CEO Reputation and Goodwill Impairment Decisions

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Abstract

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Background and problem: Accounting for goodwill has been a problem for a long time, since the regulations changed in 2005 the goodwill post has been increasing in size. Since the goodwill regulations are based on a lot of subjective decisions it allows managers to manipulate the goodwill post to fit their needs. This has resulted in IASB proposing to make changes to the regulations affecting goodwill impairments.

Purpose: This paper aims to examine how CEO reputation affects the CEOs in their decisions regarding goodwill impairments, as well as how the tone of the media affect decisions about goodwill impairments.

Scope: The study focuses on public Swedish companies that are listed at NASDAQ Stockholm. The reasons for this are so that all of the companies would be Sufficiently mentioned in media and that they all follow the same regulations. The study was also limited to the years 2013-2017.

Research method: The size of the CEOs reputation was measured by the number of articles written mentioning the CEO. The tone in media articles about CEOs was measured by using the textual analysis program DICTION on English written articles. A multiple regression model was used to check for if a relationship exists.

Findings: A clear causal relationship between reputation and goodwill impairments could not be found through this study. There are factors that indicate that there might exist a relationship and therefore, this would be a subject that is interesting for further research.

Further research: There are multiple possibilities for further research on this subject. Conducting a similar study but instead using a sample of companies from an English-speaking country, using a different proxy for reputation or using multiple proxies are possible studies that could be made to add on to this study. Analysing tone in media and its effect on managers engaging in earnings management could also result in an interesting study.

Key words: reputation, goodwill, impairments, CEO, tone, IFRS 3, IAS 36.

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1 Introduction

1.1 Background

This paper aims to examine the relationship between CEO reputation and impairments in goodwill. In the accounting field, goodwill is a type of asset that has been under a lot of scrutiny historically, this is largely due to the uncertainties associated with the composition and value of the asset. The uncertainties come from accounting principles that require estimations based on foundations that are often weak.

All listed companies within the European Union must follow the accounting standards set by the International Accounting Standards Board (IASB) which are called International Financial Reporting Standards (IFRS). The current IFRS accounting standards for goodwill impairment were adopted during 2005, and multiple issues have already surfaced. One of those issues with the current accounting standards is that they are largely based on subjective estimations and the companies will therefore enjoy a high degree of freedom regarding these decisions. This has resulted in a lot of companies with ever-growing goodwill posts in their balance sheets. This is mainly caused by the fact that impairments that are made are often to small and are taken too late (Gauffin & Nilsson, 2013). Essentially, every year each listed company is supposed to evaluate whether the value of the asset remains, and if it does not, they must make the necessary write-downs to reflect the impaired value. Due to the nature of the asset, this evaluation is highly subjective and can be subject to unchecked manipulation (Marton, Lundqvist and Pettersson 2017). Gauffin and Nilsson (2013) write in an article for the accounting journal Balans that the average percentage of goodwill that Swedish public companies choose to impair annually is below 1%. This means that goodwill will stay on a company's balance sheet for about 100 years, calling into question the relevancy of the asset.

IASB is currently in the process of revaluating the regulations and figuring out a way to change the rules for handling impairments of goodwill for the better. They are also discussing whether to increase the amount of information companies are required to disclose regarding business combinations and its connection to goodwill. An IASB meeting was held in October 2018, discussing a possible change. The plan is to release a discussion paper sometime during the year of 2020. The goal is to have the goodwill post more accurately reflect the true value of the asset. The proposed change is to revert to the way it was prior to IFRS 3, which was to do yearly write-offs over a predetermined period, amortisations. (ifrs.org, 2018)

1.2 Problem Discussion

As stated earlier, managers enjoy some discretion when it comes to impairment decisions. Factors unrelated to accounting standards and actual financial circumstances affect goodwill impairment such as CEO tenure (Masters-Stout, Costigan, & Lovata, 2008). There are also many other areas where managers are shown to use the discretion that is available to them, not only to give benefits to the company but themselves as well (Graham, Harvey, & Rajgopal, 2005). In the

same way, decisions regarding goodwill is affected factors unrelated to accounting standards, earnings management has also shown to be affected by other factors, such as reputation and tenure (Ali & Zhang, 2015; Francis, Huang, Rajgopal, & Zang, 2008; Malmendier & Tate, 2009).

