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COMMUNICATION OF ACCOUNTABILITY AND POSITIVE ATTITUDE

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Financial Reporting and Analysis

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ABSTRACT

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TITLE: *Communication of Accountability and Positive Attitude*

BACKGROUND AND PROBLEM DISCUSSION: Recent accounting scandals have created greater demands on the information given from the companies to its stakeholders, which has resulted in stronger legislation. The Sarbanes-Oxley Act of 2002 involves, among other things, that the companies are obliged to account for their internal control procedures and what risk factors they are exposed to in a report called Form 20-F. This leads to more communication that needs to be interpreted. The fact that the information can be interpreted in different ways by the users constitutes a problem for the companies. The choice of language and expressions could affect how the reader experiences the text.

PURPOSE: The main purpose in this thesis is to investigate whether there are any differences in how the companies communicate accountability and positive attitude in the risk sections in the Form 20-F reports. Three Swedish companies have been selected for this study: Electrolux, Ericsson and Stena.

DELIMITATIONS: The authors have chosen to limit the study to only one method of text analysis and three companies. Furthermore, the investigation only comprises the risk sections in the Form 20-F reports. The analysis is also limited to investigate the actual circumstances that could be gathered from the texts. The authors will not make any attempts to explain the reasons for these circumstances or eventual differences that may result from the survey.

METHOD: The authors of this thesis have chosen to perform a text analysis of the risk sections in Form 20-F. Text analysis is a wide conception that contains several different methods of analysing text. Content analysis has been chosen for this study.

CONCLUSIONS: Of the three studied companies, Ericsson is the one that distinguishes itself and communicates most accountability and positive attitude to its stakeholders. Electrolux communicates the least accountability while Stena's results vary by test parameter. The study has shown that companies communicate accountability by the usage of personal pronouns and that positive attitude is mediated through the usage of positive words. The authors have further been able to conclude that differences in choices of words can result in differences in the receiver's apprehension.

SUGGESTIONS FOR FURTHER RESEARCH: A proposal for further research is to perform a text analysis on the same texts that were studied but with different methods of text analysis. The results could thereafter be compared to those of this study and could hopefully lead to a more substantiated and accurate result.

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1 INTRODUCTION

This opening chapter introduces the reader to the topic by providing a brief background to the subject, which the thesis is based on. The background is followed by a problem discussion that points out why there is a problem with accounting communication. The purpose of this thesis will be described and it will eventually result in the problem definition, which contains the stated research question. Moreover, the delimitations of the survey are defined. The chapter is completed by a presentation of the outline of this thesis.

1.1 BACKGROUND

In recent years a number of emerging accounting scandals, in particular in the United States, have damaged the credibility of accounting and consequently resulted in efforts aimed at sharpening its rules. For example, the well-known and formerly well-reputed energy company Enron consistently reported better than actual results in terms of profitability and solvency for a long period¹. At the time the scandalous activities were detected, it was also revealed that the company's financial accountants had co-operated in the economic crime that subsequently led to Enron's bankruptcy². This fake revenue reporting and auditor manipulation was immediately recognized around the world as synonymous with corporate fraud³. Shortly thereafter a similar scandal occurred with the telecommunication company WorldCom, which overtook Enron as having made the largest bankruptcy in American history⁴. After these upsetting events, demands on tougher legislation mounted. Stakeholders like lawmakers, investors and credit institutions today put high demands on financial reporting and its accuracy, not least because of the mentioned scandals. The readers of the reports consider numerous aspects of a company's activities, and the information provided through financial accounting is tailored to satisfy the demands of all the company's stakeholders.

Stronger requirements on the accounting have therefore been enforced through legislation. The Sarbanes-Oxley Act of 2002, named after its founders Paul Sarbanes and Michael Oxley, involved significant changes to financial reporting⁵. The Sarbanes-Oxley Act brought the most comprehensive change to American accounting law since 1934⁶. The purpose of the act was to increase the credibility and impose higher ethical standards on financial reporting in order to protect investors and the public interest⁷. Concretely, the Sarbanes-Oxley Act implies that the CEOs and CFOs are formally held accountable for the internal control procedures stated in their companies' reports with potential sanctions including imprisonment for misleading information⁸. As a result, the boards of directors of American companies are forced to pay significant attention to their reporting. Major demands are also imposed on company accountants⁹. The law applies to all U.S. businesses as well as to foreign companies listed on the U.S. stock exchanges or foreign companies with U.S. subsidiaries¹⁰.

¹ <http://news.bbc.co.uk/1/hi/business/1780075.stm>.

² McLean, B. et al (2004).

³ Elliot, A.L. et al (2002).

⁴ McLean, B. et al (2004).

⁵ <http://www.soxlaw.com>.

⁶ O'Brien, J. (2005).

⁷ Ibid.

⁸ Ibid.

⁹ O'Brien, J. (2005).

¹⁰ Cleary et al (2003).

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This legislation has further contributed to the fact that accounting does no longer solely contain financial information in the shape of numbers and figures. Instead, financial reports comprise increased amounts of text that the users need to consider. The companies are now compelled to also account for information that they might not be willing to disclose. This information concerns, among other things, their procedures of internal control and a large part is represented by the identification of risk factors the companies are exposed to¹¹.

These longer and more extensive texts that are mediated create the need of interpreting the communication. Communication encounters different users and a public. The interest for the public's and the users' behaviours and attitudes towards communication has been large since the 1930s¹². Given this background, the authors find the reader's perceptions of the communication that arises from this legislation to be an interesting topic.

1.2 PROBLEM DISCUSSION

A company has many stakeholders like suppliers, investors or credit institutions. Originating from the upsetting events mentioned above, the stakeholders' needs of information from the company have increased¹³. From demanding only figures and pure financial statements, these numbers now need to be complemented by information about the companies' internal control systems and procedures.

One of the purposes with the Sarbanes-Oxley Act is to create more transparency around the companies' activities and hence provide the stakeholders with more insight¹⁴. To increase the openness, all national and international companies registered with the Security and Exchange Commission (SEC), which is a supervising authority, are obliged to once a year file a so called Form 20 report with the SEC¹⁵. For foreign companies the report is called Form 20-F. The companies that submit the Form 20 reports commit themselves to their reports being compliant with the rules of the Sarbanes-Oxley Act¹⁶. The Form 20 reports need to be established in accordance with strict rules. Detailed information about the company's internal controls, for example historical statistics, financial information, risk factors, future prospects, company information, product information and information about the company's employees and stockholders, is provided through the report¹⁷.

As mentioned above, more texts with more extensive contents leave more scope for the receiver's interpretations. Whether there are any differences in the companies' ways of expressing themselves has caught the authors' interest. Despite the fact that the Form 20-F reports are strictly regulated it is interesting to observe what flexibility remains for companies in terms of how they communicate and hence to what extent the reporting of companies can differ in tone and language. Choice of language determines the receiver's ability to understand and interpret the contents¹⁸. Stricter regulations result in more standardised reporting, which in turn leads to improved comparability between companies. In this regard,

¹¹ <http://www.sec.gov/about/forms/form20-f.pdf>.

¹² Falkheimer, J. (2001).

¹³ Ramos, M. (2004).

¹⁴ Ibid.

¹⁵ <http://www.sec.gov>.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Parkinson, C. N. et al (1979).

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the interests of investors and the capital markets are served. On the other hand, if regulations are too strict, there is a risk that reports become too standardised and fail to convey views and beliefs of management. These elements are also of interest to the investor community.

The fact that the information can be interpreted in different ways by the receivers of the communication constitutes the base of the problem for this thesis. To tackle this problem, the texts need to be analysed in order to distinguish these differences. Earlier research has proved that text analysis can be an efficient instrument when analysing economic texts¹⁹. By analysing the Form 20-F reports of companies that follow the Sarbanes-Oxley Act, variation in the communication could indicate, albeit not conclusively, that the necessary flexibility is maintained. If, on the other hand, the results of the analysis turned out to show very few differences between the companies, this could indicate that the design of the report is too strictly regulated. This could in turn result in too generic reporting that is deprived of important elements, which assist the receiver to understand the relative probabilities and potential consequences of various risks. Since the filing of the first Form 20-F for Swedish companies was made mandatory for the fiscal year of 2006 and hence was submitted in July 2007²⁰, this subject is considered to be interesting and up to date.

The Form 20-F reports contain, among other things, a section in which the company's risk factors are described in detail. An investor's primary needs and expectations of information from the companies are communicated positive future prospects and communicated accountability for present and future quality²¹. When speaking about what threats a company is facing, a stakeholder wishes to see that the company demonstrates responsibility and hence communicates that they are aware of these risks and ready to stand up against them. It is essential for the sender of any accounting communication to convince the reader of the reliability and accuracy of the information. The ability to do so is influenced by choices of how to communicate accountability. Another thing that could influence the stakeholders' apprehensions is what attitude the company is communicating. The sender's choice of wording and tone can affect the text and describe the companies' situation in a more positive way. This section on risks, in particular, offers a potentially interesting subject of study.

