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## SCHOOL OF BUSINESS, ECONOMICS AND LAW

### ***Graduate school***

### ***Internal accounting communication - How do managers frame financial information towards employees?***

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## **Abstract**

**Background and problem:** *Communicating and using financial information internally is something which all companies do. To be able use financial data employees have to understand it, and it is the corporate managers whose task it is to communicate this to the employees. Previous literature discusses different reasons why employees do not understand financial information. Previous research provides suggestions on how to increase the understandability. One aspect, which is not enough investigated in the previous accounting literature is how managers use framing in their internal accounting communication towards employees.*

**Purpose:** *The purpose of this study is to explore how the financial information is communicated within an organization. The purpose is further to see how the communication is framed to address employees.*

**Research question:** *How is the communication of financial information framed by managers towards employees?*

**Research method:** *To study internal accounting communication we perform a case study of SCA, based on a combination of interviews and document review. Interviews with corporate managers and employees are complemented by internal document review. In such combination, information framing performed by the managers towards employees is observed.*

**Findings:** *Different patterns/measures of framing are found in the internal communication of the studied organization. Framing is performed by managers via both written and verbal communication channels. The study reveals that they use verbal channels the most, and written channels mostly as a compliment to the verbal. Additionally, the study reveals that managers not only frame information towards employees, but also employees towards information. They frame employees by holding internal seminars, in which they teach employees how to read and understand accounting numbers that they present.*

**Implications:** *This study theoretically contributes with knowledge on how framing can be used by managers towards employees. This study practically contributes by providing examples of how the organization is trying to affect the employee's "frame in thought", by helping them to interpret the manager's framed messages. This study further contributes by showing that regulations, such as laws, function as a source of both priming and framing when it comes to the communication of accounting information within the organization.*

**Keywords:** *Financial information, accounting communication, framing*

## **Glossary**

Financial information: *All information and numbers regarding the financial area such as accounting, sales and so forth.*

Framing: *When information is presented through different perspectives, which can influence how the recipient perceives the information.*

Priming: *The action of focusing on some information and thereby discarding other information.*

Disclosure: *The information which the organization chooses to reveal to stakeholders. This can be both mandatory and voluntary disclosure, and is often done within their annual report.*

Stakeholder: *Any group of constituents which have a legitimate claim on the organization.*

Laymen: *Private individuals who are non-professional users of accounting information.*

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# 1. Introduction

## 1.1 Background

Most people spend 8 hours a day, 40 hours a week, at their workplace. Making sure this time is spent well, sufficient communication constitutes an important part. Accounting communication entails all communication of financial information to all interested parties. This includes intra-organizational accounting communication as well as communication to shareholders, governments, banks and other stakeholders. The communication can take upon many forms, but a few examples are annual reports, internal simplified reports to employees as well as press releases. (Parker, 2013, p. 8)

The communication serves many purposes, for several different stakeholders who have an interest in financial information, independent of if they are internal or external stakeholders. No matter how accurate or well executed accounting is, it will fail to serve its purpose unless it is understood by the interested parties. Lee (1982) argues that as much as accounting is about measurement, it is about communication. This since the accounting, for example, financial reports or internal documents, cannot be used unless it is understood.

Communication is used for many reasons, such as exchanging knowledge and ideas, and creating relationships (Brennan et. al., 2013). According to Littlejohn and Foss (2011, p. 3) communication is something which affects every aspect of our daily lives, and the area has since antiquity been systematically researched. Henderson (2008) furthermore state that internal performance in projects is positively impacted by managers who have good encoding and decoding skills in their communication. Due to new demands of large international organizations, but also as new technologies which simplify the communication have developed, the area of accounting communication has grown both in interest and importance the last decade (Pearce, 1989, p. 91).

In an organization, there are generally more non-accountant educated people than there are educated once. These non-professional users, also referred to as laymen, of accounting information might not always understand, or correctly interpret, the accounting information communicated to them. The issue of laymen pertains not only to a specific type of user, but to all sorts of stakeholders. Stakeholder as a term refers to any group of constituents which have a legitimate claim on the organization (Freeman, 2010, p. 25) A stakeholder can be both of an external- or internal character, such as stockholders, creditors, customers, suppliers, local communities, the public, managers or employees (Hill & Jones, 1992). Differentiating internal stakeholder groups is not an easy thing to do, neither is it clear what approach is the best to take (Bernstein, 1984, p. 97). Applying segmentation by demographics or by occupational classification systems is quite usual in the UK, while another approach is that of Cheney and Christensen's (2001, p.230-240), where organizational stakeholder groups are identified from structural levels. These levels being; strategic management, day-to-day management, team and project management. As these levels are applied to, and used, with internal communication, different participants represented in the stakeholder groups can furthermore be identified (Welsh & Jackson, 2007, p.184).

In their communication of financial information towards employees' corporate managers do adjust information to employees (laymen) who are unfamiliar with accounting. Researchers have suggested different reasons as to why accounting information is hard to understand and interpret by various stakeholders, such as a lack of accounting education, a high degree of technical terms within accounting documents or due to language barriers (Baker & Haslem, 1973; Evans, 2004).

## 1.2 Problem discussion

Focusing on today's global business environment, in which a lot of larger international organizations operate, it can be difficult for single employees to see their own contribution to the organization's result and direction. Single employees working in areas which seemingly has nothing to do with numbers are in fact to a large extent controlled by accounting. The fact that many organizations are controlled by numbers and budgets is presented by Frandsen (2009), arguing that when employees fail to see the link between financial implications, such as budgets and time- and activity reports, they tend to resist its presence.

If all employees can understand the financial result of the organization several benefits can be made. It could primarily work as motivation for employees if they both understand their contribution to the bottom line result, as well as it can help make it clearer about what is expected of them, since goals and bonuses often are based on some sort of financial results (Ittner et. al., 2003). At the same time, the organization can make sure that all employees are working towards the same goal. Previous research argues that communication with employees is of the essence (Schweiger & DeNisi, 1991). What distinguishes accounting communication from general communication is that accounting communication is harder to understand, since it contains many technical terms (Evans, 2004). It can therefore be argued that accounting communication should require even more attention by organizations. Thus, it is an important area for organizations to evolve in, and with that also an important research area.

Another aspect which affects the communication is the fact that managers have the possibility of framing the information to suite different purposes. This can have an impact on the content that is communicated to its audience. (Entman, 2007) Since the use of framing has the possibility to affect the content as well as the understandability and usability of the information, it is something which is important to understand and take under consideration (Chong & Druckman, 2007). Managers can use these effects to favor their own personal benefits, at the cost of employees not receiving the information which they need.

When conducting a literature review on the topic, even though some research has been performed within the area, no exact matches of previous studies were found. Further, in a research paper by Merkl-Davies & Brennan (2017), accounting communication with internal audiences is highlighted as one of seven research opportunities, this due to the lack of previous research. Moreover, many employees feel that they are restrained by information, both an overload of it, but also a lack of access to information, making it interesting to



research how financial information is perceived amongst managers and employees within a large organization.

### **1.3 Purpose and Research question**

The purpose of this study is to explore how the financial information is communicated within an organization. The purpose is further to see how the communication is framed to address employees when communicating in different communication channels.

Within this study, we aim to answer the following research question:

*How is the communication of financial information framed by managers towards employees?*

## 2. Theoretical review

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*We start by introducing the concept of accounting as communication in section (2.1). In section (2.2) the theory of framing is presented. The following section (2.3) describes different type of internal communication measures and how these are used with financial information. Section (2.4) presents restrictions and frames on internal communication. Lastly, in section (2.5) a summary of the facts presented will be provided.*

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### 2.1 Accounting as communication

There is a saying within the field of accounting which is communicated to accounting students at an early stage of education: “accounting is the language of business”. Bloomfield (2008) does in his article try to explain this metaphor.

