, but rather its emergent meaning as a result of an ongoing process of framing.

This conclusion – that the meaning of financial numbers emerges from processes of framing – elaborates on the work by a recent turn in accounting research that has taken an interest in the question of how meaning can be seen as constructed, in the company-capital market domain (e.g. Hägglund, 2001; Zuckerman, 2004; Beunza & Garud, 2007; Preda, 2009; Vollmer et al., 2009; Winroth et al., 2010; Du Rietz, 2014; Graaf, 2016). This stream argues that company-capital market interaction is much less about conveying and obtaining accounting as 'information' as it is about constructing its informational qualities in terms of meaning. This has previously been showed to entail work by investors to reconstruct the companies they attempt to value in the form of an 'investment object' in order to frame the parts not captured by financial numbers as outside the worldview of their valuations (see Hägglund, 2001; Preda, 2009; Winroth et al., 2010; Du Rietz, 2014). Moreover, this stream has shown that financial analysts introduce 'classificatory frameworks' that group certain assets into categories to promote internal coherence and thereby frame them off from the rest of the investable universe (see Zuckerman, 2004). Similarly to observations in this thesis, this literature has argued that both investors and financial analysts link up financial numbers of a company with a range of aspects of the world while excluding others. This includes not only other companies, analogies or other metrics in the present but also past and future states of these (see Beunza & Garud, 2007; Preda, 2009). This thesis contributes to this literature with new insight into the processual elements of how such constructed meanings in the form of cognitive structures – frames – come to be and continues to evolve.

This contribution is in part, as seen above, in terms of detailed micro-perspective observations of how particular numbers are framed in particular

situations of company-capital market interaction over an intermediate period of time. Thereby this thesis, unlike previous work in this stream, paid express empirical attention to the conditions involved in the emergence of interpretational cognitive structures in practice. Such observations have hitherto not been possible to achieve in this domain of accounting literature due to restrictions in methodology and perspectives taken in this work. Yet, this thesis argues that such observations are necessary in order to build an empirical understanding of how meaning of financial numbers come about, not only as an ex-post result in retrospective analyses, but also in terms of its social ex-ante conditions and processes as it occurs.

In its other part, the contribution of this thesis to this literature is through the introduction of a new conceptual vocabulary of framing drawn from the work by Erving Goffman (1959; 1974) that highlights the emergent properties of frames through situations of interaction, rather than treating frames as more static cognitive structures (cf. Cornelissen & Werner, 2014). The concepts of 'investment object' (Hägglund, 2001; Du Rietz, 2014), 'share identity' (Winroth et al., 2010), 'company thesis' (Hjelström et al., 2017), 'classificatory framework' (Zuckerman, 2004), and 'calculative frame' (Beunza & Garud, 2007) have all been powerful in demonstrating the constructed nature of meaning in the domain of financial markets. However, they remain conceptually opaque in their ability to describe the emergence of said cognitive structures. This thesis shares the view of these previous conceptualisations of financial meaning as an outcome by the enactment of cognitive structures held by the (capital market) participants, and that attention to such structures allows accounting researchers to go behind the scenes and unpack 'meaning' as a social construct. The aforementioned conceptualisations, at best, describe the elements that make up these cognitive structures and the process of conflict between alternative competing versions held by different groups of professional actors in retrospective analyses. However, they do not describe how such cognitive structures come to emerge and continue to evolve. This thesis argues that the proposed conceptual apparatus outlined in Section 8.2 below amends this conceptual gap of emergence, and allows for the detailed study of how the frames of financial numbers emerge and evolve in company-capital market interaction.

8.1.2 An outcome of joint and symmetric interactional work

One of the main conclusions that follows from this analysis of how financial numbers become meaningful is the central role of interaction. We have seen numerous examples of Vollmer et al.'s (2009, p. 622) observation that "(financial) cognition is a distributed, cooperative activity". In particular, we have seen how a variety of situations of interaction – such as internal meetings between corporate managers, quarterly conference call presentations, capital market days, question and answer sessions, private face-to-face investor meetings – affected how the financial numbers were understood in each of the three company cases. As discussed above, these situations of interaction were not important because they constituted the sites where the 'true' nature of the numbers was communicated, but because they constituted the sites where the meaning of these financial numbers was created.

This implies that the meaning of financial numbers does neither reside nor originate from any one side of participants in a particular situation of interaction. Rather this thesis has argued that meaning as an outcome emerges and is re-enacted by the joint interactive efforts of both sets of participants in the situation. The observation from this study is thus that financial meaning does not flow from one side of the company-capital market interface to the other in a unidirectional sense. Instead, this thesis argues for a more symmetrical and interactive understanding of the emergence and distribution of financial meaning. The second claim made in this thesis, substantiated by the empirical material, is thus that *the meaning of financial numbers emerges symmetrically and jointly in company-capital market interaction*.

In Chapter six, for example, we saw that the initial steps towards creating the theme for the TechCo Capital Markets Day (CMD), that would frame key financial numbers such as the Gross Margin, involved a collective process managed by the IR team. This process, which ultimately came to anchor the Gross Margin internally to the three 'explanatory parameters' – i.e. 'the modernisation projects', 'the business mix' and 'the global services share' – meant that the IR team had to interact with staff from various parts of the company's four business areas, including technical engineers, regional- and functional sales managers, management control staff, and finance staff. However, it was not the case that that these engineers, sales managers or finance

staff could tell the IR-team members that 'this is what the Gross Margin represents' in a unidirectional sense. Instead, the particular meaning of the Gross Margin and other key numbers emerged as a product of bringing all these corporate participants together. In situations of interaction, such as scheduled meetings with business units, or ad-hoc phone calls to particular individuals, the business unit or individual would link the Gross Margin to certain aspects of the reality perceived by them, such as customer views or regional inflation risks. The IR-team members would counter that view by linking it up to concerns brought to them by the investor community, such as worries about market shares in China, or insights from other parts of the organisation with which they had interacted previously. In this manner, the outcome of the meeting or phone call would be a slightly altered anchoring of the overall corporate Gross Margin, now shared by the participants from the two parts of the TechCo organisation. This negotiated and collective process of internal interactions continued until a clear enough CMD proposal for a theme, or framing of the financial numbers, could be presented to the TechCo Senior Management. That in turn, was just another interactive situation enacting the framing of the financial number jointly with yet another, albeit hierarchically dominant, set of corporate participants. Framing, or the resultant meaning, in these episodes did not flow from participants in the peripheries of the organisation towards the group corporate centre and the IR team. Rather, participants constructed and re-enacted the framing in multiple situations of interaction throughout the organisation until a negotiated and shared frame emerged that produced a particular meaning.