A CEO's reputation can be seen as a reflection of their ability to run a company from the perspective of outside interest. The basis for how good the reputation a specific CEO has, comes from how talented the shareholders perceive the individual to be at running the business (Milbourn, 2003). A CEO with a better reputation should most likely have a higher degree of exposure to different types of media. Since reputation is a function of perceived abilities, more reputable CEOs would be working for larger corporations due to their talent. Naturally, larger corporations are under more intense scrutiny and monitoring. Monitoring would affect the CEO's ability to make decisions for their personal benefit (Jensen & Meckling, 1976). Since impairment of goodwill could be a tool for the CEO to manage earnings and performance indicators, there is a possible link between reputation and goodwill impairment decisions.

Goodwill is a particularly difficult asset to revalue after its creation and one might imagine that goodwill is extra prone to be used as a way to manipulate accounting numbers in a way that is favourable to the company's management. Since the handling of goodwill is associated with large discretion, and there is a lack of research examining the relationship between managers reputation and their decisions about goodwill impairments it is an interesting subject to further investigate.

1.3 Research Question

This paper aims to examine how CEO reputation affects decisions regarding impairment of goodwill. Intangible assets and goodwill are interesting subjects because companies enjoy extended liberty in regard to valuation especially in terms of impairment. It is also interesting to study and try to understand motives the CEO may have to act in certain ways, for this paper we want to study the CEO's reputation as a determining factor for impairments in goodwill. The research question of this paper is extra relevant at this point in time considering IASB's proposed changes to the regulations regarding goodwill impairments (ifrs.org, 2018). When discussing these changes, a deeper understanding of which factors affect managers when they make decisions related to goodwill impairments could result in more effective changes to the regulations. This paper aims to provide a deeper understanding of the effects of one of these factors, reputation.

There are no previous studies that examine the relationship between reputation and goodwill impairments. With this in mind, the central question this paper aims to answer is: Does the CEO's reputation affect decisions about impairment of goodwill?

Mentions in media is used as proxy for the size of the reputation, the tone of the articles will also be checked to see if their reputation is good or bad. This will lead to the secondary research question, which tries to examine if a relationship between the tone of the articles and decisions about goodwill impairment exists. Our secondary research question will therefore be: Does the tone of the media coverage affect the decisions about impairment of goodwill?

1.4 Disposition

The theoretical framework consists of theories and previous research that will be used as the basis of the conclusions. The theoretical frameworks start by presenting the current rules and regulations on goodwill accounting followed up by theories and previous research relating to, earnings management, the media agenda setting theory, agency theory and goodwill impairments.

The research method is the section where the process of conducting this study is explained. It describes the process that led to the final sample selection and afterwards explains how the data was collected and analysed.

In the result part an explanation is given on the results from the empirical analysis. The important parts from the empirical analysis are highlighted and then explained to give a clear image of the results.

After the results are presented the outcome is discussed with a basis in the theories and previous research from the theoretical framework. This part also includes a discussion about what could have been done differently.

The conclusion is the final part of the study and it is here answers to the hypotheses are formulated. Examples of possible further research on the subject is also presented.

2 Theoretical Framework

2.1 IFRS and Goodwill Regulation

All the companies included in this research are public companies based in Sweden, the financial reporting regulations that they follow is IFRS (International Financial Reporting Standards). IFRS was created by the organisation IASB (International Accounting Standards Board). In 2002 the EU issued a directive that meant that all public companies in member nations had to start following IFRS by 2005. IFRS is required or optional by several other countries outside of the EU as well. (Marton et al., 2018)

IFRS defines an asset as an existing economic resource that the company controls as a result of an event occurring. An economic resource is defined as a right that has potential to result in economic advantages. An intangible asset is defined as a non-monetary asset without a physical shape. Goodwill is an intangible asset but is not covered by the IAS 38 regulations. The reason for this is that goodwill can only be acquired through business combinations, which is regulated by IFRS 3 business combination. You can have internally created goodwill, but it is not allowed to be on the balance sheet, and it cannot be purchased from another company either. This results in goodwill being an intangible asset that is not regulated by IAS 38, instead its regulated by IFRS 3. (Marton et al., 2018)

2.1.1 IFRS 3, Business Combinations

When acquiring a company, a value must be assigned to all the assets and debts that is acquired. The price of the purchase should be split between the different assets that the company have, including both tangible and intangible assets. This is usually called purchase price allocation. The acquiring company must identify what assets exist and what value each of those assets have. (Marton et al., 2018)

There are some prerequisites for the assets to be recognised.