*“People communicate through written natural languages by selecting words from a standard vocabulary, combining them in meaningful ways according to relatively rigid rules of grammar, and then organizing those words into sentences according to relatively flexible rules of syntax and style that allow shades of emphasis and color. People communicate through accounting reports by selecting accounts from a standard vocabulary, combining them in meaningful ways according to the relatively rigid rules of double-entry bookkeeping, and then organizing those words into financial reports according to relatively flexible rules of presentation.” (p.433)*

The area of accounting communication has been under constant development during recent years, and what subjects are being researched within the area have changed (Parker, 2013, p. 7). During the 1970s and 1980s there was an interest in publishing study surveys within the accounting communication area. Among other things, researchers then found that the comprehension level of the content in annual reports amongst private investors differed greatly. While investors claimed to fully understand its content, tests showed that the actual comprehension levels were quite low. (Lee & Tweedie, 1975; Cumpstone et. al., 1980) Another finding made in the 1970s was the identification of two major audience groups of annual reports. The first group consists of “the sophisticated institutional investors and security analysts” while the second group consists of “the financial unsophisticated private shareholders”. (Baker & Haslem, 1973; Parker, 1981) These studies did further show that the second group struggled with the problem of information overload, as well as that they had a problem to understand the information, since it primarily focused on the first group. What this illustrate, is that different stakeholders comprehend the financial information to different extents. Parker (1981) furthermore believed that the gaps between audience groups would only grow larger with time, together with the trend of capital markets becoming more complex. Evans (2004) furthermore addressed the issue of all technical terms which are used when accounting information is communicated as part of the problem.

These previous findings are something which also can be applied internally within an organization, since employees have different backgrounds, skills and different needs of information. Internal communication occurs constantly within an organization and includes

everything from informal chit-chat to managed communication (Welch & Jackson, 2007). That communication is important has bypassed few, but Henderson (2008) goes beyond the pure importance of its presence and argues for managers' behavioral aspects towards communication. Arguing that a manager's ability to encode, the sending of a message, and decode, listening to a message, influences the communication and the trust it builds. A manager who has good communications skills, with high encoding and decoding competencies, have much to gain, such as increased productivity and employee satisfaction, as well as to gain trust in their communication with employees.

Research material within the area of internal accounting communication may be somewhat limited, but some efforts have been made to research this subject. Ng and de Cock (2002) analyzed how, during a takeover, storytelling was used in accounting communication between the chairman and the board of directors, Demers et al. (2003) analyzed merger and acquisition announcements to employees, Craig & Amernic (2004) studied the use of accounting concepts in internal employee newsletters, Papadakis (2007) studied the accounting communication to employee during organizational restructuring, where the accounting communication plays a crucial role in ensuring trust and support to employees. One recent study is made by Pugliese et al. (2015), where board meetings were taped to analyze board interaction. The transcriptions were further used to analyze and understand how accounting information were used in interactions between boards and managers. (Merkl-Davies & Brennan, 2017)

Moreover, internal communication can occur through different channels. Larsson (2014, p.84-91) presents a variety of methods, or channels, by which internal communication can occur. These can be through verbal communication in meetings or conversations, or by written communication through PMs, internal magazines and newsletters, as well as through electronic communication such as the Intranet and e-mail. Internal communication can also be displayed via notices-boards or through different sorts of social activities. Today, for international organizations it is furthermore usual to use video conferences and phone conferences, to communicate internally with employees whom are stationed across the globe.

## 2.2 Framing theory

Depending on how the information is framed, the same information can be interpreted differently by different receivers. Framing is a process, in which the recipient of the information develops a specific view about a subject or changes the way of thinking, about an issue (Gross & D'Ambrosio, 2004; Iyengar & Simon, 1993). This can furthermore cause a variety of reactions from the target of the communication, and is conceptualized through the framing theory.

*"An issue can be viewed from a variety of perspectives."* (Chong & Druckman, 2007 p.104)

Entman (2007) furthermore defines framing as a process.

*“The process of culling a few elements of perceived reality and assembling a narrative that highlights connections among them to promote a particular interpretation.” (p. 164)*

Entman (1993) argues that framing can be found in four different locations within a communication process, which are; the communicator, the text, the receiver as well as the culture. The communicator is the person sending the message, making both conscious and unconscious framing decisions when constructing the message. The text is the sent message, which in turn contains both frames and keywords to provoke the pre-stored frames which the receiver has. The receiver’s pre-stored frames will determine how the message will be received. Hence, if he or she will think and reflect according to the intended framing made by the communicator. The last location is culture, which refers to a group of commonly accepted and adapted frames held by most people within a social group. Such as, that all employees within a company believes that everyone should be treated equally and with respect.

An example of what results the effect of framing theory can have, has been presented in an article by Sniderman & Theriault (2004). Stating that, by rephrasing the statement asked to several respondents, the percentage of respondents whom will change their mind to a positive reaction, instead of a negative, is high. Providing an example where the percentage of respondents being positive to the fact that a hate group would hold a political rally changed by 40 % after rephrasing the question. These changes of public opinions, often due to smaller changes in the presentation of the message, are called framing effects. Framing effects are something which are shown in other studies as well, (such as Rasinski, 1989) and the change of opinion is often present, even though merely the phrase and not the meaning of the statement has changed (Zaller 1992, p. 34). The concept of framing can be used in both positive and negative terms. Furthermore, it can be viewed as a way of manipulating individuals, as well as the more common use, to create joint thoughts and beliefs (Chong, 2000, p. 51–53).

### **2.2.1 Frame in thought**

The way individuals are affected by framing is determined by their so called “frame in thought”. This can be either the individual's opinions, but also a set of dimensions, which affects an individual’s believes. (Chong & Druckman, 2007) The frame in thought can be dominated by one belief, which to the individual always has precedence over other beliefs, or consist of mix of different beliefs.

Communicators can also use different keywords, which are highly valued amongst the audience, to evoke a specific reaction or opinion. Something which is often used by politicians to mobilize voters, by creating a sense of community around important values (Jacoby, 2000). For framing effects to appear and make sense, the specific keywords used needs to be stored within the memory of the recipient. Moreover, it also needs to be accessible, which means that it must be retrievable from the individual's long-term memory. This means, to achieve the framing effects, the recipient must have an understanding or association to the keyword. (Chong & Druckman, 2007)

When an individual is exposed to the above-mentioned situation an association, to a specific keyword or a connection to one's beliefs, is something which happens unconsciously

(Higgins, 1996, p. 133-168). An association can also be happen after a conscious deliberation by the individual (Eagly & Chaiken 1993, p. 89-120). In which the individual has weighed two beliefs or more against each other, and thereafter formed an opinion. A way for a communicator to increase the framing effects with an individual is to continuously expose that individual to the specific frame of communication, which emphasizes that specific belief or keyword. (Chong & Druckman, 2007) Further these framing effects can help to establish the organizational culture and how to act according to what is considered appropriate within the organization. Managers also have the possibility to affect the employee's frames through this, and it can work as a self-regulating system for employee's actions. Affecting the employee's frames will unconsciously make them able to determine the right action from the wrong one according to the organization's view. (Goffman, 1974, p. 40)

### 2.2.2 Priming

A concept which is closely connected to framing is priming. The term priming was firstly introduced by Iyengar & Kinder in 1987. Priming concerns the fact that the source sending the message of communication, has the power to determine what issues to put attention on and what issues to ignore. This will further affect the perception the audience has on different subjects. An example of priming, is which news are presented in the newspaper. As some events are selected and highlighted, others are discarded, thereby do the readers not receive information about those issues and further will not have the possibility to form an opinion within those areas. (Chong & Druckman, 2007) Priming is commonly used by politicians, but also by managers to present the information which is favorable to them, and by that help frame the opinion employees have about them (Iyengar & Kinder, 2010, p. 63-73).

## 2.3 Framing communication of financial information internally

An important outcome of communication is that it should contribute to deeper understanding, and for the recipient of the communicated information, to create meaning of it (Bredmar, 2013). When it comes to the financial area and financial data being communicated, possessing the skill of being a good communicator is an ability which is increasingly valued by companies (Abdullah Zaid & Abraham, 1994; Andrews & Koester, 1979, Kavanagh & Drennan, 2008; Morgan, 1997). Bernstein (2000, p. 90) does further suggest that language represents an important function used to transfer meaning through communication, and furthermore that in some areas, such as with financial/accounting language, that it is an expression of control and power. A measure by which this control can be exercised is through framing, further providing evidence to the discussion that a communicator can influence the receiver's opinion.

*“Framing provides a theoretical foundation for the discretion that authors can exercise to influence the ways in which audiences interpret their texts.”* (Rosenkranz, 2016, p.104)

According to Bloomfield (2008) when using natural language, people tend to derive from the cooperative principle, meaning that the aim is to be understood. This principle often tends to

fail when it comes to accounting settings and the communication of accounting information, instead the non-cooperative principle better explains the underlying reasoning. Bloomfield (2008) exemplifies this with voluntary disclosures, where firms tend to hide or even leave out bad news, while making good news easy to find. These actions made by organizations, are similar to the aforementioned theory of priming. Since the communicator chooses to focus on some information and hides or leaves out non-favorable information to affect the reader's perception (Chong & Druckman, 2007). A way of understanding how financial communication occurs in an organization is by reviewing the structure communication and communicative reports are based on (Putnam & Fairhurst, 2001, p. 78–136).