In another example, it was shown in Chapter seven how analyst questions in conjunction with corporate answers re-framed the Core Tier 1 Ratio from 14.4% to closer to 13% in the international telephone conference of FinCo following the company's release of its quarterly financial report. In his presentation, the CEO of FinCo reported that the arithmetic level of the Core Tier 1 Ratio was 14.4%, which represented a 220 basis points improvement due to 'strict volume discipline' on part of the bank. He also reported that there would be a change in the European capital regulation taking effect soon, but reiterated that the Core Tier 1 Ratio of 14.4% still represented 'Delivery on capital'. However, when an analyst posed the question "what is the actual figure that you are looking at" this carefully re-enacted internal

framing of the financial number came undone. That is, the unilateral corporate meaning of the number did not persist in the situation. The CFO of FinCo, who answered the question, had to invoke cues from past framing interactions in interaction with cues introduced by the capital market audience that re-enacted their past framings of the number, in order for a shared framing of the number to emerge in the current situation. Thus, the CFO anchored the meaning of the Core Tier 1 Ratio in the situation with cues such as "formal capital requirement for FinCo is around 11.3%" and that there were "a number of uncertainties", further anchoring these uncertainties with cues such as "systemic risk buffer calculation" and "pending approvals". The analyst above persisted by asking, "what is the real Core Tier 1 Ratio" until a shared framing of the Core Tier 1 Ratio was reached with the CFO reply "That is what I am saying – the target we are operating with, as we are waiting for more clarity, is something above 13%". The resultant meaning of the Core Tier 1 Ratio emerged through the framing process in the situation that reformulated the arithmetic level of the financial number from 14.4% to "something above 13%". Arguably, this framing could not have emerged without the participation of both the corporate- and the capital market participant: it was the joint and symmetric cognitive work of framing by both parties that made the new financial meaning come about in the situation.

The observations of joint framing work in company-capital market interaction have also highlighted that participants do not necessarily have to be physically present in a particular situation for there to be co-framing work taking place. A recurring theme in all episodes from the three company cases was the presence of a capital market audience that interactively shaped the content and trajectories that the meaning of the financial numbers took. At times, this presence took the form of an abstract notion of a distant other, a 'market consensus' made up of a large group of anonymous capital market actors. At other times, it was physical individuals and organisations faced in situations of direct and unmediated company-capital market interaction. In this way, the thesis argues that it was possible to observe joint framing work by both company participants and capital market participants irrespective of the physical presence of both parties in a particular situation centred on the meaning of a financial number.

The observations of symmetry in the studied framing work – that company participants and capital market participants did not engage in framing in a sequential fashion but rather undertook their cognitive work in parallel – highlights that the roles taken by the participants such as audience and performer were not predetermined but depended on the situation or the perspective of a particular analysis of framing (see also Solomon et al., 2013, on this point). Thus it was possible to see for example how corporate participants took in cues from financial analyst reports enacting capital market framings while writing the corporate financial reports, that in turn when published would prompt the financial analysts to issue revised analyst reports. Thus framing work, and the cues circulated, did not flow in a unidirectional sense from one participant group to the other. Rather, both groups undertook parallel framing work, both in and outside, of each other's presence, which jointly enabled particular framings of financial numbers to emerge.

A conclusion from these observations of the joint and symmetric nature of the framing process, this thesis argues, is that the agency or participatory work by the capital market actors did not come in a stable, predictable and pre-packaged format for the corporate participants. Rather, the very make-up of this audience, or group of participants, in particular situations of framing was recursively part of the framing process.

This point can be illustrated by considering the work undertaken by the IR team in InduCo to know their capital market audience in Chapter five. Although the IR team of InduCo had a long history of interacting with capital market actors and explicitly wanted to understand the 'consensus' sentiment within this group, the precise expectations and viewpoints on the interpretation of the soon-to-be-published Orders and Operating Margin numbers was not readily available to the team. Rather, such an insight – that would later translate into a framing influence on the internal understanding of the two financial numbers – had to be meticulously constructed by the corporate participants. To begin with, financial analyst estimates and reports were chosen as a proxy representing the sentiment of 'the market'. Moreover, individual analyst estimates were not automatically qualified to be included in the weighted average that would make up the 'consensus'. Such estimates were judged in relation to the rest of the analyst group's estimates and proximity to the levels of Orders and Operating Margin that were about to be released

by InduCo. If estimates deviated in a pronounced way from both these points of comparison, then the IR team excluded these from the consensus calculation. The IR team applied a similar process of inclusion or exclusion to the qualitative comments from the analyst reports used to brief senior management on the market expectations. In this way, the make-up of the capital market 'consensus audience', and thereby also its presence in the internal framings, was part of the framing work undertaken by the corporate participants to arrive at the enacted meaning of their financial numbers.

In the same chapter, we also saw how the make-up of the capital market actor group that would translate into physical face-to-face encounters were recursively part of the process that made the meaning of numbers such as the Orders and the Operating Margin emerge as a shared outcome. Meeting every single investor and analyst active in the capital market was neither possible nor desirable to the corporate participants of InduCo. Rather, direct company-capital market interaction was a selective process. Investors and analysts would choose to meet with InduCo depending on their particular interest and specialisation; investment banks and other stock brokering firms mediating the InduCo-capital market interaction would promote meetings with some capital market actors over others; and finally the InduCo members would prefer to meet with investors who held a long-term and low-turnover view on their investments similar to the corporate view of its operations. This characteristic of the company-capital market interaction pattern created a reinforcing loop where viewpoints from certain investors that the corporate participants met with shaped the framing of the InduCo financial numbers in future periods. This in turn spurred the interest of investors with similar profiles to meet with InduCo, while deterring others. In this way, the trajectory of the meaning of InduCo's financial numbers took on particular directions, and shaped the shared understanding of a particular subset of capital market actors and the InduCo corporate participants.

One view of these observations regarding the importance of the capital market audience in the meaning-making of the financial numbers would be to speak of it in terms of a 'capital market influence' over companies. Such a view has been particularly prevalent in a stream of accounting literature interested in the question of the political and ideological implications of an observed increase in the importance of financial markets in contemporary

Western economies over the past decades (see Brodin et al., 2000; Froud et al., 2000; Tengblad, 2004; Fiss & Zajac, 2006; Roberts et al., 2006; Ezzamel et al., 2008; Ho, 2009; Kraus & Lind, 2010; Kraus & Strömsten, 2012). As discussed in Chapter 2, the role played by capital market actors has been construed of by this literature as articulating a broad 'shareholder-value discourse' with clear and deterministic ideas and concepts bearing on financial interpretations (see Brodin et al., 2000; Ezzamel et al., 2008; Ho, 2009). This could take the form of particular expectations voiced by capital market actors that company management conformed to (see Tengblad, 2004), or ideas and concepts of interpretation in more programmatic forms adopted by company participants through subtle and indirect mechanisms of self-discipline (see Roberts et al., 2006). Examples of such capital-market actor influence on the meaning of financial numbers would be an emphasis on their arithmetic qualities, primacy to their short-term future states, and – importantly – concern for how they served the interests of shareholders over other groups (see Kraus & Lind, 2010; Kraus & Strömsten, 2012). Yet, while we have seen such expectations and viewpoints voiced by the capital market actors in the three company cases, and also how such framing attempts were picked up and made part of the resultant numerical meanings by corporate participants, this thesis argues that such 'capital market influence' on the framing of company financial numbers was in itself an emergent property of this same framing process. Viewpoints and expectations expressed by the capital market audience with respect to particular financial numbers were partly a product of how this market audience was made up and shaped by the ongoing and continuous company-capital market dialogue over time. Participation in company-capital market interaction in the three studied company cases was observed to be an achievement of both corporate and capital-market actors alike, not something given by any inherent properties of these actors; and it was a product of the emergent framing of the financial performance of these companies stemming from previous company-capital market interactions.