- The asset must be identifiable; this part could be a problem when it come to the intangible assets. To be identifiable the asset should either be able to be separated from the company or be based on legal rights.
- The assets and debts must meet the requirement of the conceptual framework for financial reporting.
- The asset should be part of the acquisition.

The assets should be valued to fair value according to IFRS 13 at the time of the acquisition. After all the assets and debts have been identified and the consideration have been spread between them, the residual value that is left represents the amount of goodwill that comes from the acquisition. In other words, goodwill is what is left of the purchase price after you remove the net assets (Assets – Debts). (Marton et al., 2018)

Goodwill is usually explained by either synergy effects that the company gains through the acquisitions or by the going concern element. A company that is already operational is worth more than a new company that has just started with the same assets. Goodwill can also be explained by mistakes made in the acquisition phase, paying too much or valuing assets wrongly can also create large posts of goodwill. Since there are no amortisation of goodwill you should handle it in the same way as an intangible asset without a decided lifespan, it should be corrected by write-downs as soon as the impaired asset is recognised. The impairments should be done according to IAS 36. (Marton et al., 2018)

2.1.2 IAS 36, Impairment of Assets

A basic perspective in IFRS is that assets should not have a book value higher than the value of the future cash flow that the asset can be expected to generate. If the future cash flow decreases, then you should reduce the book value of the asset. Estimating the value of the assets can be a big problem, especially for intangible assets like goodwill where it is hard to directly connect it to future cash flow. Cash flow can either come from selling the asset directly or from using the asset as a part of the business, it is the highest of the two that the new value should be based on. The future cash flow should be discounted to present value. The estimates become heavily based on subjective decisions, which results in a lot of uncertainties in the accounting. Companies might decide to over or undervalue the asset to affect the reported results in a way that benefits the company. Another way to manipulate the valuation is to choose a discount rate that is too low or too high and by doing so changing the size of the cash flow that the asset is expected to generate. (Marton et al., 2018)

It can often be hard to calculate the cash flow for a single asset, especially when it comes to intangible assets. To make this easier the asset is clumped together with other assets to create a cash-generating unit. These units should be as small as possible while still generating cash flow independent of other assets. Identifying these units is based on subjective assessment, it can sometimes be hard to identify a cash-generating unit that is smaller than the company in its entirety. Goodwill is an asset that cannot generate cash flow independent from other assets and is therefore always part of a cash-generating unit. The goodwill should be assigned to cash-generating units that benefits from the goodwill directly at the point of acquisition. (Marton et al., 2018)

When doing an impairment test it should be done on the entire cash-generating unit. If the goodwill asset is impaired, the impairment should be split between the different assets within the unit. If goodwill has been assigned to the cash-generating unit then the entire impairment should be taken from the goodwill portion of the unit. Impairments of goodwill can never be reversed. As stated previously goodwill should at least once per year undergo a test to see whether the book value exceeds future cash flow, if it does you should impair the asset. The test can be done anytime during the year, but it must be consistent over the years. Together with this test an explanation and justification of why the impairment was recognised or not should be made. This is so stakeholders can judge whether the company has made a correct impairment decision. When disclosing these explanations, companies must weigh openness against protecting company secrets. Impairments should also be recognised if there are signs that the asset has decreased in value, even though it is not time for the yearly impairment test. (Marton et al., 2018)

2.2 Big Bath and Earnings Smoothing

There are at least two types of motives for writing down impaired assets that are not directly related to the true value of the asset in question. The first of which is income smoothing. Income smoothing is the practise of writing down assets in times when the firm is performing higher than usual profit. By writing down impaired assets during these financial years creates a smoother net income over years which is thought to signal a lower risk in the company's performance. The lower risk will make the shares and bonds more attractive to investors. (Zucca & Campbell, 1992)

The second phenomenon is what is called the "Big Bath". The big bath is when the company choose to write down impaired assets at the end of a period of lower than usual performance, it is done to signal that the bad times have come to an end and that brighter times are laying ahead. (Zucca & Campbell, 1992)