### **2.3.1 Channels for internal written communication**

#### *Annual reports*

Financial information can be communicated through different sorts of documents, the most commonly known is the annual report. This document is in many cases the most comprehensive and informative document about a company. (Hooks et al., 2002) The annual report is though foremost an external document, directed to the company's external stakeholders and shareholders. Internally, the annual report has a lower informative value and is rarely used by employees to retrieve information. Also, the pure numerical income statements and balance sheets are financial documents which, except to the ones directly concerned with it, often are discarded by employees as they do not understand its content and cannot draw meaning from it. (Helweg-Larsen & Helweg-Larsen, 2007) Even though there are regulations on what to disclose in an annual report (SFS 1995:1554), organizations can, besides from the mandatory disclosures, decide what to include in their annual reports and thereby use the effects of priming

#### *Simplified statements/ adjusted templates*

The form of which financial information is presented in often follows a given structure. It is not uncommon that organizations, or managers within organizations, adapt the structure after the receiver to focus the communication on the most relevant and important information for that recipient. (Bredmar, 2013) The information that the managers communicate is the basis for various kinds of decisions in an organization and these adjusted statements are often easier to understand and create meaning from (Alter, 2002, p.180-200).

#### *Code of conduct*

A company's code of conduct can in many situations act as guidance for employees in how to act and conduct oneself in an ethical business manner to avoid legal consequences (Erwin, 2011). When it comes to financial information and more precisely the disclosure of it, the code of conduct can be a good first document to rely on for guidance on how to handle the disclosure as a manager or employee.

### **2.3.2 Channels for internal verbal communication**

#### *Presentation/meetings*

When presenting financial information to employees it is common to do this verbally. With verbal communication, it is easier to provide meaning to the numbers as one can use a more casual language, and further a manager can better see if an employee does not understand

what is communicated. (Bernstein, 2000, p.90) When communicating in meetings it is furthermore possible to use illustrations, such as graphs, charts etc. to elaborate the numerical financial data (Alter, 2002, p. 180-200).

#### *Telephone/video conferences*

As technologies evolves and organizations becomes more and more international, the need to connect and communicate without being physically in the same room increases. It is neither economically nor environmentally justifiable to conduct all meetings in person if it requires travels, therefore the use of both telephone- and video conferences are common tools today. (Meyers, 2002) These tools may have many positive implications, such as increased possibility to communicate worldwide fast, but they do not replace the traditional face-to-face conversations, as the understanding gained from that communication is higher.

## **2.4 Regulated parts of internal communication of financial information**

A prerequisite to perform one's daily work assignments within an organization, is to have adequate access to relevant information. An employee's need of financial information and communication is often determined by the nature of his or her responsibilities, and further is access to it organized by the recipients' tasks. (Alter, 2002, p. 220-240) How and what financial information to disclosure internally, is not always something which is up to an individual manager, employee, or even organization. There are laws, both domestic and EU, which determines what information, and how, this information should be disclosed (SFS 2005:377; Directive 2014/57/EU). Financial information of a public company which can influence prospecting share prices must be handled with great care. Otherwise, an individual or the organization risks breaking laws regarding insider-trading. Restrictions on disclosure does not just apply to external disclosure, but also to internal. If information which you are about to receive, or disclose, about the company's business would result in that this person would hold a more profitable position against others on the stock market, it could according to the aforementioned laws be cause for breaking the law. This person would then be a so-called insider.

Another form, or measure of restriction, is through physical controls of the financial information communicated within an organization. This can be done in different ways. Either by using different clearance levels or access codes to enterprise systems which contains the data (Bredmar, 2013), or further actions to restrain the information within the organization is by using priming. Here managers can choose to provide the employees only with the information they wish them to have, and not disclose additional information (Chong & Druckman, 2007).



## 2.5 Summary of theoretical review

### ***Framing theory***

The theory of framing will be used to better illustrate and understand how communication within an organization can be managed. Using the basic ideas of framing and priming, stating that the sender of a message can have a large impact on how the receiver of the message understands and perceives an issue, as well as choosing what information to present and what to leave out, helps us analyze the empirical results. This to determine if managers are using framing when communicating as well as affecting the employee's frame in thought.

### ***Framing communication of financial information internally***

Possessing the skill to communicate internally is something which is of high value to an organization. When communicating financial information, the preferential methods are verbal forms of communication. Verbal communication can take forms such as presentations or physical meetings. Examples of written communication are code of conduct and annual reports.

### ***Regulated part of internal communication of financial information***

There are many ways in which information can be restricted within an organization. Reviewing what restricts the communication can help to better understand it. Three different measures of restrictions are presented within this section. The first one is through laws which concludes that if one employee holds too much information about the organization, and use such information for personal benefits, he or she risks being accused of insider trading. The second is through access codes and clearance levels, and the third is by using priming.

### ***Motivation to theoretical review***

To answer the research question of this study, three main areas are presented in the theoretical review, which are different communication channels used for communicating financial information internally, the framing theory and regulations on parts of internal communication. The framing theory is used as an overall reference to answer our research question of the study, towards which the empirical findings are compared and analyzed with the previous research. Different aspects of the theory will further be used as the main reference to answer the research question. This will be supported by the literature of communication channels, to highlight how the framing is done. Lastly will the literature on regulations on internal communication be used as reference to review the empirical findings in how the framing is restricted by different regulations.



## 3. Methodology

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*This chapter will guide the reader on how the study has been conducted and why certain methodological choices were made. Starting with research approach in section (3.1) where motivation to the choice of research design is provided. Section (3.2) and (3.3) describes how the case company and the respondents were chosen. Followed by sections (3.4) and (3.5) which entails description of how we collected, processed and analyzed the empirical data. Lastly, in sections (3.6) and (3.7) we provide a discussion towards the quality of sources and credibility of this study.*

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### 3.1 Research approach

To answer the research question of this thesis, *how communication of financial information is framed by managers towards employees*, a research design of a qualitative character was chosen. As, during a qualitative study, theories and models from the theoretical framework are studied to understand the phenomenon of the study (Yin, 2014, p. 4; Collis & Hussey, 2014, p. 6). The phenomenon here being to understand how the communication of financial information is framed by managers. Furthermore, this study is performed as a case study, since this is appropriate when aiming to explain the complexity of the specific phenomenon (Yin, 2014, p. 4).

As we aim to research a topic within the area of accounting communication, the theory of framing was considered appropriate and therefore chosen, and is explained in the theoretical chapter. This together with information gathered from previously performed studies within this area and adjacent areas, to help support and strengthen the result of the study. Additionally, to further strengthen the results found in this study, the data collection has been conducted through several methods (Yin, 2014, p. 105; Saunders et al., 2016, p. 288–330). Interviews have been conducted at a company, and further have observations from document studies been gathered from financial documents provided by the company.

### 3.2 Selection of company

To answer the research question set out in this study, different types of organizations from practically any industry could have been used to examine how communication is framed. However, to select a company some criteria were set. When selecting an organization to conduct the study towards, the first criteria was that the organization had to be a larger organization which was not recently founded. This since it would provide us with an organization which has different ways of communicating, and where the owner or senior management would not have the possibility to explain the financial results to every employee. Furthermore, that communicational channels would have had a possibility to become established within the organization. Another criteria when selecting an organization was that we searched for an organization with different types of employees. With that we

mean employees which are from different educational backgrounds and with the possibility to perform different tasks within the organization.

At the company SCA, which is presented in the empirical chapter, these criteria were all met. Initial contact with the company was made through the help of an acquaintance, where relationship with a contact person was established. SCA consists of different business areas. The business area represented in this thesis is personal care, which consists of three product segments: feminine care, incontinence care and baby diapers. All our respondents are employed at the two latter.

### 3.3 Selection of respondents

In selecting respondents appropriate to the cause of the study, a random sample was deliberately deselected. The thesis is, as stated above, a qualitative study and a random sample was thought not to serve its cause adequately. Rather, each respondent from the pre-selected organization needed to possess knowledge of the concerned area to contribute, and therefore a so-called snowball sampling was performed. (Alvehus, 2013, p. 68; Collis & Hussey, 2014, p. 132) The contact within the organization was contacted at first, which in turn helped recommend further respondents from different departments of the organization. The approach of snowball sampling provided us with, a group of respondents which all, to various extents, are familiar with the subject of financial information and accounting, thereby contributory.