The observations of the joint and symmetric nature of the framing process seen in this study also speaks to a stream of accounting literature that has engaged with the question of to what extent the actions of companies reflect a promotional versus an informational role in the company-capital market interaction (see Aerts, 1994, 2005; Neu et al., 1998; Clatworthy &

Jones, 2003; Henry, 2008; García Osma & Guillamón-Saorín, 2011; Merkl-Davies & Brennan, 2011; Solomon et al., 2013). The sentiment expressed by this accounting stream is that, "These pro-forma standard financial measures [used in financial reporting] generate a complex set of numbers, which are not themselves a narrative but a resource which narratives draw on as users select and put numbers together to tell a story" (Froud et al., 2006, p. 133). While the findings of this thesis certainly supports the idea that "The numbers do not speak for themselves" (ibid, p. 133), this understanding of meaning as a sequential passage from number to narrative is however not supported. Partly this is so, as argued in the preceding section, due to the observed simultaneity of the emergence of number and meaning as an outcome, intertwined in one continuous framing process. However partly, and more importantly for the argument made here, this view of the sequential passage from number to narrative is not supported by this thesis as it articulates an idea of meaning in company-capital market interaction as resulting from a unidirectional flow from companies to the capital market actors. Indeed, the descriptions in the three empirical chapters all followed chronological stories of financial numbers towards a more precise framing that began with episodes of internal interactions inside the three companies. However, firstly we have seen that these framings were not readily known by particular actors, such as the corporate members, already at the beginning of these chronologies. Secondly, it has also been emphasised that the start of a particular chronology is arbitrary in the sense that much of the framing work is carried over from past cycles in the form of cues, re-enacting past framings involving direct and unmediated interactions with the capital market actors. And thirdly, we have seen that the capital market actors were made present in the internal framing processes of these financial numbers in an abstract form such as 'market consensus' by the corporate participants involved.

Partitioning corporate work into 'informational' and 'promotional' categories presupposes that company participants are able to look at ready-made financial numbers, then settle on their meaning in an informational sense and decide how best to communicate this meaning in line with self-serving promotional purposes in isolation from the capital market actors (see Neu et al., 1998; García Osma & Guillamón-Saorín, 2011). This thesis argues that the emergence of meaning of financial numbers did not follow such a sequential

trajectory from number to meaning, and from company to capital market actors or vice versa. On the contrary, in each of the three empirical chapters we saw how the construction of meaning as an outcome emerged, and did so interactively and jointly by the company participants and the capital market participants. That is not to deny the possibility and existence of intent and self-serving bias in financial reporting. However, it provides a novel insight into the processes that shapes accounting meanings in an emergent manner, in addition to for example external pressures that limit interpretative flexibility (Neu et al., 1998) such as audit regulation (Clatworthy & Jones, 2003), corporate governance mechanisms (García Osma & Guillamón-Saorín, 2011) and other contextual factors affecting corporate motivations (Aerts, 2005).

This thesis contributes to both of the research streams discussed above in raising an awareness of treating the company-capital market *interaction* not only as an empirical and methodological site of investigation, but as inherently part of how meaning emerges as an outcome of framing processes. By posing the questions of what the political and ideological implications of shareholder value influence over corporate meaning-making are, and do company engagement in capital market interaction reflect an informational or promotional role played, these previous streams of research in accounting have implicitly presumed a unidirectional flow of meaning in their studies, and looked to the sites of company-capital market interaction only as arenas where such unidirectional meanings were either transmitted or adopted. The findings of this study dispute such a view and forms the basis for arguing for a more joint and symmetric understanding of meaning-making at the company-capital market interface as outlined above.

This implies paying greater attention, both conceptually and empirically, to the study of the micro-levels of company-capital market interaction. Particularly in the 'shareholder value' stream of accounting research, there has been a tendency to infer a high degree of capital market actor agency, and a concurrent low agency of company actors, in financial meaning-making based on a macro-level analysis of the prevalence of broad societal discourses (cf. Brodin et al., 2000; Froud et al., 2000; Ho, 2009). Studies of micro-settings have then looked for the theoretical means by which such observed

macro-phenomena are translated into the company-capital market micro-setting, using concepts such as 'financialization' (Froud et al., 2000), 'expectations' (Tengblad, 2004), and 'self-discipline' (Roberts et al., 2006). While this thesis does not dispute the prevalence and validity of such empirical observations made in prior literature, it argues that such macro-to-micro conceptualisations runs the risk of overemphasising the agency of one participant group, as it stops the micro-analysis at the point when the translation of the macro-phenomena has been confirmed. This thesis argues instead for beginning an analysis of meaning-making at the micro-interactive level, and follow what interacting participants bring into the situation that shapes the resultant meanings for the participants, and the process of how.

8.2 A conceptual apparatus for the study of financial meaning-making

The previous section outlined that this thesis makes two claims as to how financial numbers become meaningful at the interface between companies and capital markets. The first claim is that the meaning of financial numbers can be understood as an emergent outcome of a process of framing. The second claim is that the meaning of financial numbers emerges symmetrically and jointly in company-capital market interaction. These two conclusions are the result of the undertaken empirical study in combination with the adopted conceptual approach taken from the body of work of Erving Goffman (1959; 1974).

A third result that follows from the analysis made in this book is an elaborated conceptual apparatus for the study of financial meaning-making, as a process of framing emergent through situations of company-capital market interaction. This proposed conceptual apparatus takes its point of origin in Erving Goffman's method of frame analysis discussed in Chapter three, and three of his analytical concepts: *Audience*, *Anchoring*, and *Cues*. However, as these three concepts were applied to the empirical material, in part already during ongoing observations of interactive practice, they have been elaborated on and adapted to the study of financial numbers in the company-capital market interface setting. This thesis argues that, taken together, these

three elaborated concepts make out an extended conceptual apparatus for understanding how financial numbers become meaningful at the company-capital market interface.

The following three sections are devoted to the discussion of this proposed elaborated apparatus.

8.2.1 Audience

In frame analysis of everyday life, *Audience* may be simply understood as the other participants present in a situation of framing activity, when taking the analytical perspective of one focal actor in that situation (Goffman, 1959, p. 16). As we moved into the company-capital market domain, this aspect of 'the others' in framing work of financial numbers would be more limited to actors in the triadic relationship between companies, investors and financial analysts (see Barker, 1998).

Due to methodological choices regarding the scope conditions for this study (see Chapter four), the focal actor in the analysis in all three cases remained with the company-side in the studied instances of interaction. As a result, the continued discussion of the Audience concept, and its illustrations throughout this book, is made from the perspective of the corporate participants in the studied processes of framing. However, this thesis contends that the concept of Audience is not limited to the capital market actors in the general study of financial meaning-making at the interface between companies and capital markets. Rather, it is argued that the analytical perspective, and also the enactment of roles in particular situations, of corporate participants as the 'performer' and the capital market participants as the 'audience', are shifting from situation to situation, and can even occur simultaneously within a single situation (see also Solomon et al., 2013).

The analytical strength of the concept of Audience lies not in describing an inherent property of a situation of company-capital market interaction; rather it lies in its ability to allow for the analysis and observation of the agency and participatory work by the participants other than the chosen focal actor. In particular, the Audience*,* understood in this manner, took on two distinct and very different forms that existed alongside each other in the framing work of the corporate participants. The first of these forms was that

of a *Consensus Audience*. This notion was referred to as 'the market' or 'the investor collective' in the observations of daily language among the corporate members. It reflects an idea among the involved participants of a counterpart, active in the framing of financial numbers, as an abstraction in the form of an average aggregate of a large group of anonymous market actors. The second form was that of a *Situated Audience*. This notion expresses the agency and joint framing work of the capital market actors in the form of particular individuals and organisations faced in local situations of interaction. They were Alex and Kim or BlackRock and JP Morgan to the IR teams, i.e. the situated audience had names, faces and individual characteristics in the eyes of the focal corporate participants studied.