1.3 PURPOSE

The main purpose of this thesis, which is of comparative character, is to investigate whether there are any differences in how companies choose to communicate accountability and positive attitude when accounting for their risks. Three Swedish companies that have filed a Form 20-F report are chosen for this comparison.

This thesis also aims to create understanding for how companies can influence the accounting by communicating in a certain way. This can hopefully be answered after the main purpose has been fulfilled.

¹⁹ Jonäll, K. (2006).

²⁰ <http://www.sec.gov>.

²¹ Parkinson, C. N. et al (1979).

1.4 PROBLEM DEFINITION

To specify the purpose described above further, the authors have formulated the following research question:

- ***Are there any differences in the way that companies communicate risks in terms of accountability and positive attitude?***

1.5 DELIMITATIONS

The authors have chosen to limit the study to only one method of text analysis and three companies. Furthermore, the investigation exclusively comprises the risk sections in the Form 20-F reports. No detailed or exhaustive description of the Sarbanes-Oxley Act will be provided, but a brief overview of the most important implications for the companies.

The analysis is further limited to investigating the actual circumstances that could be gathered from the texts. The authors will not make any attempts to explain the reasons for these circumstances or eventual differences that may result from the survey. It is important to state for the readers of this study that its only purpose is to investigate what is communicated through the texts. No consideration is taken of the companies' real situation or any events taking place *ex post*.

1.6 OUTLINE OF THIS THESIS

CHAPTER 1 – INTRODUCTION

In the first chapter the choice of subject will be described. The reader will be provided with background information that should be easy to grasp. Furthermore the problem will be introduced and the purpose of this thesis will be defined. Necessary delimitations will also be described.

CHAPTER 2 – THEORETICAL FRAMEWORK

The second chapter will describe the necessary background information about the legal environment needed to comprehend the findings of this study. The Sarbanes-Oxley Act and its implications will be described. Furthermore, the reader will be introduced to communication theory and applied concepts will be discussed.

CHAPTER 3 – METHOD

In the third chapter the reader will be informed about the chosen method of analysis that is applied to fulfil the purpose.

CHAPTER 4 – EMPIRICAL RESULTS

In this section the authors will present the empirical results of the survey.

CHAPTER 5 – ANALYSIS

The fifth chapter will contain the analysis where the empirical findings are compared to the theories.

CHAPTER 6 – CONCLUSIONS

In the sixth chapter the authors' conclusions from the survey will be presented.

CHAPTER 7 – COMPLETION

In the seventh and final chapter the authors will present their proposals for further research.

2 THEORETICAL FRAMEWORK

Below the reader will be provided with a fundamental comprehension of internal control, the stakeholder theory and the Sarbanes-Oxley Act in order to be able to assimilate the results of the survey. A section that explains the communication theory aims to increase the understanding of how the receiver of a message can be influenced. Furthermore, the definitions of the conceptions that the analysis and conclusions will be based upon are described.

2.1 INTERNAL CONTROL

SEC defines internal control as a process lead or supervised by the board, which provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP). The process should also ensure that the assets of the entity are employed as intended by the company.²²

In practice, this means that companies practise and maintain control over their business areas and that they have knowledge about what their employees are doing. It is hard for a company with many divisions to be aware of what every manager does. A satisfactory control system could provide the company with essential instruments that serve to prevent fraud and other threats facing the companies. It could also increase the awareness about the companies' risks and therefore help to avoid them. A well developed control system may also improve the efficiency of the companies' processes, as well as identifying potential threats before they emerge. This gives the board an opportunity to identify and quickly address threats in an efficient way, thus creating value for the company's stakeholders.²³

Because companies function in a variable environment, the process of internal control is a continuous work that never really ends. It deals with both internal and external risks. Internal risks are threats created by actions or lack of actions by the company itself, while external risks refer to threats created by factors outside the company. External risks are more difficult to predict and influence. Internal control consequently involves a process or a system where several activities, guidelines and routines cooperate to control and identify risks. In order to obtain a well developed control system, it is important that the board, management and the operative staff function well together.²⁴

2.1.1 THE COSO FRAMEWORK

The COSO framework is a comprehensive and commonly applied framework for a well-functioning control system. The COSO framework offers a summary of the risk elements to consider for compliance with the Sarbanes-Oxley Act and Form 20-F reporting. The framework is published by and named after the Committee of Sponsoring Organizations of the Treadway. The framework seeks to minimize three main types of risks:

- Operational risks of not achieving goals set for the organisation.
- Risks of inaccurate internal or external financial reporting.

²² Green, S. (2004).

²³ Ibid.

²⁴ Molin, H. et al (2005).

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- Risks of failure to comply with accounting standards and legislation.²⁵

COSO addresses these risks through a framework consisting of five main components. These components create a basis for how internal control could be implemented.

- *Control Environment* is the basis for the internal control including the ethical code, the competence of the employees, the philosophy and approach of directors such as overall process steering and delegation of responsibilities.
- *Risk Assessment* refers to the identification and analysis of relevant risks including mechanisms to identify and address risks.
- *Control Activities* are guidelines and routines to ensure that risks are effectively identified and addressed throughout the organisation.
- *Monitoring* is on-going evaluations of internal and external control systems.
- *Information and Communication* refers to the identification, capture and mediation of relevant internal and external information through internal processes and communication as well as with external parties such as customers, suppliers, authorities and shareholders.²⁶

²⁵ <http://www.internrevisorerna.se/uploads/cosooversattning.pdf>.

²⁶ Ramos, M. (2004).

2.2 STAKEHOLDER THEORY

The organisation as communicator must consider multiple groups in its proximity. These groups are usually called stakeholders and consist of individuals, groups or organisations that have some form of exchange with the organisation. The stakeholder theory identifies and models the groups of stakeholders. The model below demonstrates who needs to be considered in the preparation of accounting communication.²⁷

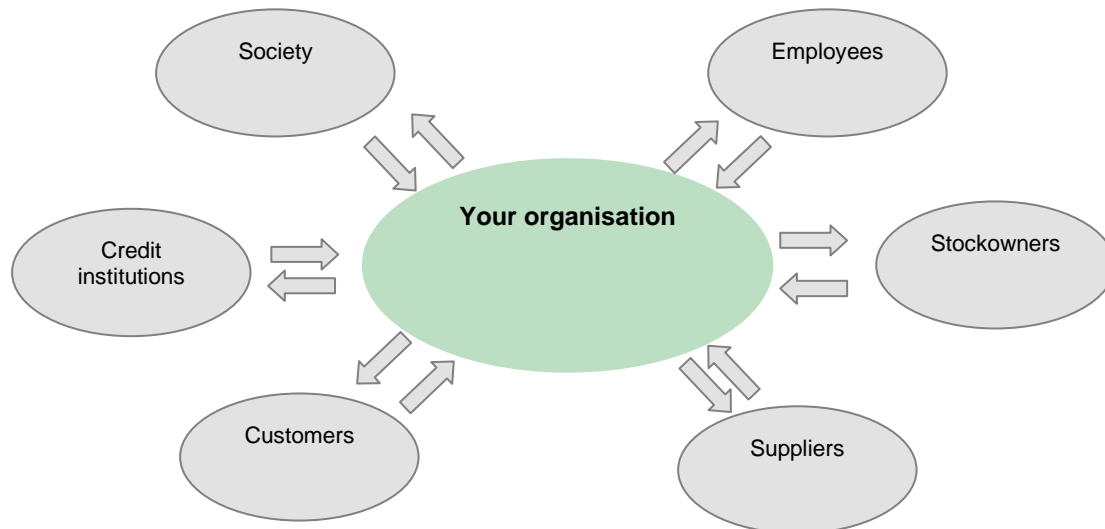


Figure 1: Stakeholder model, modified from Falkheimer, J (2001).

2.3 SARBANES-OXLEY ACT

As a consequence of numerous accounting scandals, the Sarbanes-Oxley Act of 2002 was adopted by George W. Bush. This act affects all public companies that have registered securities with the Securities and Exchange Commission under the Exchange Act, even those that are non-U.S. filers. One of the purposes of the Sarbanes-Oxley Act is to put focus on the boards' responsibility regarding internal control. The responsibility is clearly described in rules and regulations and is provided mainly to establish and retain internal control.²⁸

To explain the main implications for U.S. companies, the key rules are summarised below:

- The CEO and CFO must certify that the information in the companies' annual and quarterly reports is correct and not misleading.
- Companies are required to maintain "disclosure controls and procedures".
- The companies need to assess the effectiveness of the internal control and the assessment must be attested by an independent auditor.
- Bonuses and compensation plans need to be exposed.
- During blackout periods, the executive officers and directors are prohibited from insider trading. Blackout periods refer to a period in which employees are not allowed to adjust their planned investment since the plans are undergoing major changes.
- Executive officers and directors are not allowed to borrow from the company.