Two of the respondents represent the Baby department, and the remaining two the Incontinence (INCO) department. All respondents are presented in the table below. The Business planner is responsible of all financial information within a senior global group at the Baby department consistent of three "innovation teams" comprising 18 people in total. Whiles the Business controller holds a similar role at the INCO department, with 16 innovation teams totally consisting of 70 people. The Global brand developer, later referred to as the Developer, is a part of one innovation team under the Business planner and the Global brand administrator, later referred to as the Administrator, is responsible of two innovation teams under the Business controller. To protect the integrity of the respondents, they will further on be referred to by the titles: Business planner, Developer, Business controller, and Administrator.

<b>List of Respondents</b>			
<b>Representative</b>	<b>Date of interview</b>	<b>Department at SCA</b>	<b>Position</b>
Respondent 1	31th mars 2017	Baby	Business planner
Respondent 2	31th mars 2017	Baby	Global brand developer
Respondent 3	31th mars 2017	INCO	Business controller
Respondent 4	31th mars 2017	INCO	Global brand administrator

1. Table of respondents

## 3.4 Data collection

Performing a case study, the relevant forms of data collection are through either documentary analysis, interviews or observations. As preparing to conduct the study, you need to decide how, where and when to collect data (Collis & Hussey, 2014, p. 130-150). Eisenhardt (1989) furthermore suggests that it is wise to use a combination of qualitative data collection methods, as this will help strengthen the findings. In this case study, document studies of financial documents and interviews with concerned employees at SCA have been made to collect data. More than one method has thereby been used to collect data, which as in accordance with several researchers is a good measure to strengthen the study (Collis & Hussey, 2014, p. 130-150; Eisenhardt, 1989; Yin, 2014, p. 118).

### 3.4.1 Interviews

As means to answer our research question and fulfill the aim of this thesis a deeper understanding of the area is needed. When a deeper understanding and insight of a phenomena is sought, interviews are often used (Dalen, 2015. p 15). While conducting the interviews the role of “visitors” were taken on by the researchers. According to Ryan, W Scapens & Theobald (2002, p. 152) this is one of the five different roles which a researcher can take on and entails visiting the case site and conducting interviews. As researchers, we did not directly interact in what was being researched, though our mere presence and the fact that questions were addressed, could have influenced the subject investigated.

There were four interviews held with different employees within the organization of SCA. The interviews were all booked in advance and the interviewees were informed, via Respondent 3, about the main subject, but were not given the entire set of questions in advanced. This since we wanted to have answers that were not thought out in advance, and instead gain a better reflection of their personal perception. The possibility to send follow up questions were given but was not used. The interviews were held in both Swedish and English, since the respondents of Swedish nationality preferred this, being more comfortable speaking in their native language. As to the non-Swedish speaking respondent, Respondent number 4, the interview was held in English. Seeing that the interviews were held in both Swedish and

English, the transliterations were made in its respective language. When writing the chapter, empirical findings, all information used were translated into English.

The interviews were held at the Gothenburg office of SCA, all performed during the same day and all with a semi structured character. Semi structured interviews are a combination of structured and unstructured interviews, where a set of predefined questions serve as a ground for the interview at the same time as follow up questions are possible. According to Collis & Hussey (2014, p.135) this type of interview method is appropriate to use when the purpose is to gain a deeper understanding of the respondents' world, and further when the logic of a situation is not clear. Using this approach furthermore provided us with the opportunity to ask different follow up questions, depending on which respondent was interviewed and on the answers provided.

According to Dalen (2015, p. 35) the preparation process is especially important when using semi structured interviews as method for collecting data. The purpose of a preparation process is to have a support when conducting the interview and to make sure that all questions will be answered. During this process, the research problem is broken down into different areas and questions are designed that can be ground for further discussion. As further suggested by Dalen (2015, p. 35) the first questions asked were of a more general nature, which then were followed by more in-depth questions. This approach helped us gain both a general understanding about the subject and further made the interviewees feel more relaxed. As we performed this type of interview, the questions asked were designed to give the respondents an opportunity to describe the situation with his or her own words. Furthermore, were the questions designed as open questions, to avoid short yes or no answers. Open questions also provided us with longer, more developed answers (Collis & Hussey, 2014, p. 133; Saunders et. al., 2016, p. 318-340).

Lastly, the interviews were recorded and notes were taken during the interviews. Recording the interviews were done as it made it possible for us to focus completely on the ongoing interview, to be more present in the dialogue, and to ask appropriate follow-up questions. Given that Trost (2010, p. 53) points to that a visible recorder can be an irritating element for the respondents, all respondents were asked beforehand if they were comfortable with being recorded. The semi-structured interview questions produced and used within this study can be found in appendix.

### **3.4.2 Document studies**

To complement the data findings collected from the interviews, documentary analyzes have also been performed in this study.

*“Documents of all types can help the researcher uncover meaning, develop understanding, and discover insights relevant to the research problem”* (Merriam, 1988, p. 118).

Used as a research method, this type of data collection method is specifically applicable to qualitative case studies, as it helps create description of a phenomenon, event or organization (Yin, 2014, p. 105–118). For this case study, financial documents provided by the case company, and documents collected from its homepage, have been studied.

Using documents as a part of the research can serve many different purposes. Bowen (2009) specifies five specific functions, of which three were used in this thesis's data collection. The first function, is that documents can help provide data to the context in which you are researching. For instance, data from documents can help to better understand the data collected from interviews, which it did in our study. Statements from the respondents, were later compared and analyzed against what was disclosed in the provided documents. Secondly, the documents reviewed can provide the study with supplementary research data, which in this study the documents extensively did. The data collected from documents constitutes a valuable addition to the empirical findings. Lastly, documents which are analyzed can be used to verify or corroborate findings from other sources. As the data collected from the reviewed documents were both used to better understand the interview material, and to elaborate on the findings of them, these functions as stated by Bowen (2009) were used.

The documents which were studied, were both of external and internal character. The external documents were the annual report and the information provided on the case company's homepage. These external documents were foremost used to collect adequate information about the company, though on a more general level. To provide the reader of the study with a better and more comprehensive picture, some company facts and background information was thought as contributing. The internal documents used to collect data were different financial documents, which were all provided by the case company in connection to the interviews. More precisely these documents consist of one PowerPoint showing general financial information, one presentation of educational seminars, an Excel-file of financial data, one simplified statement, and two organizational charts. All documents studied are presented in a table below.

The PowerPoint, which was provided by the Business planner entails general financial information about SCA and its business. This document was provided to us in physical form, and can furthermore be downloaded from the homepage. The document provided us with a general overview of how these sorts of documents are formed and what information they contain. Also, the simplified statement was provided by this respondent, but because of corporate standards (further explained in the empirical chapter) it was only shown during the interview and not given physically. The data collected from this document both showed what sort of financial information the managers provide its employees with, and how it is framed. The document entailing the presentation material used during SCA's educational seminars to employees (which is further and more detailed explained in the empirical chapter) was only shown to us during the interview with the Business controller. Collecting data from this document, clearly provided us with a picture of what SCA believes is important for their employees to know concerning financial information. Also, the Excel-file was shown by this respondent, and entails all basic financial data about the INCO department. Having the opportunity to review this file and its content, brought much understanding to what sort of data is concerned by the subject this thesis explores.

The two organizational charts which were reviewed, where both provided in physical form and contributed by clearly illustrating how the two departments work. These documents were provided by the Business planner and the Business controller respectively.

<b>List of financial documents</b>			
<b>Document type</b>	<b>Provided by</b>	<b>Character</b>	<b>Content</b>
Annual report	-	External	General information about SCA
Excel-file	Respondent 3	Internal	Financial data of INCO
Homepage material	-	External	General information about SCA
Organizational chart	Respondent 3	Internal	Organizational structure of the Baby group
Organizational chart	Respondent 1	Internal	Organizational structure of the INCO group
Presentation	Respondent 3	Internal	Seminar/ teaching material for financial education to employees
Simplified statement	Respondent 1	Internal	Example of framed document to employee

2. Table of financial documents

### 3.5 Data analysis

To analyze the data collected in this study, the empirical findings generated through both document studies and interviews were assessed against relevant theoretical framework. The collected data were also gathered using different methods, stated by researchers as a measure to strengthen the study (Collis & Hussey, 2014, p. 133-150; Eisenhardt, 1989; Yin, 2014, p. 105-118). When conducting the data analysis, the data collected through the interviews was used to explain and draw conclusion from, how managers frame and use communication of financial information. Further were the interviews used to see how employees perceive this information and communication. The data from the document studies was used to see how managers frame information, and further to see what is communicated. Reviewing these documents also gave us the chance to see how the framing is done to specific employees. When analyzing the data, we tried to compare and assess the data from the interviews and that of the document studies, to see if these methods of data collection came to the same conclusion. The entirety of the empirical findings was thereafter compared and analyzed with suggestions and statements from the literature provided in the theoretical framework. The analysis is solely focused on answering the research question and to fulfill our purpose of writing this thesis.