Foregrounding the Audience in the empirical descriptions of this book enabled this study to pay particular attention to the interactive aspects of how the outcome of precise meanings of financial numbers could be achieved. That is to say, the concept allowed for 'interaction' to be examined, not only as an empirical setting, but as an inherent part of the process through which meaning emerged as an outcome of framing. In particular, the analysis revealed that the process of framing financial numbers, seen from the perspective of the corporate participants, involved two distinct processes related to the Audience.

The first of these was the process of *knowing the Audience*. The IR teams engaged in a range of activities, both at a distance at the corporate headquarters and in direct contact with capital market actors, to understand the frames held by the Audience to the numbers. In situations of direct unmediated company-capital market interaction, the process of knowing the audience could involve looking at the profiling of investors and analysts to be met with to search for cues as to what perspectives these would be pre-disposed to take when looking at the company numbers, such as low-turnover investment strategies or amount of stock-holdings in peer companies. Another approach was to pick up on cues given off in questions asked by the capital market participants during the meetings. Such instances illustrates how the process of knowing the Audience aids in understanding part of the interactive mechanisms that shaped particular frame-layers of the numbers discussed in the meetings, and thereby how the resultant numerical meaning came into being in those situations through the process of framing.

Knowing the Audience, seen as part of the process of framing financial numbers, also aids in understanding how situations without a physical presence of a capital-market actor participant still can involve company-capital market interaction by making the capital market participants present in an abstract form, such as the Consensus Audience discussed above. The work related to things such as 'the consensus tool' described in Chapter five, the production of pre- and post-consensus reports in connection to quarterly reporting, and investor surveys before CMDs are all expressions of this function that the process of 'knowing the audience' produced. In this way, Audience, and its attendant process of knowing particular audiences for particular situations undertaken by corporate actors, sheds light on some of the interactive mechanisms whereby capital market perspectives become part of the resultant meaning of financial numbers.

The second process of framing traced to the concept of Audience in this thesis – *shaping the Audience* – sheds light on the interactive mechanisms whereby the corporate perspective asserted itself in the framing of the financial numbers. The IR teams studied in this book saw as part of their role to actively shape capital-market actor interpretations of the financial numbers towards the manner in which these numbers were understood internally within the companies. One form this process of shaping the Audience took was through managing the make-up of both the cognitive manifestation of the Consensus Audience internally, and the physical manifestation of the Situated Audience externally, as part of the framing process involving the financial numbers. As discussed above, the process of knowing the Consensus Audience entailed work to, for instance, compile pre-consensus reports of analyst estimates ahead of quarterly report releases thought to represent the 'market view'. However, the corporate participants work with such reports was not limited to merely knowing this anticipated Audience, it also involved work directed at shaping the internal understanding of this abstract Audience. For example, the corporate participants only considered those analysts that were close, either to the analyst collective or to company "actuals" to be published, as part of the consensus. Too deviant analyst estimates of numbers were deemed to be mistakes and excluded from the reports, or by other means graphically illustrated as outliers in field representations of estimates, and not part of the corporate conclusions drawn from the reports. In this

manner, the make-up of the Audience that the corporate participants made present in the internal deliberations regarding the meaning of particular numbers was not only a product of the process of knowing, but also of a process of shaping. Similarly, the practice of 'targeting' based on investor profiles to schedule meetings is also an expression of the how the corporate participants shaped the Audience of their financial numbers. Targeting was work undertaken to meet with investors that shared the company long-term view of financial numbers, had large influential capital holdings, and often coupled with a longer history of interaction with the company. In this manner, corporate participants shaped the make-up of their Situated Audience in meetings and in other forums of their company-capital market interface. The inclusion into the Audience in the framing of a particular financial number was therefore in part an achievement of the capital market actors. This achievement, i.e. their inclusion or exclusion in the joint framing of the financial numbers, was in turn dependent on the parallel framing work they undertook, as cued by their reports in the case of financial analysts or as cued by their espoused investor profiles or other activities such as buying and selling the company stock.

The process of shaping the Audience in the framing of financial numbers was also expressed in the situations of direct unmediated company-capital market interaction. In meetings for example, the corporate participants would perceive that a counterpart was missing frame-layers or deviated in a pronounced way from the corporate framings of numbers. As discussed above, the interactive response to such cues would prompt the corporate participants to take in the capital market perspective into the joint framing enacted in the situation. However, it also entailed an interactive response on their part in terms of attempting to shape the capital market participants' understanding. This could involve bringing in such missing frame-layers, or to examine the divergent framing enacted by the cues from the capital market participant in terms of its links between environing world and number.

In sum, this thesis argues that the concept of Audience is a way to unpack some of the sub-processes in the company-capital market framing of financial numbers, and to demonstrate the centrality of interaction in this process. The presented analysis identified two such sub-processes – 'knowing the Au-

dience' and 'shaping the Audience' – that functioned as two opposing interactive forces to order and negotiate the emergent framing of the financial numbers enacted in situations. From the perspective of a corporate-participant frame analysis, 'knowing the Audience' was the interactive framing mechanism that reproduced the capital-market participant perspective of the frames of the financial numbers. The latter lends support to, but also re-conceptualises, previous observations of 'capital market influence' in company-capital market meaning-making made by accounting research (cf. e.g. Tengblad, 2004; Roberts et al., 2006; Kraus & Strömsten, 2012). 'Shaping the audience' was the opposing framing mechanism that describes the introduction of the corporate perspective into the frames of the financial numbers. This in turn lends support and re-conceptualises other observations made previously by the accounting literature with respect to the active influence and 'managing of impressions' of companies in financial meaning-making (cf. e.g. Clatworthy & Jones, 2003; Aerts, 2005; Henry, 2008; Solomon et al., 2013). This thesis argues that interactive sub processes such as these are what together makes the framing of financial numbers into a joint and symmetric process, which is able to produce a resultant meaning of the numbers that is shared by participants on both sides of the company-capital market interface.

8.2.2 Anchoring

In the original work by Erving Goffman (1974, p. 248) *Anchoring* is understood as relating a frame to the environing world in which the framing occurs. When applied to the domain of company-capital market interaction and the framing of financial numbers, this thesis argues that the concept is central in gaining an analytical understanding of how the process of framing is implicated in producing the representational qualities of financial numbers. In other words, it is argued here that Anchoring is one conceptual answer to the question of how 'abstract' financial numbers are able to take on very particular 'real' accounting properties for participants in specific situations of interaction.

The financial numbers followed in this book all had multi-layered frames enacted by participants in the studied situations, which related the numbers to a great many numerical and non-numerical objects, activities, temporal

states and more (for similar observations, see Vollmer, 2007; Preda, 2009; Winroth et al., 2010; Du Rietz, 2014). An analytical strength of the concept of Anchoring is that it allows for the examination of such framing outcomes not only as ex-post results, but as an ongoing process in real time situations of interaction. Thereby it opens up for a more emergent approach to the study of numerical meaning as socially constructed (see also Robson, 1992; Vollmer et al., 2009).