²⁷ Falkheimer, J (2001).

²⁸ Lander, G. P. (2003).

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- The disclosures need to take place “on a rapid and current basis”.
- The companies are required to make additional disclosures concerning the code of ethics.
- The SEC needs to review each public company’s filings at least once every three years.
- Reporting of insider transactions is required within two business days.
- The Public Company Accounting Oversight Board (the PCAOB) is responsible for maintaining control of public companies and is subject to SEC oversight.
- Auditors are prohibited from providing certain types of non-audit services to their clients.
- The existing criminal provisions are now more severe.²⁹

Foreign companies having made a public offering or listed its securities in the United States are also subject to the Sarbanes-Oxley Act. However, the rules for foreign issuers are somewhat different from those mentioned above. The most important rules applying only to foreign companies are summarised below:

- In the annual reports on Form 20-F, the CEO and CFO are required to certify that the presentation is accurate and the managements should provide their evaluation about the efficiency of the internal control procedures.
- The CEO and CFO compensation should be disclosed.
- The companies must have an independent audit committee.
- The standards for auditor independence are enhanced.
- The Form 20-F should contain disclosures regarding fees paid to the auditor.
- Foreign accountants are required to register with the PCAOB.
- Personal loans to executive officers and directors are prohibited.
- Standards of conduct for lawyers are established.
- Any falsification or destruction could lead to up to 20 years in prison.³⁰

The act has a significant impact on several of the companies’ activities. The implementation process is time-consuming and costly and the on-going effort and cost required are also higher than prior to the Sarbanes-Oxley Act. This has lead to some companies even choosing to delist from American exchanges³¹. Several Swedish companies are affected by the new regulations.

2.3.1 FORM 20-F

This thesis focuses on the contents of Form 20-F, which is a report that all companies that follow Sarbanes-Oxley Act are obliged to file with the SEC. The companies that submit the form 20-F reports commit to comply with the rules of the Sarbanes-Oxley Act.³²

Although Sarbanes-Oxley Act was adopted in 2002, the extensive work to document and test the processes has meant that the implementation of the legislation has been delayed. In Sweden the first complete form 20-F report was submitted in July, 2007. The purpose of the form 20-F reports is to strengthen the internal control of the financial reporting at the stock market. The purpose of the report is to enhance the quality and accuracy of the information

²⁹ Cleary et al (2003).

³⁰ Ibid.

³¹ <http://www.di.se>.

³² <http://www.sec.gov>.

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provided to stakeholders, including a declaration of how the internal control processes are managed. It is also an official declaration of compliance with the rules of Sarbanes-Oxley Act. In the long term this implies that it is more complicated for the companies to deceive their investors and that the public's confidence is restored for companies listed on the stock exchange.³³

There are rules and regulations to follow regarding the design of form 20-F reports. The instructions are used as a guide in the preparation of the form 20-F reports. The report has to contain 18 pre-defined sections. Some specific parts are more strictly regulated than others, and do not leave much scope for digression. A foreign private issuer must file its annual report on Form 20-F within six months of the end of the fiscal year. The report should also contain a certification from the board regarding the internal control and a signature from the companies' auditors regarding the audit of the boards reporting.³⁴

The design of the section on risk factors, which is the authors' main focus, is not bound by strict rules. The instructions adhering to the risk factors section aims to disclose those risks that are specific to the company or its industry. The companies are encouraged but not forced to rank the risk factors in order of importance. The instructions also state that the section on risk factors should be concise and explain clearly how the risks affect the issuer of the securities.³⁵

³³ Dykert.L. (2007).

³⁴ <http://www.sec.gov>.

³⁵ Ibid.

2.4 COMMUNICATION

Communication is a widely spread concept that can be defined in two different ways, depending on the purpose. One definition is communication as an exchange of ideas or opinions, where messages are interpreted which leads to different types of understanding. The other definition, which is the focus of this thesis, is communication as the transfer of *messages* from a *sender* by a *medium* to a *receiver* with a certain effect.³⁶

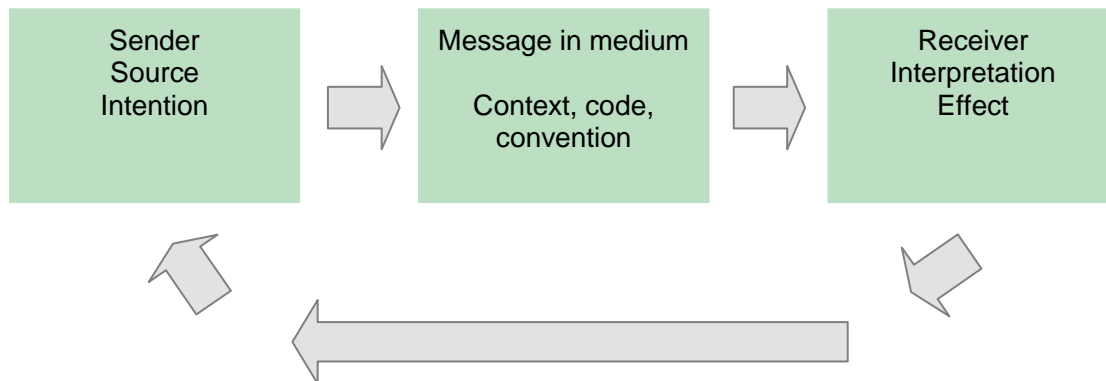


Figure 2: A simple communication model, modified from Falkheimer, J (2001).

The process of communication is a central issue. The sender has an intention, which often is to convince the receiver, to achieve the desired effect. Behind the sender there could exist a source that influences the process. The main sources in this case are the material the reports are based on (such as financial statements; applied procedures within the company) and the guidelines and regulations that need to be followed. There is naturally a scope for individual influences, but basically the senders are controlled by the source. The message is the content that is communicated from the sender to the receiver. This content can also be denominated as text, which in this context can be defined as a web, or a complex, of meanings. With interpretations from cultural science it is possible to investigate what signs work together in different texts, what symbols and metaphors there are, what associations these symbols and metaphors create and what narrative technique the text is built on. All texts have different types of motives, themes, narrative techniques, style or rhetoric. Critical analyses of texts can hopefully raise the level of awareness of unaware problems in the medium's shape of the contents. The medium is the channel by which the contents are transferred from sender to receiver. In this case the medium is the Form 20-F report.³⁷

The most complex part of the communication process adheres to the receivers, or the users. By stating something about the sender, mediums or messages, a view of the receiver is simultaneously stated. All communication processes take place in some kind of *context*. The conception *code*, which is central in communication theory, is closely related to the context. The sender is normally packing the message in a certain code, which is thereafter decoded in different ways by the receiver. A code is a system of characters that is based on rules and conventions. In other words, a code is a language with different rules for how its components should act together in order to obtain a meaning. All communication can be broken down to characters, which in different systems form different codes. Characters obtain a meaning

³⁶ Falkheimer, J. (2001).

³⁷ Ibid.

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through their relation to something else as well as through their context. The socially created rules that are the base for the codes are called conventions or agreements.³⁸

External communication most often involves one-way communication. The issue here is what picture or what idea is communicated to the stakeholders outside the organisation. It is not unusual that managers of organisations believe that their picture of the company is shared by the surrounding world, but that the name of the organisation in reality is associated with totally different values³⁹. Economic communication, or investor relations, often assumes stakeholders like stockowners, partners, potential buyers and investors⁴⁰. Investors' trust and understanding of companies is achieved by management's insights of the necessity that the company develops and maintains continuous relations with its stockowners and investors⁴¹.

To focus on the message as well as the text and the expression in the communication process, two premises are central. First, communicated messages are representations of *something else*. If the existence of an objective reality can be accepted, this something else could possibly be called reality. Second, these representations are constructions of this something else. Constructions mean that the representations are created in different ways. Analyses of medium contents can be made with either a method from cultural science, or a method from social science which focuses on representations and relations between picture and reality. The tradition from social science analyses medium contents by among other things statistical methods. One example of this is the investigations that have been made of the mass media's depictions of different wars, where a content analysis shows what side gets what scope. The content analysis is solely interested in the manifest and clearly distinguishable in a message and aims to be objective, systematic and statistic.⁴²

Messages or texts carry different functions for senders and receivers. These functions are the informative function, the social function, the metalinguistic function (identification of the code; an established way of expression), the aesthetic function (style), the emotive function (feelings depending on attitudes, values and frameworks) and the convincing function (rhetoric). All these functions are present in communication, but with different priorities.⁴³

³⁸ Falkheimer, J. (2001).

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Parkinson, C. et al (1979).

⁴² Falkheimer, J. (2001).

⁴³ Ibid.

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Harold D. Lasswell formulated another simple model of communication which he used to describe different research methods within communication science, but the model can also be applied as a model for strategic communication. This model is more focused on human communication than the model described above.⁴⁴



Figure 3: Lasswell's formula, modified from Falkheimer, J (2001).