## 3.6 Quality of the sources

All through conducting this study we have focused on using sources of high quality. Within our study, we have used different methods and sources, as aforementioned. For the method of interviews, snowball sampling was used to increase the quality and relevance of the respondents selected (Collis & Hussey, 2014, p. 132). We have also tried to be objective when conducting the interviews to decrease bias as well as problems concerning reliability.

As for finding relevant sources for the method of document analysis, we have used both internal policy documents as well as documents published on the organization's homepage. Even though these documents are not audited, compared to annual reports, the documents reflect how the organization operates, or strives to operate, and are therefore valued as of high quality regarding the purpose of our study.

## 3.7 Credibility of the study

Within the field of qualitative research there is a continuous discussion about the use and usefulness of the terms validity and reliability (Rolfe, 2006; Golafshani, 2003). According to Riege (2003) there are no coherent set of tests for validity and reliability when conducting case studies. Sandelowski did already in her article in 1993 reject reliability as a measurement for quality within qualitative research, and instead advocated for the terms validity or trustworthiness. According to Yin (2014, p. 45) there are though concepts provided as measurement for quality reassurance within case studies. Sandelowski (1993) mentions trustworthiness, but Yin (2014, p. 45) does furthermore also present credibility, conformability as well as data dependability. The quality of the data, data dependability, is discussed in the sections above, therefore the continuous discussion will focus on the remaining three concepts.

There are several actions taken to increase the trustworthiness as well as the credibility of this study. We are aware that respondents tend to address themselves as more favorable than they might be as well as the organization they are working for. To be provided with more credible answers we did not email the questions in advance. We did further ask follow-up questions as well as rephrase the same question to make sure that the respondents answers were consistent. Moreover, as two different methods for collecting data were used, this brings higher trustworthiness to the study.

We are also providing the set of questions used during the interviews, as an appendix so that the reader can draw his or her own conclusions. This will increase the transparency as well as the trustworthiness of the study. We have also combined data collected from the interviews together with that of the financial documents, which will increase the credibility of the study. Another action taken to increase the credibility was that a theoretical sampling, snowball sampling, was used to get more relevant respondents and therefore increases the credibility. Though this action does help to increase the credibility of the study, we must also address the fact that only four respondents are included in the empirical chapter. A more comprehensive sample of respondents would have provided for a more credible result, and

this is something a reader must take into consideration. We are also aware that the selected sample creates limited possibilities of generalization, since it is only performed on one organization.



## 4. Empirical findings

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*In this chapter, the empirical findings from the interviews with managers and employees at SCA, as well as the findings made from the document analysis of financial documents, are presented. In (4.1) the case company, SCA, is presented. Followed by, (4.2) the framing of documents and channels, and regulations on internal communication in (4.3). Lastly, in (4.4) the understandability of framed communication is presented.*

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### 4.1 The case of SCA

SCA group was founded in 1929 as a pure forest company, with its headquarters in Stockholm. Initially, the company was constituted by a formation of ten Swedish forest, sawmills, pulp mills, machine shops, and power companies, merged together into one group by financier Ivar Kreuger. In 1929 SCA had annual sales of approximately SEK 100 million, with production carried out in around 40 Swedish units with 6,500 employees. Since then the SCA group has grown into a leading global hygiene and forest products company, which develops, produces, markets and sells personal care, tissue and forest products. Today the company conducts business in over 100 countries, under a wide range of well-known brands, such as the global brands TENA and Tork, and the regional brands, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. As Europe's largest private forest owner, SCA places considerable emphasis on sustainable forest management. As of the present date the company is listed on NASDAQ Stockholm, has about 46,000 employees and its sales during 2016 amounted to approximately SEK 117 billion. (SCA, 2017)

SCA consists of three separate business areas; personal care, tissue and forest products. Within personal care, there are three product segments: incontinence care (INCO), baby diapers and feminine care, with production in 25 countries. The tissue area comprises two product segments produced in 23 countries: consumer tissue and Away- From-Home (AFH) tissue. Tissue is further the business area which generates most revenues, during 2016 57% of net sales originated from this area. The last area, forest products, includes five product segments; publication papers, kraftliner (packaging papers), pulp, solid-wood products and renewable energy. Production is conducted at 20 facilities, and further is SCA Europe's biggest private forest owner of environmentally certified forest land. Products are mainly sold in Europe, but also in Asia, North Africa and North America. (SCA, 2016)

Currently the company is undergoing organizational restructuring, where the three business areas instead will become two different companies. Personal care and tissue in one, and forest as a separate company.

## 4.2 Framing financial information

SCA, being such a large organization with many different departments and functions, it is of interest to investigate how managers communicate with their employees. In this case, to investigate how they frame information, documents and channels.

### 4.2.1 How is information framed by managers?

Our interviews with the SCA Business planner and Business controller show that managers are responsible for providing their employees with financial information. This responsibility entails extracting raw data and creating understandable documents or presenting the information verbally, to the employees. A commonly used internal source for retrieving financial information is through the enterprise systems, referred to by the respondents as the database, available at SCA. The data within these systems is only available to managers, and not employees. To protect and limit the access, these systems are controlled by different clearance levels. The clearance levels are further restricted by passwords and entry-logins. The Business planner and the Business controller both have access and clearance to retrieve financial data for their respective departments.

Since employees cannot access these enterprise systems by themselves, the Business planner and the Business Controller need to produce documents in which they provide their employees with financial information. Based on what type of information the employee need, managers create a document that is communicated to the employees. The information in this framed document is now slightly different compared to the original source. The database presents the information on an account level, but forecasts and income statements are also possible for the managers to produce on a department level.

Our interviews with the SCA Developer and Administrator show that employees have different needs of information, as well as that they use it for different purposes. The Developer mostly uses financial information in the development projects which the respondent takes part in. The information needed mostly is financial information from previous projects as well as current financial information on, for example, sales levels and market information of specific products. The Administrator instead uses financial information for two purposes, to guide and lead his teams as well as to provide them with the information which they need within their projects.

As one of the respondents' claims, when communicating financial information, managers usually extract raw data from "the database" mentioned above and create "suitable documents". The following transcript illustrates how "the suitable documents" are created.

*"Depending on what sort of financial data is needed and by whom, I extract the data and present it in different ways. It can, for example, be the Developer that needs to see the latest sales numbers and prices for our premium diapers in Europe, then I will provide these in the form of a simplified statement."* (Interview 1)

In this way, the Business planner creates simplified statements that it believes are understandable to the employees. The statements are usually presented in a format of PowerPoint, where specific financial information might be highlighted in order to draw attention to specific financial numbers.

For example, if the Developer is investigating low sales numbers for diapers 6-9 months in southern Europe, the Business planner will highlight the information which helps to investigate this matter. The Respondent further explains that data from local sales

campaigns are not provided to employees for example, as this does not affect sales numbers from a global point of view.

As shown above, we can observe that the documents communicated to the employees are adjusted in order to be a shorter and more straight-forward and understandable story written in a simpler language and aligned with the regulation that secures the company from the leak of insider information.

In contrast to the Business planner, the Business controller communicates much financial information through an Excel-file to all employees at the incontinence (INCO) department. The Business controller claims that it is a “time-efficient way” to distribute information like this, assuming that employees can find the needed information in the Excel sheets by themselves.

Moreover, The Excel-file which the Business controller creates entail financial information for all innovation teams within the INCO department, but the respondent assumes that employees do not access data which they do not need, as they do not have the time. The following transcripts illustrate how the Business controller perceives the file.

*“This Excel-file is probably not so popular with the big bosses in Stockholm since all employees within my department, in reality, can access all data in the file, even though they should not have access. But as I see it, people do barely have time to do their own jobs, they do not have the time or interest to access data which they do not use.”* (Interview 3)

During the interview, we had the opportunity to observe the Excel-file and read its content, seeing that it is a complex file that comprises a wide range of financial data. This document review shows that the file itself contains much information, and in order to access it, multiple parameters must be added manually. For example, when the employee would click in a particular country or product, he or she can further access details on specific sale or purchase cost for different items.