In particular, Anchoring emphasises the framing work by corporate- and capital market participants of *finding linkages* between a financial number and its operative, competitive and macro-economic environment. As discussed above, such work was a joint and collective endeavour involving to ask questions or to seek out particular participants that were perceived to be closer to the reality that the financial numbers were thought to reflect. For corporate actors such as the IR teams, this would involve interacting with operative and other types of managers out in their organisations, but also with the capital market actors. For investors, their efforts to interact with the corporate managers or financial analysts could be conceived of as reflecting a similar process on their part. This aspect of Anchoring conceptualises the sub-process in framing that in cognitive terms changes a financial number from a relatively 'abstract' mathematical quantity into something anchored to 'real' things such as production of mining equipment, sales in China, or the credit quality of households. In other words, Anchoring is the process that in framing terms made the financial numbers more 'real' to the involved company- and capital market participants.

However, Anchoring does not only involve cognitive work of finding linkages. It moreover emphasises the work entailed of *organising and selecting linkages* between a financial number and its environing world. The former part of the Anchoring process may, and often will in the company-capital market setting, give rise to a vast amount of details on similar or different levels of the organisational and surrounding reality perceived. Framing a financial number in such a way would not bring about a resultant meaning, but rather overwhelm and produce incoherence and diverging interpretations among interacting participants. Indeed, as seen in the empirical descriptions in this book, there were instances of such disorganisation in the framing pro-

cess. Yet, participants would then commit substantial efforts towards organising such divergent and large amount of linkages into framings that could be shared by all involved. Part of this work was to bundle particular linkages into nodes that would represent particular chains or areas of anchoring. These nodes, or bundles of linkages, could then make out elements of different emergent or existing frame-layers of the numbers such as 'corporate strategy', 'business area operations', or 'macro-economic environment'. In part, it was also a joint negotiation among participants to select which linkages that 'best' represented the 'reality' behind the numbers, or indeed which arithmetic versions of the numbers that 'best' accounted for such selected linkages (cf. Henry, 2008; Solomon et al., 2013). This part of the sub-process of Anchoring in framing work analytically highlights the constructed, rather than inherent, qualities of resultant meanings that the financial numbers took on.

Foregrounding Anchoring in frame analyses of company-capital market interaction therefore draws attention to the process whereby a financial number can come to hold a meaning for company and capital market participants in a very real and multi-layered sense in their valuation work, while still opening up for prevalent observations of capital market scepticism regarding circulating financial reporting numbers (see Shah, 1996; Hellman, 2000, p. 137; Vollmer, 2007). Seen from an accounting perspective, Anchoring is thus very much about representation. This thesis argues that Anchoring is the part of framing that enacts the capacity of financial numbers to account *for* something, to represent a reality beyond the arithmetic for involved company and capital market participants in situations of interface interaction.

8.2.3 Cues

In frame analysis of everyday life, *Cues* may be simply understood as the vehicle for activating the enactment of a particular frame or frame-layer in a situation (Goffman, 1974, p. 45). Cues are material external manifestations, such as words spoken or props on a theatre stage, of frames that themselves are inherently cognitive, residing in the minds of the interacting participants. As we moved into the company-capital market domain, the concept of Cues provided an analytical understanding of how particular numerical framings

that emerged *within* particular situations of company-capital market interaction could come to be re-enacted and travel *across* such situations (see also Stokes & Hewitt, 1976, and Åhblom & Sjögren, 2015). This aspect of framing is particularly important in the company-capital market domain as the point of accounting here is not only to bring about situation-specific meaning in for example a company setting, but also to allow such specific meanings to travel to a range of users dispersed in time and space (see e.g. Godfrey et al., 2006; Young, 2006; IASB, 2010).

The concept of Cues allows for a reconciliation between the material and cognitive dimensions of framing in the company-capital market setting. An example is the view taken on the function played by financial reports from companies or financial analysts as carriers of meaning in this study. Such reports are not in themselves frames of financial numbers, but enacted as such by the cues contained within them. Cues thus allow for these reports to be implicated in an extended act of interaction; from one situation at the time and place of the participant writing, to another situation at the time and place of the participant reading (see also Smith, 1984). It is only in the act of reading that the meaning of the financial number as an outcome is enacted, as it depends on the manner in which the participant cognitively assembles the cues within the report into a particular framing, in interaction with his or her own past experiences (see also Hjelström et al., 2017).

It is this material aspect of Cues that allows them to fill the critical function of allowing a framing of financial numbers to travel from situations on one side of the company-capital market interface to situations on the other side. As discussed above, framing is a deeply situational process of meaning-making among a set of participants at a specific time and place. The frames of financial numbers, have been argued, to emerge within situations of interaction as a joint and symmetrical process involving for instance to know and shape the Audience of company- and capital market actors. Moreover, a sub-process such as Anchoring allows a multi-layered and representative numerical framing to emerge among these actors. However, both of those elements of framing take place at a given time and a given place among a given set of company- and capital market participants – in other words within a given situation. Cues, and more specifically the production and consumption of cues, is what allowed a framing arising in one particular situation to be re-

enacted by the corporate- or capital market participants in other situations. The argument made here is that the meaning of financial numbers become inter-situationally shared across the company-capital market interface through participants' use of material and external traces of past framings, and this is what constitutes a Cue.

To elaborate this argument further, *the production of Cues* for a particular frame of a financial number is the work participating individuals exerts in imbuing and emphasising a particular object, word or sequence of words with a particular framing of this particular number as they interact. In this way, participants can collapse for example Anchoring-work into a single word or sentence by means of repetition or emphasis within a series or even a single situation. A word, or a graphical image, becomes successively and iteratively a stronger and stronger cue to the anchoring of that area of reality to a particular number for the set of individuals involved. Thus at a certain point, when an object, word or sequence of words has been discussed, emphasised and repeated in this way among a group of corporate members, analysts or other capital market participants, it starts to *cue* those past interactions, i.e. to recall or prime memories of these past interactions for individuals and thereby shape their cognitive processes towards particular paths of thinking. The object, word or sequence of words has got *framing* capacity – it has become a cue.

The *consumption of Cues* is then the use of such objects, spoken words or texts established as Cues in past situations of framing by participants in new situations of framing. A Cue could be invoked in a meeting or a presentation to accelerate the joint framing of the number, instead of going through a long sequence of Anchoring. Similarly, a set of Cues could be used to act as a scaffolding mechanism to re-enact a particular frame or frame-layer of the financial number in a situation. In this manner, Cues are able to reproduce very precise meanings of financial numbers from situation to situation despite the situational boundedness of a particular framing. It also provides an understanding of how meaning, as enacted by framing processes, is able to persist over time as Cues may linger in past reports, presentation documents or valuation models (cf. Hägglund, 2001).

A methodological implication of Cues from this discussion is that the study of the emergence and enactment of frames at the company-capital market interface, in research practice becomes the study of the production and consumption of Cues. Because, it is only the Cues that are external, and thereby subject to observation, to the cognitive processes that takes place within the participating minds. This does not mean that a particular frame analysis could not look beyond Cues to examine the framing process behind them. Indeed, the undertaken study in this thesis is arguably evidence to the contrary. The point raised here is only one of theoretical awareness of the 'leap of faith' made between observations and conclusions when undertaking the micro-situational approach to financial meaning-making proposed by this thesis.

In sum, this section has discussed an elaborated conceptual apparatus for the study of financial meaning-making as a process of framing emergent through situations of company-capital market interaction. Three concepts drawn from Erving Goffman's method of frame analysis have been adapted and elaborated upon to the study of financial numbers in the company-capital market interface setting. The first, *Audience*, deals with sub-processes of framing where perspectives and experiences from both sides of the company-capital market interface are made part of the resultant frames of the financial numbers. *Anchoring* deals with sub-processes of framing that make financial numbers have the capacity to represent organisational realities. The concept of *Cues* deals with the issue of achieving shared inter-situational framings of financial numbers across time and space. Taken together, this thesis argues that these three concepts constitute an extended conceptual apparatus for understanding how financial numbers become meaningful at the company-capital market interface; and that this elaborated conceptual apparatus emerged as a result of undertaking the empirical study outlined in this book.