Studies have shown that managers may choose to overstate impairment losses when taking big baths or income smoothing. There is also evidence that managers are keener on taking big baths during the first financial year of their tenure. The lower earnings may then be blamed on the old management and additionally the future performance indicators will be more favourable to the new management. The big bath can also have an alternative explanation that puts the new management in more favourable light. The old management may have been reluctant to write

down assets as it would reflect on their poor management that led to the impairment. The write down that is made by the new management in this case may very well just be a reflection of true asset values. (Abughazaleh, Al-Hares, & Roberts, 2011)

Studies have illustrated that CEO tenure is a factor that affects write-downs in goodwill and that CEOs tend to utilise the big bath early in their tenure (Masters-Stout et al., 2008). A reasonable conclusion based on that premise is that the CEO has at least some interest in managing impairments other than to reflect fair value. There is strong evidence that new CEOs impair more than their predecessor, specifically, new CEOs make more impairments in the first two years (Masters-Stout et al., 2008).

2.3 Media Agenda Setting Theory

The media agenda setting theory discusses how the media affects and shape the public opinion. An experiment was conducted during the 1968 presidential campaign in USA where McCombs and Shaw (1972) compared what people in a certain city believed to be the key issues discussed in the campaign, and what issue the media covered the most. The theory states that if the media covers a certain subject a lot, the public opinion about this subject will change to regard it as something very important. According to the theory, media is not a reflection of what is important, instead the media shapes what the public regard as important. This turned out to be true in regard to the experiment with the presidential campaign, there was a strong relationship between the public opinion and what media reported. They also discovered that the effect of media was bigger on people that had little interest in politics and little knowledge about politics. They tended to be more likely to base what they thought was the most important issue on something they had heard or read from a media source in the last twenty-four hours. People with more personal experience and better knowledge about the subject turned out to be more likely to use that as a basis for their opinions, and less likely to be influenced by mass media. (McCombs & Shaw, 1972)

The Agenda setting theory has had a large spread and because of this the original theory has evolved. The media agenda setting theory now states that the media not only influence what to think about, but also how to think about it. How things are communicated by the media affects what type of agenda is connected to it, how important is it? what should your opinion about the subject be? News coverage can do a lot more than just influence the opinions of people; it has shown to be able to predict how these opinions are going to change. (McCombs & Shaw, 1993)

Although the first experiment was based on the world of politics it has been transferred and is now used extensively in other fields of research. An example of research done by using the media agenda setting theory is Brown and Deegan (1998) who use it as one of the foundations in their research to explain companies' decisions regarding their disclosure of environmental performance. They used the ABIX (Australian business index) database to find articles, after that they searched the articles for certain environmental related keywords, the articles then got sorted in to positive and negative articles. They did this twice first to find the industries that would be included and then they did it again for specific companies by doing the word analysis on their annual report. They found that if a company has a lot of negative media coverage regarding their environmental work, they will have a higher degree of positive environmental disclosure. They chose to give information to counteract the negative media attention. (Brown & Deegan, 1998)

When CEOs attain large enough reputations, they can be considered celebrity CEOs and the expectation that stakeholders have on them will change. Media is the biggest factor in creating these celebrity CEOs, journalists tend to give the CEO credit for everything that goes right for the company. This increase in reputation can also create CEOs with overconfidence, which could result in a change in behaviour (Hayward, Rindova, & Pollock, 2004). Hayward and Hambrick (1997) found that CEOs with overconfidence and hubris are more likely to pay large premiums when acquiring a business, CEOs that were praised more in media were shown to pay larger premiums. Paying a premium when acquiring a company will result in a larger amount of goodwill, if the goodwill does not reflect the fair value of the asset the asset should be impaired (Marton, Lundqvist, & Pettersson, 2018).