2.5 RESEARCH CONCEPTS

A stakeholder's essential needs and expectations of information go far beyond the balance sheet and can be divided into three categories. First, a stakeholder demands understandable communication about the economic development. Second, information is needed about the company's future positive prospects. This is an area that is less tangible and that stakeholders wish to be informed about. Often laws and regulations strongly restrict the company's liberty to say something about the future with unfounded optimism. Third, a stakeholder demands communication about the present and future quality of management. An investor wants to be able to trust that management has the ability to plan and act in an effective way. Related to this issue is also the problem with the company's maturity and ethics.⁴⁵

The first need described above is not the focus of this thesis since it is not mediated through risk communication, but the two others that are more intangible constitute subjects for this study. The demand for communication about quality of management can be measured by the concept of accountability. The demand for communication about future positive prospects can be measured by the concept of positive attitude. These two conceptions are described in detail below.

2.5.1 ACCOUNTABILITY

Accountability can be demonstrated when the companies account for and explain unpredictable or unfavourable events or situations that they might be facing. The accounts are intended to prevent or to repair the negative effects of doubtful events or situations. Furthermore, these statements have the purpose to reconstruct balance in the relations between the sender and the receiver. These relations are also strengthened when the sender creates personal connections with the receiver. Communication from companies most often contain planned strategies that are expected to meet the expectations of the stakeholders' explicit and implicit questions. In this way, the stakeholders' apprehension of the situation can be controlled to some extent. The information expressed in the accounts is hence designed in a certain way that is supposed to make the receivers draw certain desirable conclusions. The information is also often presented to adapt to certain circumstances and the user's expectations and valuations. Sometimes companies face inevitable situations where accidents,

⁴⁴ Falkheimer, J. (2001).

⁴⁵ Parkinson, C. N. et al (1979).

mistakes, disadvantageous contracts or other factors cause an unfavourable position. In these cases the statements serve to explain the incurred situation.⁴⁶

2.5.2 POSITIVE ATTITUDE

Another aspect of the communication is the mediation of positive attitude. Attitude in this context refers to the way the sender relates to what is expressed in the texts. When positive events are communicated to the stakeholders it is not necessarily a sign of accountability. Accountability is rather demonstrated along with negative events. These sections are also more negative than positive by nature since risks are communicated. Therefore it is interesting to examine to what degree positive attitude is mediated. A positive attitude could imply that the companies are looking towards the future with a positive feeling and that the managers are confident that the business is going the right way. It can also mean that the company for some reason is anxious to send positive impressions to the receiver. However, a high degree of positive attitude in the risk sections does not automatically mean that the specific company is facing a brighter future or that this company is doing better than those who do not communicate as much positive attitude. Instead it could actually imply that the company has a need of portraying their situation in a brighter way than their real situation warrants. The usage of valued and positively charged words mediates a more positive image and by doing this, the companies can depict themselves in a more favourable way and hence to some extent disguise possible problems or future negative events.

⁴⁶ Jonäll, K. (2006).

3 METHOD

In this chapter the research design, which is the scientific procedure that will be utilized to fulfil the purpose of this thesis, will be described in detail. The chapter is opened by a description of the authors' choice of method, which is thereafter broken down into choice of text and choice of companies. After this the different parts of the procedure are explained, as well as the computer program employed in the survey. The chapter is completed by a critical evaluation of the sources where the reliability and validity of the survey will be evaluated.

3.1 CHOICE OF METHOD

The choice of method is based on the licentiate's dissertation from 2006 by Kristina Jonäll. Jonäll describes several methods that can be utilized to analyse text and she reaches the conclusion that content analysis can be a useful tool to analyse economic communication. She also states that it is a feasible method to find out how accountability is communicated⁴⁷. Originally, the authors of this thesis wished to use a greater selection of text analysis methods in order to reach a supplementary and more reliable result. It is possible that other methods or scientific approaches could lead to other and more various results. There was however time restrictions that could not be disregarded and the scope was thus limited to only one method. In order to analyse the Form 20-F reports to investigate how the risk is communicated, the authors have thus chosen to perform a content analysis.

Content analysis is useful to discover trends and patterns in a message and its technique enables valid conclusions to be drawn from a text⁴⁸. It is also the authors' belief that it is an efficient way to understand how accountability and positive attitude is communicated, which makes it suitable for the purpose of this thesis. Content analysis is described in more detail in the section below.

3.2 CONTENT ANALYSIS

Content analysis is a tool with which the occurrence of words or concepts in a text are analysed. The research method uses a set of procedures to make inferences from texts. Content analysis can be used for many different purposes, for example to describe trends in communication contents and compare texts from different time periods to reveal similarities and differences. The method can also be used to reveal explicit as well as implicit messages. According to Weber, there is no single right way to perform a content analysis, but the investigators must judge what method and procedure would be most appropriate for their problem and purpose.⁴⁹

Content analysis allows the researcher to divide the whole text into smaller pieces that can accordingly be quantified and analysed. This is done in order to systematize and expose different types of groups of text. Conclusions can be drawn from trends and patterns in the text structure as well as from the occurrence and significance of, as well as the relations between, the words. Connections between concepts are scrutinized and a central idea is to

⁴⁷ Jonäll, K. (2006).

⁴⁸ Bryder, T. (1985).

⁴⁹ Weber, R. P. (1990).

examine in what context certain keywords appear. Essential issues in this method are who the sender is, what the message is, in what context the messages are communicated and to what point in time the analysis is limited. The answers to these questions depend on the scientific question of the thesis.⁵⁰

One of the advantages of text analysis is that the sender does not have to be contacted in person, as is the case with an interview, and hence the purpose can be fulfilled without any efforts from the object of analysis. This also means that since the survey can be accomplished without the sender's awareness, he or she cannot influence or try to manipulate the investigation.⁵¹

3.2.1 CHOICE OF TEXT

The Form 20-F reports are in general long and extensive and contain a broad range of information. Due to the limited time frame, it was not possible to analyse the whole texts. After a perusal of the reports, the risk section was chosen for further investigation. The selection was based on two main reasons. First, of all sections of the Form 20-F, the risk section is the one that is least regulated as to how it is written. It is a long and coherent text, and the companies have a chance to put their own thoughts into words which makes them suitable for text analysis. Second, risk is a subject that is of relevance for the users such as investors and credit institutions. In the view of the authors, the risk section is therefore the part that best lends itself to content analysis.

3.2.2 CHOICE OF COMPANIES

Our selection consists of Swedish companies that have submitted a Form 20-F to the SEC in July 2007. These companies have been found through SEC's search engine Edgar Database. By July 1st 2007, six Swedish companies had filed Form 20-F reports. Of the six companies, three belonging to different industry sectors were chosen for this study. These companies are Ericsson, Stena and Electrolux. It is possible that the investigation may have led to a different result if all the companies were included in the study. But due to the limited time frame and the size of the investigation, the authors decided to limit the study to no more than three companies.

⁵⁰ Ekengren, A. M. et al (2006).

⁵¹ Weber, R. P. (1990).

3.3 PROCEDURE

The first step in this analysis comprises a lucid glance of all the texts in order for the authors to obtain some general perceptions of the contents. A brief description of the structure of the text will be provided for the reader, which will include information such as the use of headlines, the length of the pieces and the general construction of the texts. After this, the texts will be read a few times more carefully so that the authors will get a deeper apprehension of what is communicated. Since the headlines in these sections serve as a resumé for the contents throughout the rest of the text, it is plausible that those words will be repeated and therefore the headlines will hereafter be exempted from the survey.

3.3.1 TEXT ENCODING

To investigate how the companies mediate accountability and positive attitude, a certain number of keywords have been selected. These words have been divided into groups as discussed below. The keywords will hereafter be listed in encoding schemes and a sample of the text has been tested with the purpose of evaluating the significance of the keywords and to make sure nothing of relevance has been left out. The choice to investigate the level of accountability that is communicated in the texts is based on earlier research that points out certain keywords that have proven to be useful for this type of analysis⁵². The angle on positive attitude, however, is based on the authors' own assumptions and premises. Because of this, a more extensive test on this area was performed to ascertain that the chosen keywords would serve in the way they were intended to. Following this, the texts were analysed as text files with the computer program "Kwalitan", which is described below.

Codes are used to describe parts or segments of the text. They can also be used to specify what the text contains or what interpretations the researcher has made from the text⁵³. Words that are classified in the same category are presumed to have similar meanings⁵⁴. Depending on the purpose of the researcher, the categories may be based on the precise meaning of the words where synonyms would be grouped together, and they may be based on words sharing similar connections. The purpose of this thesis is to analyse how risk is communicated with respect to accountability and positive attitude and thus the latter is chosen. There will subsequently be two main categories of words and the connections will be accountability and positive attitude respectively.