Chapter 9

Summary and conclusions

This book has examined how financial numbers become meaningful at the company-capital market interface. The starting point has been that meaning is not an inherent quality of accounting and financial numbers, nor simply a consequence of perspectives taken by different people. This book has rather seen meaning as an interactive social process, through which financial numbers are made meaningful. To investigate this research issue, a collective case study has been conducted. It has studied how the meaning of key financial numbers was articulated and changed in three different arenas of company-capital market interaction for three case companies. In each of these cases, it has been shown how key financial numbers took on particular meanings resulting from the interaction in situations at the company-capital market interface. In Chapter five, we followed how the meaning of two key financial numbers of the first case company was shaped by the corporate and capital-market actors' activities related to investor meetings during a European road-show. In Chapter six, we saw how one key financial number came to represent the second case company's performance and prospects in a particular manner through the preparation for, the corporate presentation of, and the ensuing capital-market actor questions at its capital markets day. In Chapter seven, we followed the successive and iterative emergence of the resultant meaning of two financial numbers in the quarterly financial report writing process at the third case company.

Three main conclusions emerged out of this collective case study. The first conclusion is that the meaning of financial numbers, understood as their

representative qualities and interpretations that individuals and groups make of them, do not precede the situations of interaction in which these meanings are articulated. Rather, the meanings of financial numbers are a result of situations, and of situational cognitive processes, that make the company and capital-market participants involved arrive at them. This concerns the concrete ways in which participants link and relate a financial number to aspects of the company and the surrounding world, and the means by which they convey such linkages to the other participants present. In conceptual terms, this thesis concludes that a particular meaning of a financial number is the outcome of the enactment of a particular *framing* by the participants involved.

The second conclusion concerns the nature of these framing processes. This thesis finds that the resultant meaning of financial numbers does not reside nor originate from any one set of participants in a situation of company-capital market interaction. Rather, this thesis finds that meaning, as an outcome, emerges and is re-enacted through the joint interactive efforts of both sets of participants in a given situation. Different groups of participants may link different aspects of the world to the number in the situation as a result of their past interactive history. However, a framing is only able to enact a meaning to the extent that both sets of participants in the interaction share that particular way of organising past experiences and present impressions of reality. Thus, financial meaning does not flow from one side of the company-capital market interface to the other unidirectionally, but emerges symmetrically and jointly in company-capital market interaction.

The third conclusion that emerged out of this study is a proposed conceptual apparatus for the study of financial meaning-making, as a process of framing emergent through situations of company-capital market interaction. This conceptual apparatus builds on Erving Goffman's method of frame analysis and three of his analytical concepts: audience, anchoring and cues. These three concepts have been adapted and elaborated upon for the specific issue of financial numbers in the company-capital market interface setting. *Audience* provides an analytical perspective for studying particular situations of interaction, where different types of audiences and processes of shaping and knowing them can act as tools to bring out the negotiated and collective aspects of framing work at the company-capital market interface. *Anchoring* highlights how company-capital market framing is implicated in producing

the representational qualities of financial numbers through linkages between the number and a surrounding reality. Finally, *Cues* highlight conceptually how particular numerical framings, which emerged within particular situations of company-capital market interaction, can come to be re-enacted and travel across time and space, to distribute particular framings across situations. Taken together, these three elaborated concepts constitute an extended conceptual apparatus for understanding how financial numbers become meaningful at the company-capital market interface.

Moreover, by answering a call for more research on company-capital interaction, this thesis has produced a unique empirical material consisting of detailed first-hand observations of such interactions, which hitherto has not been present in the body of research in accounting and finance. In addition to the three analytical conclusions outlined above, this thesis argues that these empirical observations make a significant contribution to the current body of research concerned with the interface between accounting and finance.

A fundamental question that emerges from these observations is whether the establishment of stable meanings is necessary for accounting to fulfil its role in capital-market allocation decisions?

Although there was certainly stability of meaning at times for particular financial numbers in the episodes of company-capital market interaction described in this thesis, these moments of stability were the exceptions in an ongoing progression of financial understanding among the participants studied. There was no single, stable meaning that originated from any single participant group or source that endured unchanged across time and space in any of the three case companies. Rather, due in part to the processual and micro-perspective design of this study, it has been possible to see how the minute details in the framings of financial numbers changed constantly. The cumulative effect of such constant and minute changes in the interpretations of particular numbers shifted at certain points the shared overarching framing of the companies' financial performance. Instead of seeing some of these changes and shifts as 'shareholder value influence' or as disconnect/reconnect between 'narrative and number', this thesis has argued that these changes are better understood as a singular interconnected and emergent

framing process. This is a notably less deterministic and less epistemologically realist understanding of the role accounting plays in capital-market allocation decisions than that normally held in the accounting literature.

However, this is not to say that a degree of stability in meaning is not possible. Indeed, we have seen several examples throughout this thesis of how relatively stabilised shared meanings of financial numbers came about and were durable for some time at least. Yet, this was not an absolute form of stability, it was a stability residing in particular layers of the numerical framings, and it was a stability dependent on the perspective adopted on time. In addition, this was, as we have seen, at all times a precarious and negotiated stability that depended on the continuous interactive engagement of the actors involved.

Thus the image of meaning that this thesis is trying to invoke is of a continuous framing process, involving many different participants. It echoes the philosophical underpinnings expressed in one of the early thoughts on the nature of meaning as a social process, "one of emergence and one of relativity" as put by George Herbert Mead early in the last century (Mead, 1972 [1934], p. 239).

Perhaps the most fundamental conclusion to emerge from these observations is the need for a different perspective. If we want to understand how accounting becomes meaningful and understand its role in the functioning of financial markets, we might need to ask new questions. Rather than investigating the representative accurateness and value relevance of particular accounting metrics at discrete points in time, we need to follow the emergence of this ability to represent and value relevance to users in company and capital-market practice. Hence, this book has argued that financial numbers do not have meaning, but that they are made to have meaning. If we want to understand the role of accounting in the functioning of capital markets, and how this role shapes the organisation of economic activity, we thus need to study the production of accounting meanings. This means studying the cognitive framing processes at particular sites of company- and capital market interaction, and the multi-layered and negotiated attempts at convergence towards a collectively shared understanding. Meaning in this case is not a stable inherent understanding of 'how things really are', but rather emerges,

in the case where it does emerge, as result of multiple and ongoing framing attempts by the participants involved.

Practical implications

As argued in the beginning of this book, the question of how financial numbers become meaningful is very much a practical concern for organisations and professionals active in the borderlands where companies and capital markets meet. Although this thesis holds the view that the arguments made above speak to practitioners and academics alike, it may nevertheless be pertinent to highlight a few thoughts on the practical implications of the findings from this study.

A first implication – directed at company managers, entrepreneurs, and other organisational representatives engaged in attracting investors driven by a financial focus – is the importance of linking financial numbers to the business operations. A financial number will only be understandable to an investor if its level and development can be traced to aspects of the operations, organisation and or the business environment expressed in concrete terms. Such linking between number and reality is not automatic but requires work, both before and within reports, meetings, presentations, and other interactions with investors. If such linkages are made, it is of some consequence to be consistent and gradual in introducing new subsequent linkages to the investors in order to maintain a shared understanding of the financial numbers.