As the managers claim, they choose to frame and communicate financial information in different ways. The following transcripts illustrate how employees perceive the framed communication.

*“The limited amount of information I receive is a big obstacle within my projects. We often need more information than we are given at first so we need to negotiate to receive more.”* (Interview 2)

*“The Excel-file is a real asset for us, which saves me a lot of time since I do not need to go and ask my manager for the information.”* (Interview 4)

In this way, we can observe that how managers frame communication, and by which source they chose to frame it, influences the employees. Here, we can also observe that employees receive different information. For example, the Excel-file which the Business controller distributes contains more detailed financial information, then the simplified statements and presentations the Business planner provides.

#### **4.2.2 Different internal channels**

The Business planner and the Developer, as well as the Business controller and the Administrator, are constantly exchanging information between each other. This entails information that the employees are in need of, as mentioned in the previous section, and is

often communicated through verbal channels. Different types of verbal communication are used, as the following transcript illustrates.

*“The communication is either of a more formal form, in meetings, or more informal such as when an employee comes to my room and asks for information which I simply tell, or a telephone call or video call.”* (Interview 3)

#### *Verbal channels*

As the Business controller claims, verbal channels are most common to use when communicating financial information within SCA, either by communicating in meetings or through presentations. During presentations, financial information is communicated with the support of visual aids, such as PowerPoints, which contains diagrams, tables, and KPIs. For example, overall results of teams' performance and new goals to achieve are discussed. When communicating through presentations, the intended audience is a larger group, such as one or several innovation teams or a department. The Business controller claims that even though they do not experience a laymen problem, employees with no or very little economic background are always part of the innovation teams. Therefore, the information presented here, is more general and, furthermore the framing is made so that it will be relevant and understandable to the entire audience. Even though individuals can ask questions, the information is not intentionally framed to fit the need of a specific individual.

Observations from document reviews supports this, showing that both the PowerPoint, but also the simplified statement, are not framed towards individual employees. These documents entail more general information, such as the net sale by business area, product segment, country, or region, which concerns the whole department. For example, these PowerPoints can show, through illustration of graphs, how the divisions; Tissue, Hygiene products and Forest, are performing at a global level. How much revenue each division is generating to SCA and so forth.

#### *Meetings*

Another common source for verbal communication is through meetings. Generally, at these meetings the audience is not as large or as differentiated as at the presentations. This presents the managers with the possibility to prime and frame the information towards an individual as well as make sure an employee understands the information. The information disclosed at these meetings are often related to a specific employees' performance and current project. For example, either the employee needs additional data for a project, or the employee wants feedback on information it already has, but do not understand. It can be that the managers need to clarify what provided KPI's means. Such as, explaining what numbers goes into the KPI ROCE.

#### *Online channels*

The fact that SCA is a multinational company, with offices and employees in many different countries, does influence what possible channels there are to communicate through. Since not all employees are situated in Gothenburg, the otherwise preferred physical meetings are replaced with meetings via video or telephone, since verbal channels are still favorable. Managers, in order to communicate as well as possible, do here combine the informal verbal channels with the written channels. For example, they use emails much more in communication with international colleagues, compared to local, and more informal, communication with employees in Gothenburg.

Within its work, the Administrator has a lot of contact with international teams, and is daily faced with challenges when communicating. Most of the respondents do though express that they do not use any extra framing, or put more consideration into the communication with international employees. The Business planner claims that some cultural differences must be

expected. The following transcript illustrates the managers' perception on international communication.

*“International communication mainly requires more accuracy and follow-up, reassuring that everyone is on the same page and in understanding.”* (Interview 3)

To this, the Business controller also emphasize that much of the communication is formal, with a large focus on assuring that employees do not misunderstand the information. Because of this, video meetings are preferred over telephone meetings, so the manager can see that the employee understands.

Something the respondents mentions, is that the culture at the SCA Gothenburg office is very open, and the Business controller further claims that most managers have an “open-door” policy. However, the possibility of informal communication channels mentioned here, disappears for members of international teams.

Another online channel employees and managers use daily when communicating, often as a complement to informal verbal communication, is Lync. Lync is a message software, which also can be used for phone calls within the organization. This software serves as a complement to email, but is quicker and more informal. Information which the managers communicate to employees over Lync is often smaller details. For example, if the Administrator needs to know the current price of raw material for a product, then the Business controller will retrieve this information from the enterprise system, and provide the Administrator with it over Lync.

The interviews also reveal that there are differences between how different sorts of information is communicated. The main difference in between channels is that they use various channels for communication of non-financial and financial information. Non-financial, such as marketing information, is instead mostly communicated in writing, either in emails, shared word- or excel-files etc. Whereas more detailed financial information is very seldom communicated through these channels. Instead, financial information, such as details regarding specific products, specific sales prices, bottom line figures and similar information which is not yet publicly disclosed, they usually present in PowerPoint during internal meetings.

#### *Intranet*

The internal network (Intranet) is a joint platform in which all sorts of information regarding the company is communicated to all employees. Here employees can find information from all areas of SCA. Such documents are the annual report and code-of-conduct, but also articles regarding news within the organization. Taking part of information on the Intranet is mostly optional for employees, meaning that they can read it if they are in need of the information, or if they have an interest. Since the intention is that this information is to be understandable to all employees within the organization, the framing is done in a general manner.

For example, managers have the possibility to post articles on the Intranet with comments towards published documents. Such as with the annual report, by posting comments managers have the opportunity to “add” framing towards these documents. The transcript below illustrates a use of the Intranet.

*“Sometimes after the new annual report has been released, I comment and explain figures in it with completely different words than the report use. This as I know that not all my colleagues understand the original document”.* (Interview 1)

In this way, we can observe that managers are framing specific channels, that they find suitable for communication of certain type of information to employees. The different channels presented above are used to support and help the employees to understand financial information and non-financial information. In this case, framing is used through presentation format and language, making it less technical, and reducing the content to be easier to grasp, providing a less detailed overview of the results.

## 4.3 Accounting communication and regulations

Communication of financial information is a matter which is not entirely up the either managers or organizations to decide upon how to conduct. Laws and regulations, both domestic and EU, have influence over how the communication and framing is done.

### 4.3.1 How parts of internal communication are effected by regulations

Our interviews with both the SCA managers and employees show that financial information communicated internally is regulated by laws and standards (see section 2.4). The financial information which managers extract from SCA's enterprise systems is such information which is affected by these regulations.

The Business planner states, as discussed in the sections above, that one reason why the enterprise systems have clearance levels and access codes, as well as why different communication channels are being used, is because of these regulations. Both Swedish and EU law requires companies to protect delicate information. The following transcript illustrates how the regulations affects internal communication.

*“Some financial information is viewed as constituting so high significant effect on prospecting share prices, it may not be communicated beyond high managers.”* (Interview 1)

Observations from the document review of SCA's code-of-conduct show that the company also has its own regulations on how to disclose and protect financial information, which is stipulated in SCA's code-of-conduct. Reviewing this document, paragraphs referring to how to act in these situations are mentioned and the review further shows that violations of these regulations can result in both company damage and individual criminal and civil liability. In this way, SCA and the managers protect delicate corporate data from being disclosed.

These regulations are also something which the respondents claim creates obstacles when providing employees with financial documents. An example of how the regulations effects the information, is that the managers of the Baby department are only able to access financial information concerning Baby, and INCO managers can only access INCO financial information. The transcript from the interview with the Business planner indicates its limitations.

*“No comparisons amongst the departments on a detailed level is possible.”* (Interview 1)

In this way, managers are restricted by what information they can disclose to employees. But both the managers and employees also claim that the regulations effect in what way information is to be presented in. The below transcription illustrates this.

*“Not being able to disclose much information in writing to opens up for more misunderstandings and creates extra work.”* (Interview 3)

Observing how regulation impacts the ways managers communicate to the employees, based on interviews and the document review, we can conclude that the choice of communication channels and presentation formats is not entirely voluntary for managers. Thus, regulation limits the ways in which share price sensitive information can be internally communicated.

## 4.4 Achieving understandability through framing

While communicating with your employees it is not just about making sure all information is communicated, but further, most importantly, that it is understood by the employees.

### 4.4.1 Framing the audience to increase understandability

In a large international organization such as SCA, there is a variety of employees with different backgrounds and education levels. Within SCA some employees are educated within financial areas, others are lawyers, engineers, technicians etc. Different backgrounds can impact the way how one understands financial information.

Even though the respondents participating in this study have economic backgrounds, many others, as mentioned in the section above, within the innovation teams at both the Baby and INCO departments do not. The Administrator outlines that it is important to reassure that everyone understands, even though some employees perceive financial information as difficult. The below transcript explains this.