3.3.2 KEYWORDS AND ENCODING

To proceed with the content analysis, keywords and codes have to be defined. When analysing these keywords, suffixes will be taken into account so that no keywords will be disregarded. The meaning of the words will also be tested so that ambiguous words will be classified in the right category. For example, the word *may* that will be used as an accountability strengthening word could also mean the month of May.

ACCOUNTABILITY

Accountability is often strengthened if events or happenings are explained together with a personal pronoun in a sentence. If a personal pronoun is used to explain a positive event it

⁵² Jonäll, K. (2006).

⁵³ Ibid.

⁵⁴ Weber, R. P. (1990).

3 METHOD

does not necessarily mean that accountability is communicated. Accountability is communicated when a personal pronoun is used to explain a negative event or happening. If there is no personal pronoun in a text the sender creates a greater gap between him or her and the reader. The sender is also experienced as being less responsible and more distanced from the text and the content. The first part of the encoding analysis will consequently be to examine the frequency of the usage of personal pronouns.

Furthermore, the authors have distinguished two subcategories of words that could be indicators of accountability. These categories are verbs that strengthen accountability, *accountability strengthening verbs*, and words that express the author's attitude, *attitude words*. Together these two categories serve as *accountability strengthening words*.

Verbs that strengthen accountability are *may, will, could, can, and would*. When these words are used together with a personal pronoun it implies that the person behind the words takes responsibility for his words and that there is substance in what he says. Some words express the authors' attitude to what is spoken. This could be words like *expect, believe, needs, necessary, ability, purpose and intention*.

The keywords that are used for accountability in this analysis:

May, will, could, can, would; expect, believe, needs, necessary, ability, purpose, intention.

The accountability strengthening words will exclusively be counted if they appear together with a personal pronoun. This means that the context will be examined for each keyword and those that occur alone or in connection with something other than a personal pronoun will not be recorded.

A comprehensive picture of the chosen keyword classification is provided below.



Figure 4: Keyword categories for accountability, own figure, 2008.

POSITIVE ATTITUDE

In these texts the companies communicate what risks they are exposed to. Therefore it is natural that the companies express the message with a negative attitude. However, it is interesting to investigate whether the texts contain some positive expressions. Two categories are used for this purpose, *charged adjectives* and *value words*.

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When charged adjectives are used in a text, the contents are intensified and the text consequently obtains a more positive attitude.

Chosen keywords:

Competitive, strong, large, high, great, increasing, leading, substantial, significant, considerable.

These charged adjectives will all be recorded in the analysis, regardless of the context they appear in.

The more value words are used in the text, the more positive the text as a whole becomes. It is also a measure of a positive attitude to the risks. Two subcategories of value words have been defined. The first category refers to *positive words* that contribute to a more favourable representation of the company while the other contains *dynamic verbs* that express the company's ability to take action. These two subcategories are counted together since they both are value words, but dividing them can be helpful in the analysis when differences between the companies are to be discovered and distinguished.

Chosen keywords:

Success, successful, good, value creation, development, unique, durable, expansion; govern, lead, develop, accomplish.

These value words will solely be counted if they refer to the company in question, otherwise they will be exempted from the survey.

A comprehensive picture of the chosen keyword classification is provided below.

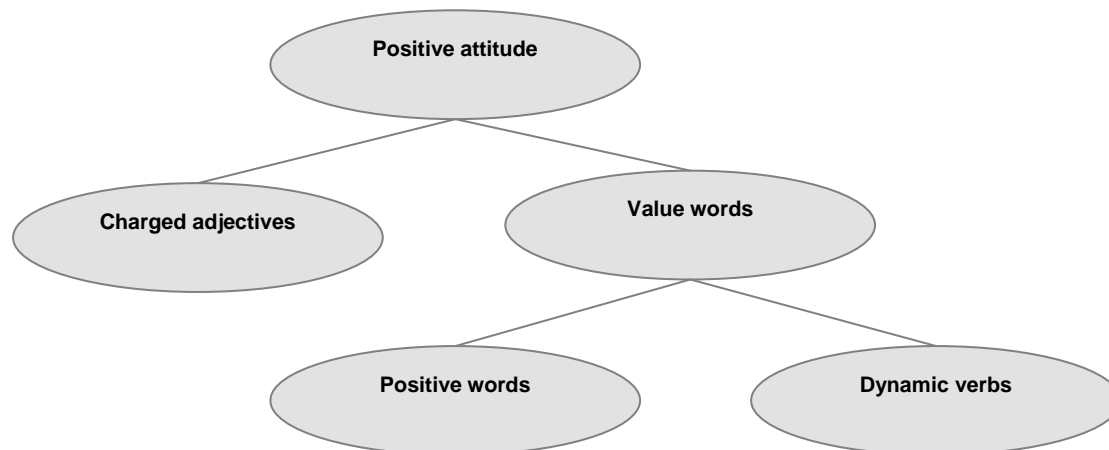


Figure 5: Keyword categories for positive attitude, own figure, 2008.

3.3.3 KEY-WORD-IN-CONTEXT ANALYSIS

One thing that is of importance to the investigator is the cognizance of which words appear in the text and how they actually are used⁵⁵. The authors will in this part of the research analyse a selection of keywords and look into what context they appear, with the intention of creating a structure and to be able to draw conclusions from the results. The necessary choices that will

⁵⁵ Weber, R. P. (1990).

follow are based on the authors' interest and what they judge would contribute to answering the research question. Regarding the conception accountability, the keywords *will* and *may* were chosen for analysis. These words have been used in the encoding procedure and they serve as accountability strengthening words. It is interesting to investigate in what context they appear since they represent different levels of certainty.

With respect to positive attitude, the authors have found that it would be interesting to examine to what extent they companies mediate a positive attitude to future events since it represents one of the stakeholders' fundamental needs. Therefore the word *future* was chosen for further analysis.

3.3.4 WORD-FREQUENCY LIST

Researchers can retrieve another perspective of the text by examining the words with the highest frequency. Word-frequency lists are a convenient way for the researcher to sort out differences in word usage⁵⁶. Words that are irrelevant for the results, such as *a* and *the*, and forms of the verb *to be* such as *is* and *was* will be exempted from this analysis. The computer program that generates the word-frequency lists does not deal with word endings. Consequently, the same word can appear more than once but in different forms. Analysing the frequency of words is a useful tool to create structure of the texts and to explain how the texts are constructed. It is also interesting to see how many single words that appear in the same text since the number of words states something about the messenger. It will also be interesting to compare the vocabularies of the different companies to find similarities and differences.

The most frequently appearing words are expected to reflect the greatest concerns of the companies. There are, however, cautions that cannot be overlooked. It is possible that one word can have more than one meaning which would result in a higher than actual deflection⁵⁷. This needs to be taken into account by the investigators when they are analysing the results. Furthermore, the usage of synonyms and pronouns could lead to an underestimation of the actual deflection⁵⁸. This problem is more difficult to solve since it would be very impractical and time-consuming to study the whole texts for synonyms and pronouns for all words. Therefore this has to be disregarded. It is possible that the companies employ a similar usage of synonyms and personal pronouns and the authors are aware of the fact that this could affect the results of the investigation.

3.4 THE COMPUTER PROGRAM

A computer program has been used to facilitate the procedure. It has saved the authors a lot of time and effort, and it has enabled them to perform a deeper analysis than would otherwise have been possible with regards to the time restriction. After recommendations from Jonäll, Kwalitan was considered to be efficient and suitable for the purpose. The texts that were analysed were saved as text files and thereafter uploaded in Kwalitan. It was then possible to proceed with encodings, key-word-in-context analysis and word-frequency lists.⁵⁹

⁵⁶ Weber, R. P. (1990).

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ <http://www.kwalitan.net>.

3.5 CRITICISM OF THE SOURCES AND REFLECTION OF METHOD

The authors are aware of the fact that no source is complete and that sources are always influenced by subjectivity. Furthermore, the authors' own choice of words are influenced by their presumptions and assumptions. This awareness is believed to contribute to a higher credibility of this thesis.

Critics of text analysis as a scientific method have argued that content analysis is unable to take into account the shades and interpretations of a text and that it splits texts into statistical units⁶⁰. It is thus possible that the results of this survey would have been more reliable if the investigation were complemented by other methods, either text analysis methods, or examinations of the companies' real situations. The authors have described certain pitfalls throughout the thesis where the need for caution is believed to be significant.

3.5.1 RELIABILITY

The collected data from this investigation will be the ground for further analysis and discussion. For this ground to be indisputable, it is therefore important that the researcher can be confident that the data have been collected with precautions against known disturbances⁶¹.