2.4 Agency Theory

Agency theory discusses the situation and problems that may occur when two parties have differing goals or when it is hard for one party to monitor what the other party is doing. Agency theory examines the relationship between a principle and an agent, the identity of the principle and agent can vary. Agency theory can be used in a lot of different contexts and with a change in context the identity of the agent and principle changes. The principle often takes the role of a company owner and the CEO becomes the agent. In the owner/CEO relationship, the owner would be considered to be the principal and the CEO would be considered to be the agent. Their relationship is usually explained and controlled by creating a contract between the two parties. (Jensen & Meckling, 1976)

There are several problems that can arise in the principal and agent relationship, one of which is that they might be working towards different goals, another being that they may have different risk preferences. A critical assumption in the principal/agent theory is that people are acting in self-interest, they will act in a way that generates the biggest benefits to themselves. The self-interest assumption is connected to the agent's behaviour and it may cause them to act in a way that hurts the principle. The principle tries to limit these behaviours by forming contracts between the two parties in an attempt to align their goals. Contracts are based on either outcome or on controlling the agent's behaviour. (Jensen & Meckling, 1976)

A common way to align the goals is to make the manager a part owner in the company through stock compensation. Another method to control opportunism is by using information systems, increasing the monitoring of the agent makes it harder for them to deceive the principle and makes it easier for the principle to control the agent. This should force the agent to work in a way that the principle desire. (Jensen & Meckling, 1976)

Much of the research that connects agency theory with reputation focus on how a higher degree of monitoring, which comes with a better reputation, affect the agent's decisions. Fama (1980) states that there are incentives for managers to act in a way that gives them the highest compensation in line with the agency theory. He also claims that these incentives are counteracted by other factors, which result in managers who does not need to engage in any type of earnings management. Future wages expected to be generated by the manager, will be recalculated based on information from the past and present. If managers act in a way that lowers the quality of the reports it will damage their reputation and therefore lower their future wages, this damage will also carry over to other companies. This process is called the "*Wage revision*

process" and it will supposedly negate any incentives that managers may have to act opportunistic. Reputed managers will have more to lose in the form of damaged human capital and future earnings and will therefore be less likely to act in an opportunistic way. (Fama, 1980)

Fama's research is in line with what the agency theory claims will happen when increased monitoring is applied to the agent.

2.5 Hypothesis development

Reputation is seen by stakeholders as an important indication of the quality of the financial reports since CEO's with better reputation are expected to deliver financial reports of a higher quality. However, research has shown that this is not always the case. In the research paper "*CEO reputation and earnings quality*", (Francis et al., 2008) found that CEOs with a better reputation were more likely to manage their earnings and manipulate them in a way to suit the company and themselves.

According to a survey, 78% of managers use earnings smoothing to create better financial reports, and 55% would turn down projects with positive NPV, if accepting the project would result in not reaching the periods target goals (Graham et al., 2005). The reason they decide to manipulate the earnings is partly to receive short term compensation tied to reaching the goals, but mainly it was tied to trying to improve their career. Reaching the goals would improve their career while not reaching them would have a negative effect and possibly result in losing their job. Their career is connected with their external reputation, 75% of the manager stated that external reputation was a major explanation in why they engaged in earnings management (Graham et al., 2005). If managers manipulate the financial reports to maintain or improve their reputation, an assumption could be made that managers with good reputations are likely to be using some sort of earnings management.

An explanation to why CEO's with higher reputation are likely to engage in earnings management is that stakeholders have higher expectations of them. The expectations usually come from the fact that the CEO performed very well in the past and gained status and reputation because of that. The performance is then expected to continue or even improve further in the future. These expectations can often become so high that the manager cannot reach them and then has to resort to manipulating the numbers to reach the desired level. They also tend to use their higher status as a way to increase their compensation. Managers not reaching their goals could face damage to their reputation and with that hurt their career and lower the compensation that they can request from the company. Thus they have high incentives to manipulate the numbers to create a positive image of their performance. (Malmendier & Tate, 2009)

According to both Fama (1980) and Malmendier and Tate (2009), managers will act in a way that gives them the highest compensation and they seem to be more interested in long term boosts to their reputation over short term incentives. They disagree on how the manager chose to act to obtain these benefits. According to Malmendier and Tate (2009), managers boosts their reputation by using earnings management or other methods to give an impression of better performance. Fama (1980) states the opposite, reputed managers do not engage in those activities because they do not want to risk causing damage to their reputation. There are conflicting predictions about how managers will behave which makes this an interesting subject for further

examination. Goodwill is especially interesting since less research has been done on goodwill and its relationship with reputation compared to earnings management.

The following two null hypotheses has been formulated to test the relationship between CEO reputation and impairment decisions. The hypotheses have been formulated to test the relationship for both the size of the reputation as well as whether the CEO has a good or bad reputation.