*“Financial information is generally thought of as, except to the once schooled in it, a tricky and complex subject to understand. Many people are intimidated by the pure thought of being exposed to financial information which they do not understand or can interpret.”*  
(Interview 4)

To deal with this issue, since a few years ago, the Business controller has been holding seminars aiming to increase employee’s knowledge and understanding of financial information. The transcript below illustrates this.

*“At SCA we have started to hold seminars within the company to provide the employees with a chance to learn more about accounting and gain a basic financial understanding.”*  
(Interview 3)

In this way, we can observe that SCA is also using framing to educate employees. The material which the managers use at these seminars, is reviewed, and observations made from this document review show that these seminars help teach employees to get a basic financial understanding. The material teaches employees how to read an income statement and balance sheet, further which numbers that are included in the most common key performance indicators (KPIs) used within SCA, such as ROCE, ROI etc.

The Business controller claims to experience that the knowledge within the department is increasing, as employees are actively participating to a higher degree within the meetings. This perception shows in the below transcript.

*“The knowledge is improving. Employees are asking more questions which I perceive as they are understanding more, to even know what to ask for, as well as an increasing interest within the area.”* (Interview 3)

Further, these seminars are also in line with the Administrator's personal philosophies, that you should help and support your employees to understand. The below transcript additionally explains this philosophy.

*“Explaining shortenings which can have different meanings in different business areas, or just use more visual illustrations to increase understandability.”* (Interview 3)

As measures to help others understand the financial information, the Administrator use different methods, such as similes and everyday examples to clarify. Framing is thereby making the information more understandable to the individual employee, as the transcript below presents.

*“When someone clearly does not understand, I have learnt during my many working years that you should explain it in words they do understand.”* (Interview 4)

Examples of these further explanations, can be to use car terms explaining something to someone interested in cars, or to explain financial numbers to engineers by drawing similes to their field. The respondent experience that these simple measures of adapting and framing communication have great effect on the understandability.

While the Business controller and the Administrator works proactively with reassuring that everyone is understanding, the Business planner expresses a different approach, where less attention is put into feedback of understanding. This approach is built on the assumption that employees understands the information, and if not they will ask for it. When addressing the subject, the respondent admits to not having a deliberate strategy within the area, which also is shown in the statement below.

*“This is something which could use more personal attention.”* (Interview 1)

In this way, observations and document reviews show that the work at SCA to obtain understandability amongst the employees can improve.



## 5. Framing and its implications - analysis and discussion

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*In our analysis and discussion, we aim at answering our research question, and will discuss internal communication and framing. The structure of the chapter will commence by presenting in (5.1) how the framing theory is used for this study. The following sections will discuss; how the information is framed (5.2), what channels are preferred and understandability (5.3) and lastly (5.4) how regulations influence these documents.*

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### 5.1 Using the framing theory

The purpose of this research is to investigate how communication of financial information is framed by managers towards employees. Throughout this discussion and analysis, the Business planner and the Business controller are referred to as managers, and the Developer and the Administrator are referred to as employees.

The empirical findings show that framing is performed in multiple manners. Using the theory of framing as a foundation, helps to discuss the collected empirical material, how it relates, confirms or contradicts findings in previous research. We focus on analyzing how managers work to frame information towards employees, and further how employees perceive this framed material. The analysis also outlines how, on an organizational level, framing is used. Applying framing theory as ground for analysis is furthermore supported by Putnam & Fairhurst (2001, p. 78–136), who states that a way to understand how financial communication works in an organization is to review the structure both communication and reports are based on.

The communication process reviewed in the empirical chapter, start with the manager extracting financial data, which he or she believes to be useful to the employee, from a database. This data is later adapted by the manager and made into suitable documents, all depending on the character of the information and the recipient to whom it is intended for. The employee thereafter uses this information in his or her work in making decisions and for carrying out work assignments. Exactly how one may prefer to communicate, in what channels can according to Larsson (2014) differ, both verbal and written channels are possible, which is something that is found in our empirical data as well. Also, laws and regulations effect through what channels information is communicated.

### 5.2 How information is framed by managers

The empirical result show that multiple framing measures are used by managers, and the company, in order to frame information and documents which they provide to employees. Entman (1993) argues that framing can be found in four different locations within a communication process, which are; the communicator, the text, the receiver as well as the culture. This is also found within this study. The communicator are the managers, who furthermore are the ones which sends the text. The text here being the different financial documents, they have framed in ways they see fit, using words, numbers, figures and tables, which makes the receiver, the employees, respond. How and if the employee understands as

intended, depends on their pre-stored frame. The last location which is culture, is for example, the internal tradition of having seminars held by SCA for employees.

Previous researchers, (such as Alter, 2002; Bredmar, 2013; Bernstein, 2000; Helweg-Larsen & Helweg-Larsen, 2007) argue for the importance of communication being understandable, and framing the communication towards the intended audience is one way to make the accounting information more understandable. The literature on framing does also support what Henderson (2008) argues about, regarding the importance of managers having good encoding and decoding skills, this to make messages more understandable.

Hence, information communicated by a manager in a financial document to an employee that is relevant in what it communicates, but furthermore relevant in how it is communicated, is easier to interpret correctly by an employee. The respondents, whom represents the manager's perspective of communication, do both agree with the above stated, and does further apply it in their communication style according to their statements. Clear association to previous literature is found in the empirical findings, for example, as one of the respondents use similes as a mean to increase understanding.

The understandability of the financial documents communicated to employees can however be questioned. As the study observes, the engagement in reassuring if the intended message is understood by employees, is found to be quite low. Even if the managers claim that their intention is to communicate relevant information to employees, evidence from the document reviews shows that this is not always the case. Rather, respondents representing the employee perspective, claim that there often is a lack of information. This was explained by referring to restriction in laws and regulations, and that it is not an intended measure by the managers. Reviewing the empirical material and previous literature and studies made (Henderson, 2008), we do rather believe that some managers simply lacks an interest to personalize documents, and instead chooses the simplest form of communication.

Sometimes employees are however not so interested in receiving relevant information. They are satisfied with the information that is provided to them. The employee of the INCO department expressed less concern with not being provided with relevant information from its managers, as having the possibility to access more information on its own. However, one could argue if the content of the Excel-file, from where the employee retrieves information, is as user-friendly and understandable as it might appear to be, since this file has no individual framing at all.

From observations of the study, we can presume that employees only request for data that is not included in the Excel-file. It was further stated that not all employees have an economic background, and consequently those employees' capability or possibility to comprehend all information as presented in this file is questioned by us. The literature on laymen and stakeholder (Freeman, 2010; Pearce, 1982) and the literature on framing (Entman, 2007) clearly states that people interpret the same information differently, much depending on how it is framed. As some employees, to be able to comprehend financial information, requires more explanation or some framing into more understandable documents (Bredmar, 2013; Alter, 2002), the degree to which this file is understandable as a financial document to all its users is questionable.

## 5.3 Preferred communication channels and understandability

The theoretical review demonstrates that when managers communicate financial information a verbal communication channel is preferential (Bernstein, 2000; Alter, 2002). The theories reviewed does furthermore indicate that it is not just about the form in which the information is communicated, verbal or written, but that there are more factors affecting the understandability and how the information is perceived. Some researchers argue that it is because a lack of managers' ability to communicate adequately (Abdullah Zaid & Abraham, 1994; Andrews & Koester, 1979; Henderson, 2008; Kavanagh & Drennan, 2008; Morgan, 1997), and others argue that problems with understandability occur because managers do not frame information to fit a particular audience (Chong & Druckman, 2007). The issue of information overload (Baker & Haslem, 1973; Parker, 1981) is also mentioned as a problem of understandability, and here priming can be used to make it easier for employees (Iyengar & Kinder, 2010). The result of Baker & Haslem's (1973) study discussed increasing gaps between private investor groups (also laymen) as their comprehension levels differed, here parallels to our empirical finding can be made. Gaps in the understanding of financial information between employees arise when, for example, an employee with economic background can take more meaning from the information than an employee without economic background.

From the empirical result, the use of verbal channels for accounting communication to employees is found to be most common. Both department's managers use meetings as the preferred channel for communicating financial information to its employees. As managers describe in the interviews, by communicating verbally it is easier to see if the employee understands the information as intended. Verbal communication also allows using more casual words which frame a feeling of comfort and "friendliness" of the information. An example provided from the empirical findings where we can see a connection to what the literature on framing states about using verbal communication to clarify issues, is that one of the respondents use smiles when communicating.