A second implication – directed at investors and other capital market actors with holdings in particular companies – is that the interpretations of financial numbers is highly plastic, and it is thus possible to shape the interpretations held within the collective of investors. A presentation or meeting with company representatives is more than an opportunity to stay informed about particular financial numbers. What is said and asked can shape the trajectory of how these numbers are interpreted, as company representatives or other capital-market actors pick up key words and concerns and bring them into other instances of company-capital market interaction. The conversation regarding the financial numbers of companies held can, therefore, be highly

consequential, and thus it is equally consequential for investors to be participants in those conversations, perhaps especially for investors with a passive and long-term investment horizon.

A third implication – directed at standard setters and enforcement bodies for financial reporting – is that much of the understanding and interpretations of accounting numbers by professional users resides outside of the formal regulated accounts. This insight is not new, but the findings of this study stress the possible impact of shifting the regulatory gaze to forms of company-capital market interaction other than the formal accounts in financial reports.

Suggestions for future research

The investigation undertaken and the conclusions drawn in this thesis are not meant to be thought of as an end point, but rather a starting point for continued discussions. As such, this thesis sees several topics for future research into financial meaning and the role of accounting at the interface between companies and financial markets. Apart from the conceptual implications discussed at some length above and in the previous chapter, this thesis sees a number of empirical opportunities for future research to extend its findings.

Firstly, this thesis would like to see more studies of interaction in the domain of the company-capital market interface, and in the domain of accounting more broadly. While difficult to get access to certain sites of interaction, such as 'private' or 'internal' meetings, this study and others in different domains of the accounting literature (see e.g. Fauré et al., 2010; Jeacle & Carter, 2012) have shown that they are not wholly out of reach for empirical investigation. Future studies could make more use of this potentially rich source of insight into the everyday workings of accounting, and unpack more fully the processes by which the practices and numbers of accounting convey and establish meanings that in turn enable or promote particular organisational and market outcomes and actions.

More specifically to the topic of this thesis, a second suggestion is to extend the micro-interactionist analysis made here beyond where it has stopped, at the meeting between the corporate and the capital-market actor,

and follow how particular financial numbers are framed in the internal everyday practice of investors and financial analysts' organisations. While this thesis has made some observations of 'a change in framing' in the capital market, the sources that support this claim have been visible cues in written material such as analyst reports, investor feedback-comments to brokers in contact with the company managers, and changes in company share prices. More work could be done to see whether the claims made in this thesis hold beyond the interface and the companies, into the domain of the valuation practice of capital-market actors and thus explore more fully the relationship between the meaning of particular accounting numbers and the objectification of financial performance in terms of the share price. This could for example be done through attention to particular and local situations of framing and following single financial numbers from situation to situation inside investor and analyst organisations.

A third suggestion in a similar vein is to extend the investigation done in this thesis in the other direction, i.e. to look at the implications and consequences inside companies of how particular financial numbers are understood at the company-capital market interface. Some research in this vein has already been pursued (see e.g. Ezzamel et al., 2008; Kraus & Lind, 2010), but more could be done to illuminate a more precise chain of framings internally, from a particular understanding and interpretation of particular financial numbers articulated at the company-capital market interface to particular organisational outcomes, actions, and ways of organising operations.

A fourth and final suggestion is for future research to study the framing of financial numbers at the company-capital market interface in a longitudinal manner. This thesis studied the emergence and development of the framing of particular financial numbers for particular companies over a relatively short period, stretching over a couple of weeks or months before and after a key situation of company-capital market interaction. This thesis gained some precision in its observations of financial meaning by applying such a focused approach and following one or a few particular numbers from one or a few selected organisations. The suggestion made here is that such a focused approach extended over a longer time span could yield interesting and different insights into how numerical framings evolve for the participants involved,

and how the enacted meanings of numbers may be involved in shaping the investor base and the organisation of companies more broadly.

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Appendix A: Initial project description

Below is a reproduction of the initial project description that was presented to the IR department of the case companies in the fall of 2012 to elicit their participation in the study. First follows an English translation:

Research study of Investor Relations work in Swedish listed companies

Summary

A research study undertaken by Stockholm School of Economics during 2013 to 2015. The project will explore work in investor relations (IR work) and its significance and influence on companies and institutional investors in Sweden. The project will map IR work at a number of Swedish listed companies and study how a number of Swedish institutional investors perceive and are influenced by the IR work at the companies. This is done to amend the lack of empirical knowledge in the area of IR within current research. The study will result in a doctoral dissertation with a debriefing to the participating organisations of key insights made.

Purpose and background

The purpose of the research project is to increase the knowledge of investor relations' (IR's) significance and influence on companies and investors in Sweden. The purpose can be partitioned into two parts.

The first part is about to systematically map and describe current IR work in a number of large, listed Swedish companies. In this description, the internal routines and the daily work at the department of IR/the persons responsible for IR are to be in focus but particular emphasis will be put on the

internal and external influences on the work. A different focus will be IR's significance and influence internally in the company, seen from the perspective of the department of IR/the persons responsible for IR.

The second part is about understanding the influences and actions of institutional investors in an IR situation. Partly this is about how IR information, IR events and IR meetings shape the view institutional investors have on companies and the investors' choice of ownership strategy in relation to the companies. And in its other part, it is about understanding how the management control systems of institutional investors and the ownership strategy of the fund affect individual fund managers' behaviour in an IR situation facing a company.

The background to the stated purpose is that IR work in companies has markedly increased in significance and scope over the past ten to fifteen years, despite the increase in detail and frequency of accounting reports issued. To this can be added an increased influence from financial markets over the operation and structure of listed companies. In this development, research has primarily focused on theoretical explanations and normative recommendations in the IR area, while empirical observations from practice has been lacking. The idea behind the project is therefore to amend this gap in the current state of our knowledge, and to create a description and insight of IR and its significance anchored in actual practices.

The study

To fulfil this purpose, Stockholm School of Economics is conducting a study in two parts. In the first part, a number of case studies of large, listed Swedish companies are planned. The idea in the first part is that each company is followed during an IR cycle of one year. This means that public and externally communicated information, press conferences, and corporate events that involve the department of IR is followed and material is collected. Individuals working and responsible for IR are interviewed regarding their work, with follow-up talks a couple of times during the year. If permission is given by the persons responsible for IR, observation of the IR work at the companies during a brief period would be valuable for the research project.

The second part of the study builds on a number of case studies of Swedish institutional investors. These will, as far as possible, be investors that

have shareholdings in the case companies from the study in Part 1. These investors will be followed during the same period as the case companies in Part 1 are studied, however with a start date a few months after the start of the Part 1 study. Fund managers and analysts working with the holdings in the case companies will be interviewed, with follow-up talks during the year. Staff working with the design and management of the organisations' management control systems, such as share placement guidelines or internal performance management will also be interviewed at the institutional investors.

The preliminary time line for the study is that Part 1 will start in the spring of 2013 and run until the spring of 2014. Part 2 will start in the late spring, alternatively summer, of 2013 and run until the spring of 2014. Processing of empirical material and analysis will be performed on a continuous basis and is planned to be completed during 2015. The study will result in a doctoral dissertation at the Stockholm School of Economics.