Hypothesis 1 (H1) - Impairment decisions are not affected by the CEO's presence in media

Hypothesis 2 (H2) - Impairment decisions are not affected by the sentiment of the media coverage of the CEO

3. Research Method

3.1 Sample Selection

When selecting companies to include in the study, the data had to meet several criteria to be suitable for comparative statistical analysis. The data was collected and filtered in stages to create datasets to use for different test within the research.

First, the sample was limited to Swedish public companies listed on Nasdaq Stockholm to make sure that all the companies included follow the same accounting standards, IFRS, and to make sure that these companies have plenty of stakeholders which in turn generates media coverage. Financial companies were removed since they differ in important aspects and follow a different set of accounting rules than other companies. This created our first sample which consisted of 367 companies.

Second, companies that did not have reported goodwill in every year between 2013 and 2017 was excluded. This decision was to make sure that all the companies had the variables that was used in the statistical analysis for every given year. It also served the purpose of removing companies that went bankrupt during the period as well as companies that were founded after the start of the period. These filters were applied, the sample consisted of 179 companies. Data from these companies were collected for each of the five years, resulting in a total sample size of 895 observations. This sample was used for testing the first hypothesis, H1.

Third, to create a sample that could be used to test the second hypothesis, H2, the H1 sample was reduced further. Not all CEOs were mentioned in English written media and therefore could not be included in the tone analysis of the media coverage and had to be removed. This reduced the sample size to 724 and resulted in the third sample that was used to answer the second hypothesis, H2.

Sample selection	Change in sample	Sample size
First sample, only Swedish companies and removal of financial companies.		367
Second sample, removing companies that did not have reported goodwill.	-188	179
Using the sample for five years.	716	895
Third sample, removing companies not mentioned in English media.	-169	726

Figure 3,1, Sample selection

3.2 Data Collection

The data collection began with collecting the relevant company information that could be found in the companies' financial reports. This data was gathered by using the Capital IQ database and was collected for each of the five years for all 367 companies. This data was collected first so that the companies that did not have goodwill could be eliminated before further data collection was made. The data that were collected through the Capital IQ database were both information from financial reports and information regarding the CEO.

A core part of this research is based on the reputation of the CEO. Reputation is not a numerical value and cannot be specified and therefore, a proxy must be found. The proxy that was decided upon was the number of times the CEO is mentioned in print media. The same proxy for reputation has been used by previous research papers such as Milbourn (2003) and Francis et al. (2008).

This data was collected from Factiva, a database by Dow Jones that delivers business data gathered from sources like newspaper, journals, radio and many other types of news channels. The data was collected for each year during the period 2013-2017, it allowed comparison of how much coverage each company got during a specific year and compare that with the decisions about goodwill impairments that were made during the same period. The data collected from Factiva was also filtered to not include articles about companies that mentioned another company's CEO. Only articles that directly mentioned the CEO in connection with the company that they work for were used. Communication that originates from the company were also excluded since that cannot reasonable be considered an expression of reputation.

Factiva requires manual data collection and much of the data regarding CEOs had to be collected manually as well, this was because Capital IQ could only provide part of the information about the CEO. Information such as who the CEO was during different periods and length of CEO tenure had to be collected manually, it was collected by looking at financial reports, press releases and company websites.

3.3 DICTION – Text Analysis

Quantitative content analysis is useful when the volume of materials is so large that examining it through qualitative methods is practically impossible. Using quantitative measures to analyse texts will also create a study that is more objective and reproducible (Riffe, Lacy, & Fico, 2014). The text analysis was done in a similar way to what (Brown & Deegan, 1998) did in their research, i.e. by counting the number of mentions of a set of different keywords. Although, this paper used different sources for its articles and the text analysis software; DICTION, was used to do the text analysis. The purpose of using DICTION was to determine whether the sentiment of the articles during a year were positive or negative. One important limitation with DICTION is that it can only analyse English texts, therefore only a portion of the gathered material could be used in this process. A small portion of the companies did not have any media coverage in English and therefore these companies could not be part of the text analysis part of the study. Assumptions was drawn from the DICTION analysis whether the CEO has a good or bad reputation. Considering that only English text can be analysed with DICTION, some conclusions based on this sample might not fully reflect the sentiment in all media. Foreign writers may have a different perspective than Swedish writers when writing about Swedish CEOs, which is something that might weaken some of the conclusions in the analysis.