Within science the concept reliability states the credibility of the method. The central reliability problems of content analysis involve the process of data-reduction where words are classified into fewer content categories. These problems usually originate from the ambiguity of word meanings and category definitions. There are three main types of problems that need to be taken into account when performing a content analysis. The first concerns stability, that is, to which the extent the results are consistent over time. Varieties can depend on for example ambiguities in the text or cognitive changes within the person performing the analysis. Inconsistencies can also depend on simple errors, but with the help of a computer, perfect reliability is met. The coding rules are always applied in the same way, once they are correctly defined. Stability can only be met when the same person reach the same results more than once. According to Weber, however, this is the weakest form of reliability and is not expected to considerably influence the results.⁶²

The second problem, reproducibility, is a minimum standard for content analysis since it is a measure of the consistency of shared understandings held by two or more persons. High reproducibility is reached when more than one person achieves the same results. The authors have therefore tested the reliability by classifying the same text individually and concluded that there were no substantial divergences.⁶³

The third and strongest form of reliability when performing a content analysis is accuracy, which refers to the extent the classification of text corresponds to a standard. However, standard codings are infrequently established for texts. Consequently, accuracy has not been fulfilled in this thesis.⁶⁴

⁶⁰ Falkheimer, J. (2001).

⁶¹ Krippendorff, K. (2004).

⁶² Weber, R. P. (1990).

⁶³ Ibid.

⁶⁴ Ibid.

3.5.2 VALIDITY

The content analysis is valid if the investigator measures the construct it intends to measure. For a category to be valid there has to be a correspondence between the category and the abstract concept⁶⁵. A measuring instrument is considered to be valid if it successfully measures what the researcher intends to measure⁶⁶. A research result in content analysis is valid if the findings do not depend upon the specific data of a specific study. A much stronger validity can be achieved by comparing the results of the analysis with some external criterion⁶⁷.

The main issue is whether the empirical results are of pertinence for the research question. The authors believe that the method fulfils this condition. This belief is based on two main reasons. First, one part of the study is based on the results of earlier research, where content analysis has proven to be effective when analysing economic texts for communication of accountability⁶⁸. Second, the methods and keywords have been tested in a preliminary study in order to figure out whether positive attitude can be analysed with content analysis.

⁶⁵ Falkheimer, J. (2001).

⁶⁶ Krippendorff, K. (2004).

⁶⁷ Weber, R. P. (1990).

⁶⁸ Jonäll, K. (2006).

4 EMPIRICAL RESULTS

In the following part the empirical results from the survey are presented. The chapter is introduced by a short description of the risk sections in the Form 20-F reports. Following this the results from the encoding analysis, the key-word-in-context analysis and the word-frequency list regarding the communication of accountability and positive attitude of the three companies are presented.

4.1 DESCRIPTION OF RISK SECTIONS

At a first glance, the risk sections of the different companies appear to be similar, but a deeper study shows that the reports differ in structure and length.

4.1.1 ELECTROLUX

The Electrolux risk section contains 3,637 words and 20 headlines. The risks are not classified into different types. Compared with those of the other companies, the text of Electrolux has the simplest layout. The text is not divided into any sections or bullet points.

4.1.2 ERICSSON

The Ericsson text contains 3,259 words and is divided into three main sections. The first is “Risk associated with the industry and market conditions”. This section mainly contains external risks, and it accounts for a fourth of the text. The second is “Strategic and operational risks”, which is the biggest section, representing half of the text. The last section is “Risk associated with owning Ericsson shares”, and accounts for the remaining fourth of the text. In total, the text contains 23 headlines, each accounting for a threat faced by Ericsson. The Ericsson text opens with an introduction which is about half a page before the risks are presented. It is the only company in this study which has a section that addresses to the owning of company shares, which really contains general risks rather than specific ones relating to Ericsson.

4.1.3 STENA

Stena’s text starts with an introduction that is two sentences long. The content is not divided into any subject area types. The text contains 5,946 words and is thus the longest of the three companies’ texts. Despite the fact that Stena has a very long text, it does not describe a higher number of risks than the other companies, but Stena’s descriptions of its threats are more detailed. The 23 risk sections vary in length and structure. Certain sections are much longer than others and in some sections the important information is structured in bullet points. The effect of the use of bullet points is that the text is more readable and that the importance of the content is emphasised.

4.2 ENCODING

In this process, categories of words that are expected to represent the different concepts have been chosen. The results are presented below in tables. In order to facilitate the reader’s understanding, the authors will try to show the results in accordance with the method described in chapter 3.

4 EMPIRICAL RESULTS

4.2.1 ACCOUNTABILITY

The results from the encoding process with respect to accountability are presented below. In this first table, the companies' usage of personal pronouns is demonstrated. The company name has been classified as a personal pronoun here since when referring to themselves, the companies seem to choose either personal pronouns or the company name, and that principle is consequently followed throughout the text. The company name is in those cases used in the same way as a personal pronoun. If this would not be done, it is probable that the results would be misleading. For the same reason, *it* and *its* have been classified in the same category, but they have also been carefully tested and are exclusively counted when they appear in the function of a personal pronoun.

Personal pronouns	Electrolux	Ericsson	Stena
We	0	69	85
Us	0	9	43
Our/s	0	99	212
Company name	107	2	6
It	5	0	0
Its	46	0	4
You	0	4	6
Your/s	0	2	0
Σ personal pronouns	158	185	356
% share personal pronouns	4,3	5,7	6
Total number of words	3637	3259	5946

Figure 6: Usage of personal pronouns, own figure, 2008.

4 EMPIRICAL RESULTS

The second category that measures accountability consists of *accountability strengthening words*. Only words that appear together with personal pronouns have been counted.

Accountability strengthening words	Electrolux	Ericsson	Stena
May	6	17	14
Will	12	5	10
Could	5	9	2
Can	0	0	0
Would	2	1	2
Expect/ed	2	4	3
Believe	5	3	5
Needs	0	1	1
Necessary	0	0	0
Ability	2	9	9
Purpose	0	0	4
Intention	0	0	0
Σ accountability strengthening words	34	49	50
% share accountability strengthening words	0,9	1,5	0,8
Total number of words	3637	3259	5946

Figure 7: Usage of accountability strengthening words, own figure, 2008.

As explained in chapter 3, two subcategories within *accountability strengthening words* have been distinguished. They are presented together in the table above since they are both indicators of accountability. For comparative purposes, however, it could be useful to illustrate differences in how companies use these words. Therefore a comprehensive table with these two subcategories is provided below.

Accountability strengthening words	Electrolux	Ericsson	Stena
Accountability strengthening verbs	25	32	28
% share accountability strengthening verbs	0,7	1	0,5
Attitude words	9	17	22
% share attitude words	0,2	0,5	0,4
Total number of words	3637	3259	5946

Figure 8: Illustration of accountability strengthening verbs in relation to attitude words, own figure, 2008.

4 EMPIRICAL RESULTS

4.2.2 POSITIVE ATTITUDE

The following tables demonstrate the results that were retrieved from the encoding process regarding *positively charged adjectives* and *value words*.

In the first category, *charged adjectives*, no consideration has been taken to the context which the keywords appear in.

Charged adjectives	Electrolux	Ericsson	Stena
Competitive	3	7	4
Strong	3	2	2
Large	7	8	4
High	9	6	10
Great	4	3	2
Increasing	13	15	21
Leading	0	0	0
Substantial	4	3	11
Significant	5	16	13
Considerable	1	0	0
Σ Charged adjectives	49	60	67
% share charged adjectives	1,3	1,8	1,1
Total number of words	3637	3259	5946

Figure 9: Usage of charged adjectives, own figure, 2008.

4 EMPIRICAL RESULTS

Concerning the *value words*, they have only been counted if they refer to the company itself.

Value words	Electrolux	Ericsson	Stena
Success	1	4	0
Successful	2	10	7
Good	0	0	2
Value creation	0	0	1
Development	7	7	0
Unique	0	0	0
Durable	0	0	0
Expansion	1	1	0
Govern	2	0	11
Lead	0	0	0
Develop	1	6	1
Accomplish	0	0	0
Σ Value words	14	28	22
% share value words	0,4	0,9	0,4
Total number of words	3637	3259	5946

Figure 10: Usage of value words, own figure, 2008.

In the following table, the distinction between the two subcategories *positive words* and *dynamic words* is illustrated.

Value words	Electrolux	Ericsson	Stena
Positive words	11	22	10
% share positive words	0,3	0,7	0,2
Dynamic verbs	3	6	12
% share dynamic verbs	0,1	0,2	0,2
Total number of words	3637	3259	5946

Figure 11: Illustration of positive words in relation to dynamic verbs, own figure, 2008.

4.3 KEY-WORD-IN-CONTEXT

4.3.1 ACCOUNTABILITY

WILL

The frequency of the word *will* implies a certain level of accountability, depending on which context the word appears in. After studying the usage of the keyword, three main types of contexts have been discerned and are used to be able to make general statements about the text. They are fragments that contain *no assurances*, fragments that say something about the *future* and fragments that are related to *external factors*. Moreover there exist exceptional types of contexts, which cannot be allocated to any of the mentioned categories. Since these are infrequent and they are not judged to have an influence over the structure of the text, they have been exempted from further analysis.