Feedback to participating companies

Part of the project is to provide feedback to participating organisations of the insights and findings from the study. The feedback debriefing is planned to consist of the following parts:

1. A final debriefing in the form of a memo with the key conclusions from the study
2. An oral presentation of the results with possibility to discuss these
3. Current debriefing of preliminary findings from the different parts of the study as it is ongoing

Project organisation and formalities

The research project is conducted by MSc. Per Åhblom. Per Åhblom is supervised by Professor Johnny Lind at the department of accounting and financial management. The study is conducted with absolute protection for all material that is sensitive to the participating companies and organisations. The organisations and persons will be anonymised.

Per Åhblom
Institutionen för redovisning och finansiering
Handelshögskolan i Stockholm

oktober, 2012

FORSKNINGSSTUDIE AV IR-ARBETE I SVENSKA BÖRSFÖRETAG

Sammanfattning

Ett forskningsprojekt som genomförs av Handelshögskolan i Stockholm under 2013 till 2015. Projektet kommer att belysa Investor Relationsarbete (IR-arbete) och dess betydelse och påverkan på företag och institutionella investerare i Sverige. Projektet kommer att kartlägga IR-arbetet hos ett antal svenska börsföretag samt studera hur ett antal svenska institutionella investerare påverkas och uppfattar IR-arbetet hos företagen. Detta görs för att fylla den bristande empiriska kunskap som råder på IR-området inom aktuell forskning. Studien kommer att resultera i en doktorsavhandling med avrapportering till deltagande organisationer om de viktigaste insikterna.

Syfte och bakgrund

Syftet med forskningsprojektet är att öka förståelsen av Investor Relations (IR) betydelse och påverkan på företag och investerare i Sverige. Syftet kan delas in i två delar.

Den första delen handlar om att systematisk kartlägga och beskriva nutida IR-arbete i ett antal större svenska börsföretag. I den beskrivningen kommer de interna rutinerna och det dagliga arbetet på IR-avdelningen/IR-ansvariga att vara i fokus men särskild vikt kommer att fästas vid interna och externa influenser på arbetet. Ett annat fokus kommer att vara IR:s betydelse och influenser internt i företaget ur IR-avdelningens/IR-ansvarigas perspektiv.

Den andra delen handlar om att förstå institutionella investerares påverkan och agerande i en IR-situation. Dels handlar det om hur IR-information, IR-event och IR-möten formar institutionella investerares syn på företag och val av ägarstrategi de antar i förhållande till företagen. Den andra delen handlar om att förstå hur institutionella investerares interna styrsystem och ägarstrategier påverkar enskilda förvaltares beteende i en IR-situation med företag.

Bakgrunden till syftet är att företagens IR-arbete har ökat markant i betydelse och omfattning de senaste tio till femton åren trots alltmer detaljerade och frekventa redovisningsrapporter. Till detta kan läggas ett ökat inflytande från finansiella marknader över verksamheten och strukturen hos noterade företag. I denna utveckling har forskning främst fokuserat på teoretiska förklaringar och normativa rekommendationer inom IR-området, medan empiriska observationer från praktiken saknats. Tanken med projektet är alltså att råda bot på denna brist i kunskapsläget och att skapa en verklighetsförankrad beskrivning och insikt av IR och dess betydelse.

Studien

För att kunna uppfylla syftet genomför Handelshögskolan i Stockholm en studie i två delar. I den första delen planeras ett antal fallstudier på stora svenska börsföretag. Tanken i den första delen är att varje företag följs under en IR-cykel på ett år. Det innebär att publik och externt kommunicerad information, presskonferenser och företagshändelser som involverar IR-avdelningen följs och samlas in. De personer som arbetar och är ansvariga inom IR intervjuas om deras arbete, med uppföljningssamtal ett par gånger under året. Om möjlighet ges av IR-ansvariga så skulle observation av IR-arbete på företaget under en kortare period vara värdefullt för forskningsprojektet.

Den andra delen i studien bygger på ett antal fallstudier av svenska institutionella investerare. Dessa kommer i möjligaste mån vara investerare som har aktieplaceringar i fallföretagen från delstudie 1. Dessa kommer att följas under samma period som fallföretagen i delstudie 1 studeras, dock med start ett antal

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månader efter det att delstudie 1 påbörjats. Förvaltare och analytiker som arbetar med placeringarna i fallföretagen kommer att intervjuas, med uppföljningssamtal under året. Även personal som arbetar med utformning och hantering av interna styrsystem såsom placeringsriktlinjer eller intern prestationsmätning kommer att intervjuas hos de institutionella investerarna.

Den preliminära tidsplanen för studien är att delstudie 1 påbörjas våren 2013 och löper fram till våren 2014. Delstudie 2 påbörjas sen vår alternativt sommar 2013 och löper fram till våren 2014. Empiribearbetning och analys kommer att göras kontinuerligt och beräknas att vara avslutad under 2015. Studien kommer att resultera i en doktorsavhandling på Handelshögskolan i Stockholm.

Avrapportering till deltagande företag

Som en del av projektet ses återkopplingen till deltagarna av insikter och resultat från studien. Avrapporteringen är tänkt att bestå av följande delar:

1. Slutrapportering i form av ett PM med de viktigaste slutsatserna från studien
2. En muntlig presentation av resultaten med möjlighet till diskussion kring dessa
3. Löpande rapportering av preliminära resultat från de olika delstudierna

Projektorganisation och formalia

Forskningsprojektet genomförs av MSc. Per Åhblom. Per Åhblom handleds av professor Johnny Lind vid Institutionen för redovisning och finansiering. Studien genomförs med absolut sekretess för allt material som är känsligt för deltagande företag och investerarorganisationer. Organisationerna och personerna kommer att anonymiseras.

Appendix B: List of interviews included in the study

No.	*Date*	*Company*	*Role*	*Duration (min)*
1	2013-02-12	TechCo	Acting Head of IR	64
2	2013-02-12	TechCo	IR Coordinator	40
3	2013-03-07	TechCo	IRO	53
4	2013-03-07	TechCo	Tech-IRO	65
5	2013-03-12	TechCo	IR Coordinator	101
6	2013-03-25	InduCo	Head of IR	76
7	2013-04-03	FinCo	IRO	67
8	2013-04-08	FinCo	IT IRO	84
9	2013-04-10	InduCo	IRO	80
10	2013-04-25	TechCo	Annual Report Project Leader	67
11	2013-05-16	FinCo	Head of IR	69
12	2013-05-30	InduCo	Head of IR	57
13	2013-05-30	InduCo	IRO	71
14	2013-06-04	FinCo	IRO	53
15	2013-06-05	TechCo	Acting Head of IR	59
16	2013-08-26	FinCo	Senior IRO	51
17	2013-08-29	InduCo	Head of IR	41
18	2013-08-29	InduCo	IRO	45
19	2013-09-03	FinCo	IT IRO	68
20	2013-09-03	FinCo	IR Coordinator	64
21	2013-09-04	TechCo	IRO	57
22	2013-09-04	TechCo	Tech-IRO	76
23	2013-09-13	FinCo	Head of IR	57
24	2013-10-09	FinCo	Senior IRO	50
25	2014-03-18	TechCo	Annual Report Project Leader	85
26	2014-03-31	FinCo	Senior IRO	75
27	2014-05-26	InduCo	IRO	35
28	2014-06-02	TechCo	Acting Head of IR	44
29	2014-06-09	FinCo	Head of IR	60
30	2014-06-30	InduCo	Head of IR	60
31	2014-09-03	TechCo	Head of IR	60