DICTION has many different master variables that can be used as a basis for the analysis. The one that fits best for this paper's analysis was "Optimism", which is defined by DICTION as,

"Language endorsing some person, group, concept or event, or highlighting their positive entailments".

Optimism is the best fit because it contains vocabularies that indicate good or poor faith in the CEO and therefore can be said to reflect the CEO's good or bad reputation. All the master variables consist of multiple minor variables, both positive and negative. Each of the minor variables consists of smaller categories of wordlists. The text analysis works by giving a score for every minor variable based on the amount of times the specific words are used in the text. The master variable is then calculated by the following formula:

"[Praise + Satisfaction + Inspiration] – [Blame + Hardship + Denial]

After the formula a constant of 50 is added to convert the range of scores into all-positive values. DICTION standardises the result against their own database of texts to make the score useful for comparison with each other. The data collected from the DICTION analysis was then merged with data collected from Capital IQ to be used for statistical analysis in Stata, a statistical analysis software.

3.4 Empirical Analysis

The empirical analysis was the last part of the data analysis and was done to get answers to our null hypotheses.

Hypothesis 1 - Impairment decisions are not affected by the CEO's presence in media

Hypothesis 2 – Impairment decisions are not affected by the sentiment of the media coverage of the CEO

3.4.1 Variables

The first step of the statistical analysis was to create all the variables that would be necessary to run the tests.
gwimpairment = goodwill impairment. This variable is our dependent variable and takes the form of a binary dummy variable. In other words, the test only checks if a company makes an impairment or not, it does not check for the size of the impairment. Therefore, the variable takes the value of "1" if the company made an impairment in that year and "0" otherwise.

Total = Total number of hits in media. This includes both Swedish and English media coverage. This variable is a proxy for reputation and is our main independent variable for testing H1. This variable has been used previously when examining reputation, Milbourn (2003) and Francis et al. (2008) are two examples of previous people who have used it.

Optimism = Optimism score is a proxy for the quality of the CEOs reputation and is used to explain if the person has a good or bad reputation. This is the main independent variable for testing H2.

Logta = logarithmic value of total assets. An independent variable that controls for the size of the company and how that factor affects decisions regarding goodwill impairments. Total asset is a common variable that is used by many to control for company size, an example of it being used is by Malmendier & Tate (2009) in their study on CEO reputation. Total asset is shown by Malmendier & Tate (2009) to have a correlation with reputation and is therefore important to include as a control variable.

Wroa = winsorised return on total assets. An independent variable that controls for company performance. Return on total assets is calculated as net income / total assets. The variable has been winsorised at a 1% level which mean that outliers and extreme variables have been limited to decrease their effect on the regression analysis.

Lev = company leverage. An independent variable that checks the company's debt situation. Calculated as (long term debt + Short term debt)/total equity. The debt situation can be a big factor in decisions about goodwill impairments considering doing an impairment will lower your total equity and result in a bigger leverage.

Gwta = Goodwill/total assets. An independent variable that puts the company's goodwill in relation to their size. This variable creates a better comparison between different companies when you compare what percentage of total assets consists of goodwill instead of comparing the total amount of goodwill.

Tenure = CEO tenure. An independent variable which measures how long the CEO has held the position of CEO at the specific company and examines how this affects their behaviour regarding goodwill impairments.

Year = Year of which the data comes from. An independent variable that tries to control for the years effect on the dependent variable. There might exist a pattern where more goodwill impairments were made during a certain year.

Industry = which industry the company is in. An independent variable that controls for if the industry that the company works in influences the dependent variable. Certain industries might be more likely to do goodwill impairments

3.4.2 Statistical Tests

The first tests that were performed were correlation tests for the different variables, both a Pearson and a Spearman analysis were made to test for correlation. The Pearson test measures linear relationships and the Spearman test measures monotonic relationship. This was done to see if there were any variables that were too strongly correlated with each other, and so possible correlations between variables could be considered when looking at the results from the regression models.

After the correlation test, a two-sample z-test was done to test the variables gwimpairment and optimism, the purpose of this test was to see if there exists a difference in the mean optimism score between the samples that did goodwill impairments and the ones that did not. This test was performed with a 95% confidence interval.