The category *no assurances* was a recurring phrase that is often used in a context where accountability seems to be disclaimed. For example, Stena writes that “there can be no assurances that such hedging activities will be successful”. An example of the future related category is “Electrolux expects that sales to, as well as manufacturing in, and sourcing from, emerging markets, particularly China, Southeast Asia, Eastern Europe and Mexico, will continue to be an increasing portion of its total operations”. The category external factors means that the word *will* is used in a context where external threats are treated, which means risks beyond the control of the company. For example, Stena writes, “...financial results that will be subject, in part, to factors beyond our control”.

Classification	Electrolux	Ericsson	Stena
No assurances	15	5	22
Future related	3	3	4
external factors	2	2	4
Total usage of <i>will</i>	20	10	30
Total number of words	3637	3259	5946

Figure 12: Frequency of the word *will*, own figure, 2008.

In total, Electrolux uses *will* in 20 sentences. Ericsson uses it 10 times Stena 30 times.

MAY

The use of the word *may* is another indicator of how the companies communicate accountability. The contexts in which the word *may* appears have further been classified into three main categories, which are factors that could *easily be influenced*, factors that could *not easily be influenced* and *positive future* prospects.

The first category *easily influenced* means that the word *may* is used in a context of risks that the company can address. The category *non-easily influenced*, on the other hand, denotes a context of risk beyond the control of the company. For example, Stena writes, “terrorist attacks and military actions may result in reduced demand”. The last category *positive future* means that the word *may* is used in a positive context about the future. For example,

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Electrolux writes, “From time to time we may undertake to add new capacity through conversions or upgrades to our vessels and drilling rigs or through new construction”.

Classification	Electrolux	Ericsson	Stena
Easily influenced	7	17	17
Non-easily influenced	8	19	15
Positive future	3	1	1
Total usage of <i>may</i>	18	37	33
Total number of words	3637	3259	5946

Figure 13: Frequency of the word *may*, own figure, 2008.

The word *may* is found in 18 different sentences throughout the Electrolux text. The corresponding number for Ericsson is 38 and for Stena it is 33.

4.3.2 POSITIVE ATTITUDE

FUTURE

The frequency of the word *future* in the texts could indicate the company’s willingness to communicate its go-ahead spirit. Furthermore, when searching through the texts for the use of the word *future*, the authors have found that the word appears in three main types of context: *positive*, *negative* and *neutral*. An example of a positive context is “Electrolux may in the future, increase significant market positions”. One typical sentence with a negative context from Stena is “No assurances can be given with respect to future demand”. Neutral context means that it has not been possible to classify the word into positive or negative. It is natural that the future prospects appear to be negative since the topic is risks. For this reason it is interesting to examine to what extent the companies use *future* in a positive context.

Classification	Electrolux	Ericsson	Stena
Positive	2	1	2
Negative	10	11	18
Neutral	1	0	0
Total usage of <i>future</i>	13	12	20
Total number of words	3637	3259	5946

Figure 14: Frequency of the word *future*, own figure, 2008.

The figure shows that Electrolux has the word *future* in 13 sentences. Ericsson uses it 12 times while Stena uses it 20 times.

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4.4 WORD-FREQUENCY

In the word-frequency analysis, a list of the 20 most frequently occurring words for the three studied texts has been put together. The computer program does not deal with suffixes and hence no consideration is taken to the fact that some words may appear further down the list but in another form.

	Electrolux	Frequency	%	Ericsson	Frequency	%	Stena	Frequency	%
1	Electrolux	107	2,9	Our	100	3,1	Our	210	3,5
2	Its	49	1,3	We	70	2,1	We	85	1,4
3	Products	37	1	May	40	1,1	Other	46	0,8
4	Operations	30	0,8	Could	26	0,8	Us	43	0,7
5	Could	23	0,6	Other	24	0,7	May	34	0,6
6	May	20	0,5	Business	22	0,7	Vessels	34	0,6
7	Will	20	0,5	Products	21	0,6	Subsidiaries	33	0,6
8	Finançal	19	0,5	Results	21	0,6	Operations	32	0,5
9	Results	16	0,4	Network	18	0,6	Will	31	0,5
10	Products	15	0,4	Operations	17	0,5	Vessel	24	0,4
11	Certain	14	0,4	Market	16	0,5	Indebtedness	21	0,4
12	Risks	14	0,4	Affect	16	0,5	Future	21	0,4
13	Future	13	0,4	Will	14	0,4	Could	20	0,3
14	Sales	13	0,4	Financial	14	0,4	Business	20	0,3
15	Can	13	0,4	New	12	0,4	Debt	20	0,3
16	Material	13	0,4	Future	12	0,4	Result	19	0,3
17	Husqvarna	12	0,3	Operators	11	0,3	Rates	19	0,3
18	Adverse	12	0,3	Exchange	11	0,3	Financial	19	0,3
19	Environmental	12	0,3	Adverse	11	0,3	Including	18	0,3
20	More	12	0,3	Significant	11	0,3	Drilling	18	0,3
		Σ 464	12,8		Σ 487	14,9		Σ 767	13
Total number of words		3637			3259			5946	
Different words		939			891			1171	

Figure 15: Word-frequency-list, own figure, 2008.

5 ANALYSIS

In this chapter the results presented in the previous part are analysed in accordance with the presented theories and method. With the intention of making it more understandable to the reader, the results are presented in accordance with the procedure described in chapter 3.3.

5.1 ENCODING

5.1.1 ACCOUNTABILITY

It is not indisputable to argue that certain frequencies of personal pronouns signal a certain degree of accountability, since there is no such standard. However, it is possible to compare and contrast the companies' different usage of personal pronouns to show differences in the communication. A relatively low frequency of personal pronouns could indicate less accountability for the risks presented in the text.

Overall, the result of this investigation shows that Stena has the highest frequency of personal pronouns compared to the total number of words (6.0%), followed by Ericsson (5.7%). Electrolux has the lowest frequency of personal pronouns (4.3%). The noticeable difference between the three studied companies shows that Electrolux assumes less accountability than Stena and Ericsson do. In terms of absolute numbers, Stena has the highest usage of personal pronouns, but it also has the longest text. Electrolux has the lowest number of personal pronouns even though their text is longer than Ericsson's. Ericsson and Stena sometimes directly address the receiver with the pronoun *you*, creating a relation between receiver and sender and consequently a more personal text. Electrolux, by contrast, maintains a greater distance towards the receiver and never uses the pronoun *you*, which makes their text more impersonal. Ericsson's and Stena's communication are also made more personal by their references to themselves by the first person pronouns *we* and *us*. Electrolux, on the other hand, consistently refers to itself in the third person, using its company name. This makes the text more impersonal and objective but does not necessarily signal less accountability since the usage of the company name also serves as an indicator of accountability. That means that the choice of personal pronoun does not necessarily imply whether accountability is communicated. Electrolux has adopted a different style than Ericsson and Stena and applies it consistently throughout the text. The difference is stylistic rather than signalling less accountability.

The authors have found some instances of sentences where personal pronouns are avoided when risks are pointed out. This occurs in typical sentences like "*there can be no assurances...*". Instead of using a personal pronoun when speaking about a risk they prefer to use "*there can be no assurances*", which indicates that they do not want to take full responsibility for the risks. One sentence that clearly communicates accountability is "*we cannot assure you...*", which starts with *we* instead of the general term *there*. The use of *we* points out that the company takes responsibility for the risks, and the word *you* addresses the receiver. Stena and Electrolux have the most occurrences of sentences without personal pronouns. Ericsson, by contrast, hardly uses these expressions at all, again highlighting the greater accountability assumed by Ericsson.

In addition, accountability can also be communicated through the choice of verb attached to the pronoun. Words in the category accountability strengthening words can be split into two subsets. *Accountability strengthening verbs* such as *can, may, will, would* and *could* communicate accountability when used with a personal pronoun. *Attitude words* are *expect, believe, needs, necessary, ability, purpose* and *intention*. The words in the latter category reveal more about the authors' attitude towards what is spoken. Overall, Ericsson communicates a higher degree of accountability through the highest share of accountability strengthening words (1.5%). Electrolux and Stena have a similar share (0.9% respectively 0.8%). In terms of the split between the two subcategories, Stena uses more attitude words than accountability strengthening verbs, whereas the ratio is similar for Ericsson. Electrolux, finally, uses very few attitude words. The results show that Ericsson has the highest frequency of accountability strengthening words, irrespective of subcategory. This shows that they express a high degree of accountability. Through the accountability strengthening verbs they show that they take responsibility and through the attitude words they express their values towards the risks and other possible events. The very few attitude words found in the text of Electrolux could indicate that Electrolux is less subjective or less responsible than Stena and not to the same extent communicating what they believe is going to happen.