We can however argue that it is not always the case that verbal communication contributes to a better understandability of accounting information, as it is claimed in the previous research (Bernstein, 2000; Alter, 2002). While verbal channels are often preferred over written channels because of the law restrictions (see 2.4) that do not allow communication of sensitive information internally in written form, the study's results indicate that the respondents, both managers and employees, instead wishes for more information to be communicated in written form, instead of verbal. Consequently, an analysis of the respondents' perspectives, on the contrary indicates a disparity between previous literature and this study's findings.

## 5.4 Regulations on internal financial communication

The study's findings reveal that internal accounting communication of financial information is effected by restrictions. All respondents expressed concerns regarding the implication it has on the communication. It was not only explained as the cause of why much communication is verbal, but more interestingly it was explained that these restrictions are experienced as having a negative effect on performance, understandability, and to some degree relations.

We found that the respondents experienced all three kinds of restrictions mentioned in the theoretical chapter (see 2.4). Alter (2002) emphasize the importance of employees having

access to adequate information to be able to perform their job. Although the theory of framing state that the information communicated can be interpreted differently depending on who receives it and furthermore depending on that person's frame in thought, previous studies within the theory still emphasize the importance of communication being understandable and adequate (Chong & Druckman, 2007). Thus, previous research provide support to the concerns raised by the respondents, foremost the employees, and this is also something which we can see is of utmost importance. Not having the right information when making decisions and performing tasks can affect the work performance negatively.

Additionally, this does effect the problem addressed initially within this study. That employees have a hard time seeing their contribution to the company, when not being provided with adequate information, or just very limited amounts of information. The previous research of Frandsen (2009) states that this issue can result in a resistance from the employees. Here, we can see a connection to our study. When regulations hinder employees from receiving information they need or want they can start to resist its pretense. Even though, our result does not indicate that employees have started to resist the regulations, it does show that employees are strongly affected by them.

Bredmar (2013) instead discusses companies work concerning protecting information, through different access codes and clearance levels to enterprise system, and further that you can restrict the physical, or electronic, place of retrieving data from. Both the theories reviewed and laws researched (Bredmar, 2013; SFS 2005:377; Directive 2014/57/EU) in this study state that financial information which has a delicate or important value to a company, should be protected. Exactly how a company may wish to conduct this differs from company to company, though as also observed in the empirical result, clearance levels within the company seems to be a common measure.

In an analysis, the limitations expressed by the respondents, must be put into a perspective of what is feasible and justifiable. We understand that from a company's point of view, it can be hard to distinguish between what financial information an employee really needs, and what information it mostly desires. Observations from the study, for example, show that employees desire information which they do not actually need to perform their tasks. Literatures, as presented above, on the subject are both in favor of high access and usability of information, but also emphasizes the importance of protecting data. Within this debate, we find it difficult to choose a side, as both bring forth important issues and implications. Therefore, the general regulations of disclosure of financial information might not be entirely unjustifiable, as it brings some structure and guidance to how managers should act here.

Another finding from the empirical material is that SCA holds seminars, or teaching sessions, for its employees. During these occasions, the employees are introduced to different financial numbers, KPIs and financial reports. This action can clearly be linked to the framing theory as a means to frame employees. Further does this action not just imply that SCA and the managers interviewed frame documents and information which the employees receive, but furthermore that they frame the way the employees interpret the information. By teaching the employees of certain financial data and certain methods of calculating, they are affecting their frame in thought and creating means to trigger keywords in their pre-stored memory. Later when managers are communicating financial information to employees, the manager can use these keywords to provoke a desired response from the employee in how to interpret the information.

This is also something which Goffman (1974) addressed, when presenting that framing is used by organizations to establish what is acceptable and what is not. These invisible or unspoken frames which exists within an organization will further trigger employees to respond in a desired manner by the organization. When affecting the employee's frame in thought the organization is not only affecting the employee's ability to interpret information,

but they also can affect employee's actions. The empirical findings can be linked to this, and that it has been sustained, through the seminars SCA holds. After employees have attended these seminars they start showing an increased interest and understanding of the financial information presented to them.

Moreover, does this mean that, by incorporating the beliefs of Goffman (1974), SCA can, for example, incorporate the values of their code of conduct into the employee's frame in thought. They can by this also make the employees more susceptible to the fact that they do not receive more information than the managers believe is needed. A matter, that at least one of the employee respondents have to some extent come to terms with.

## 6. Concluding remarks

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*This study was conducted to answer the research question; “How is the communication of financial information framed by managers towards employees?” In this chapter, we provide concluding discussion (6.1) regarding the research question as well as providing (6.2) suggestions for future research.*

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### 6.1 Conclusion

The question of this study does not have a yes or no answer, but instead aimed to investigate the “how”. How managers use framing when communicating financial information to employees. In so answering this how, the study showed that; communication is framed by managers in multiple manners. There are three main channels where managers frame the communication of financial information.

The first is by written means in which the manager only communicate the information which he or she believes the employee needs. This information, even though it is framed by the manager to a specifically selected recipient, is not always perceived that way by the employees. Instead employees often perceived written communication as quite general.

The second is by verbal means, where the manager use specific keywords to enhance the chance of employees responding as intended. This is the form of communication where the information is most framed and adapted to an individual employee. The verbal framing used was also perceived by employees as the form of communication which is mostly adapted towards them and their individual needs.

The framing can also take form as thirdly found, namely that the manager and the SCA organization, arranges teaching seminars for the employees, in which the employee's “frame in thought” is affected and thereby also their ability to interpret the framed messages from managers as intended. This framing is quite new at the company and further the form of framing which managers perceived as the most influential, providing highest return in form of more educated employees with better understanding.

SCA is as shown using framing when communicating financial information in different channels within their organization. They are also exercising framing measures from multiple directions to increase the effects of their framing efforts.

## 6.2 Contributions and suggestions for future research

With this study, we theoretically contribute to the existing research within the area of accounting communication, focusing on internal communication within an organization.

A contribution which this study makes, is to the literature of how framing theory can be applied within the area accounting communication, and how it can be used by managers towards employees. Providing empirical evidence of which channels of communication that are preferential to use when communicating financial information internally. This study also contributes by providing examples of how the organization is trying to affect the employee's "frame in thought", by helping them to interpret the manager's framed messages. Furthermore, another contribution made is shown in the fact that regulations, such as laws, function as a source of both priming and framing when it comes to the communication of accounting information within the organization.

We suggest that future research could focus on the result performed by employees, based on the framed material which has been communicated. Investigating if the message interpreted by the employees is the same as intended by managers, and further how often employees need additional information both to be able to conduct their tasks as well as when the message is not understood.

Another suggestion for future research is that a follow up study could be conducted on the practical implications of our empirical findings, where a content analysis could be performed in a quantitative study. One can here research the words, frames, expressions etc. that are used in financial documents to further see how framing is used. The study could also look at the extent the effects of framing has, depending on if it is done through verbal or written communication channels.

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# 8. Appendix

## Interview questions

- Tell us about your role within the organization? For how long have you been working at SCA?
- What kind of professional background do you have and what kind of education do you have?
- General information: When it comes to communication, who do you communicate with mostly? In what way (What channels...)? What background does the people that you are communicating with have?
- What sort of information are communicated? In your role as a xxx, how are you interacting with financial information?
- Accounting information: are you mostly communicating information to others or is information mostly communicated to you? Do you change or adapt the information when passing on the information? If the information is adapted: Do you adapt the information to different groups within the organization or do everyone get the same information? How do you handle employees without any financial background that are communicated to and affected by the financial information?
- How do you make financial information spread within the organization? Is there a difference between the channels used for general communication and communication of financial information?
- Who receives the information?
- How do you spread the information? - orally, in writing... Are you just communicating the numbers or do you use complementary texts that explains the numbers?
- How do you make sure that everybody understands the accounting information communicated? How do you make sure that all employees understand the information? Is there any channel for feedback for the employees?
- What is the reason for communicating financial information to the employees? To be able to make better decisions/as motivation/to represent the organization?

## **Information sent beforehand**

Here is some information about what we are interested in discussing during our interviews.

We are foremost interested in the internal communication of financial information. More specific how managers are communicating financial information to their employees, and further out in the organization. What sort of communication is present, orally, in writing and so forth.

We are also interested in how the information is communicated to you? In other words, how the chain of information takes form and is adapted/changed during its route.

Do you have any examples of how this can take form, we would appreciate if you could bring it to the interview. For example, internal reports or similar.