5.1.2 POSITIVE ATTITUDE

A high usage of charged adjectives could contribute to a more positive image of the company. It could also indicate that the company foresees a more positive future. It further implies that the text as a whole contains more valuations and is perceived by the receiver as more dynamic. Ericsson has the highest frequency of charged adjectives (1.8%). Electrolux and Stena have a lower frequency than Ericsson (1.3 % and 1.1% respectively). Ericsson shows the highest frequency of charged adjectives but this does not imply that the company necessarily will encounter a rosier future. It only shows that the company communicates a more positive attitude. In reality it might turn out that Ericsson is merely attempting to convince the receiver that the results and future prospects are better than they actually are. Ericsson's high frequency of charged adjectives could also mean that they experience being exposed to more serious threats than other companies, and therefore feel more obliged to balance this by setting a positive tone in the text.

Ericsson has more than twice the amount of valued words compared to the other companies (0.9% versus 0.4% for Stena and Electrolux each). The usage of dynamic verbs mediates a perception that the companies are energetic and active. None of the companies use dynamic verbs to any substantial extent, which means that the companies do not communicate positive attitude in this way. The difference in the usage of value words is found in the fact that Ericsson uses more than twice the amount of positive words compared to the other two. Ericsson also has the highest absolute number of value words, despite their text being the shortest of the three. This could imply that Ericsson communicates more positivity than the others and that they show optimism and driving force. Once again, this only shows that the text communicates a more positive attitude, and it does not automatically follow that Ericsson's prospects are brighter than the other companies.

5.2 KEY-WORD-IN-CONTEXT ANALYSIS

5.2.1 ACCOUNTABILITY

A higher degree of certainty is expressed when the word *will* is used, in comparison to for example *may* or *could*. In the risk sections, the companies tend to use *will* especially in fragments where accountability is disclaimed, for example, “there can be no assurances that this *will*...”. Electrolux and Stena, in particular, use it in this way, while Ericsson does so to a lesser extent. Ericsson’s text also accounts for a lower total frequency of *will* than the two others’. Despite the fact that Electrolux and Stena use *will* more frequently than Ericsson, they tend to do so in a way that does not indicate accountability.

Two other categories of contexts have been distinguished. These are fragments with a context related to the future and those with a context related to external factors. When *will* is used in a future related context, it could be an indication of accountability, since the company attaches a higher degree of certainty to what will happen in the future. External factors refer to circumstances that are beyond the companies’ control, for example, exchange rates and supply prices. This could show to what extent the companies are exposed to external risks and whether they assume accountability for it. In these two categories the usage is similar among the companies and the frequencies are quite low. Hence it would not be correct to draw any comparative conclusions from these findings. As mentioned, a high frequency of the usage of *will* could convey relative certainty from the company, but since it here occurs most frequently in a context where it is followed by a negation, it would probably not be correct to conclude that Stena and Electrolux communicate more certainty than Ericsson does. In summary, the usage of *will* is not a good indicator of the extent to which the companies communicate accountability, since the usage is quite similar among the companies and the frequency is rather low. Furthermore, *will* is rarely used in a way that strengthens accountability.

A lower degree of certainty is demonstrated with the word *may*. Ericsson uses it with the highest frequency in spite of the fact that Ericsson’s risk section is the shortest. The usage has been classified into two main types of contexts. These are easily influenced risks and not easily influenced risks. In addition to this, a context that indicates positive future prospects has been distinguished. The frequency of the latter was quite low for all three of the companies, but Electrolux communicated the most positive future prospects. Generally, however, the word *may* has mostly been used in a context where something is said about a risk or something else that could influence the company. The share of easily influenced and not easily influenced risks was quite similar for all three companies.

5.2.2 POSITIVE ATTITUDE

The companies’ total usage of the word *future* was similar. The word was primarily used in a negative context, which was to be expected given the section’s overall negative focus on communicating risks. The authors’ intention was nevertheless to investigate to what extent the future was mentioned in a positive context as that could indicate the companies’ approach to the future and consequently convey positive attitude. Electrolux used *future* in a positive context more frequently than both Ericsson and Stena. Electrolux was also the only company to use *future* in a neutral context. This could serve as an indication of a more positive attitude to the future in the text of Electrolux. However, these kinds of conclusions are not robust as

the frequencies the analysis builds on are low. A single additional occurrence of the keyword would result in a significant deviation, potentially altering the conclusion.

5.3 WORD-FREQUENCY

No distinct differences in the range of vocabulary can be distinguished between the three companies. Ericsson uses 891 different words in their text, which is the shortest one. Electrolux's text is somewhat longer and 939 unique words are used. Stena uses 1,171 different words throughout their text which is also the longest one. A varied language leads to a more dynamic text, but it can also be confusing for the reader if too many synonyms are used. The authors are very careful about drawing comparative conclusions from this since the deviations are not considered to be material. In general, however, the companies seem to use a language that is not very varied and the same choice of words often recurs.

The word frequency list demonstrates that there is a large divergence between the most frequent word and the second most frequent word for all the companies. Personal pronouns take up both first and second place in the ranking list, even though in Electrolux's case it is in the form of the company name. Electrolux shows a high frequency of words like *products* and *operations*. These have both been ranked highly and it seems like Electrolux's text contains more such "strategic" words than the texts of the other companies. Furthermore, the words *financial*, *results* and *product* are placed among the ten most frequently used words in Electrolux's text. Ericsson and Stena also use similar words but they all have a lower frequency and appear further down the list. Ericsson uses *business*, *products*, *results* and *operations*. Stena uses *operations* and *vessel*. *Vessels* can be regarded as a substitute for *products*, which the other companies use. Most of their "strategic" words are not among the ten most frequent words. Electrolux thus seems to use strategic words the most and Stena uses them the least. This could indicate that Electrolux communicates more energy and enterprise, which is an indicator of positive attitude.

6 CONCLUSIONS

In this chapter the analysis is made more concrete and the authors' comprehensive conclusions of the study are presented. The question that was presented in the introduction of this thesis will be answered.

- ***Are there any differences in the way that companies communicate risks in terms of accountability and positive attitude?***

There are some differences in the way that the selected companies communicate their risks regarding accountability. The fact that these differences exist enables the researcher to determine certain levels of communicated accountability that can be regarded as high or low. The company that communicates the most accountability is Ericsson. They have the highest usage of personal pronouns and accountability strengthening words. By this communication, they convince the receiver that they take responsibility for their actions. Furthermore, they tend to be less dissociated in their texts than the other companies. Electrolux has the lowest test result and is therefore the company that communicates the least accountability. It is hard to draw any conclusions about Stena, since the results varied by test parameter.

Studying the context in which the keywords appeared showed that several charged words and words that communicate strategy are used to confront a risk, and this communicates a positive attitude. Also, the word frequency test showed that positive words that communicate strategy are ranked highly on the frequency list. The investigation further shows that there are some differences in how the companies communicate positive attitude. Ericsson was once again the company with the highest test results and therefore the company that communicated the most positive attitude. They frequently create a positive image by their high frequency of charged adjectives and value words. Stena and Electrolux both have a lower frequency of charged adjectives and value words than Ericsson. This inference is based on the encoding process. There were, however, variations in the result of communicated positive attitude depending on method of analysis. When looking into the context and the word frequency, Electrolux communicates more energy and go-ahead spirit than the others.

In the first chapter, the authors pointed out another dimension that was interesting to investigate by performing a content analysis. The underlying purpose was to create an understanding of how the companies can influence their accounting through different ways of communicating. The results of this survey have shown that differences in communication in the Form 20-F reports can be distinguished and that these differences depend on the usage of certain words and expressions. The parts that have proved to be most interesting to study and have shown noticeable differences are the usage of personal pronouns, the usage of positive words and the size of vocabulary. The investigation has consequently shown that companies can affect their accounting in different ways by a high frequency of personal pronouns and positive words that appeal to the receiver and by communicating go-ahead spirit through the use of strategic words.

7 COMPLETION

In this final chapter the authors will present their suggestions for further research within the same subject.

7.1 SUGGESTIONS FOR FURTHER RESEARCH

The authors leave the delimitations of this study as proposals for further research. Some additional interesting areas have also been discovered and identified during the progress of this study. It would be interesting to perform a text analysis on the same texts that were studied but with different methods than content analysis. The results could thereafter be compared to those of this study and would hopefully lead to a more substantiated and accurate result. Another option would be to perform an identical survey in some years in order to investigate whether the companies' ways of communicating are still the same or if they have changed. It would also be possible to perform a content analysis on the same companies but with different texts, which would show whether they consistently communicate accountability and positive attitude in the same way.

During the progress of this study, yet another interesting angle has been identified. The results show that there are certain differences in how the companies communicate. The authors would find it very interesting if the reasons for the found differences were analysed. For example, an investigation could aim to examine why Ericsson communicates more accountability than the other companies. Is it because they take more responsibility for their actions and the threats they are facing, or is it because they are facing difficulties and need to conceal those by giving the reader a picture of assumed accountability?

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