The final tests of the statistical analysis were multiple regression models done with different variables. These were done to test both H1 and H2. Firstly, the regression model was performed with only the dependent variable and the main independent variable. The purpose was to see the effects of the main independent variable before controlling with other independent variables.

$$gwimpairment = \alpha + \beta 1 total + \varepsilon$$

After this, independent variables were added one by one to see the how the other independent variables affect the dependent variable and to see how these additions changed the result of the regression models. Adding most of the other independent variables resulted in this formula for the regression model:

$$gwimpairment = \alpha + \beta 1 total + \beta 2 logta + \beta 3 wroa + \beta 4 lev + \beta 5 gwta + \beta 6 Tenure + \varepsilon$$

Finally, the year and industry were controlled for to see if it had any effect on the decision about goodwill impairment. The final formula became:

$$gwimpairment = \alpha + \beta 1 total + \beta 2 logta + \beta 3 wroa + \beta 4 lev + \beta 5 gwta + \beta 6 Tenure + \beta 7 year + \beta 8 industry + \varepsilon$$

The previous formula and method were for testing H1. H2 was tested in the same way with minor changes to the formula, the variable total was changed to optimism. The three formulas for testing H2 were the following:

$$gwimpairment = \alpha + \beta 1 optimism + \varepsilon$$

$$gwimpairment = \alpha + \beta 1 optimism + \beta 2 logta + \beta 3 wroa + \beta 4 lev + \beta 5 gwta + \beta 6 Tenure + \varepsilon$$

$$gwimpairment = \alpha + \beta 1 optimism + \beta 2 logta + \beta 3 wroa + \beta 4 lev + \beta 5 gwta + \beta 6 Tenure + \beta 7 year + \beta 8 industry + \varepsilon$$

All the regression formulas were tested at a confidence level of 90%, 95% and 99%.

It was also decided to do multiple regression models testing for the different minor variables included in the optimism variable, this was done by replacing optimism with the different minor variables. This was to see if a specific minor variable had a strong impact on the decision regarding goodwill impairments, and to see if positive and negative minor variables have different effects on the dependent variable.

4 Results

Firstly, descriptive data on the different variables that will be used for the regression models is presented.

Variable	Obs.	Mean	Std. Dev.	Min	Max
Wroa	894	.0459356	.0865052	.4007117	.2712348
LogTA	894	8.111434	1.902571	3.416414	12.92998
d_gwimpairment	897	.1337793	.3406049	0	1
Tenure	892	6.603139	7.255596	0	40
Leverage	894	.6493198	2.073573	-12.00127	30.22619
Total	892	44.83072	78.61725	0	841

Figure 4.1, Descriptive test of variables used in regression models.

Wroa and LogTA have been used instead of return on assets and total assets to get variables that will be easier to use in a regression model. The mean on the dummy variable d_gwimpairment is at roughly 0,13 which indicates that quite few of the companies impair their goodwill assets.

To get an idea of which of the control variables might correlate with each other, the table below shows the pairwise correlation between them all.

	Wroa	LogTA	GwTA	Tenure	Leverage	Total
Wroa	1					
LogTA	0.1663*	1				
GwTA	-0.1265*	-0.0810*	1			
Tenure	0.2010*	0.0113	0.0019	1		
Leverage	-0.0578	0.1371*	0.0235	-0.0315	1	
Total	0.0663	0.5687*	-0.1113	-0.0671	-0.0212	1

Figure 4,2, pairwise correlation test between all the variables.

The stars indicate a 5% significance on the pairwise correlation. LogTA correlates significantly with most of the variables, which is something to keep in mind for the upcoming analysis. Respectively, tenure correlates with only return on assets (Wroa).

4.1 Hypothesis 1

Looking at the first hypothesis, that the total number of articles written about the CEO and company will affect goodwill impairment decision. The dummy variable that contains either impairment or no impairment was created to make an analysis if the media presence affects whether or not a company will make goodwill impairments.

d_gwimpairments	Coef.	Std. Err.	z	P>/z/
Total no. articles	0.0012111	0.0005985	2.02	0.043
Intercept	-1.180544	0.0615026	-19.2	0

Figure 4,3, Regression analysis with d_gwimpairment as the dependent variable and total as the independent variable.

The outcome displayed in the table shows that there is a statistically significant correlation between the dummy variable of goodwill impairments and total articles written about the CEO and the company at a 5% significance level.

Post-estimation of the probability of goodwill impairments at a given number with confidence intervals is illustrated in the graph below.

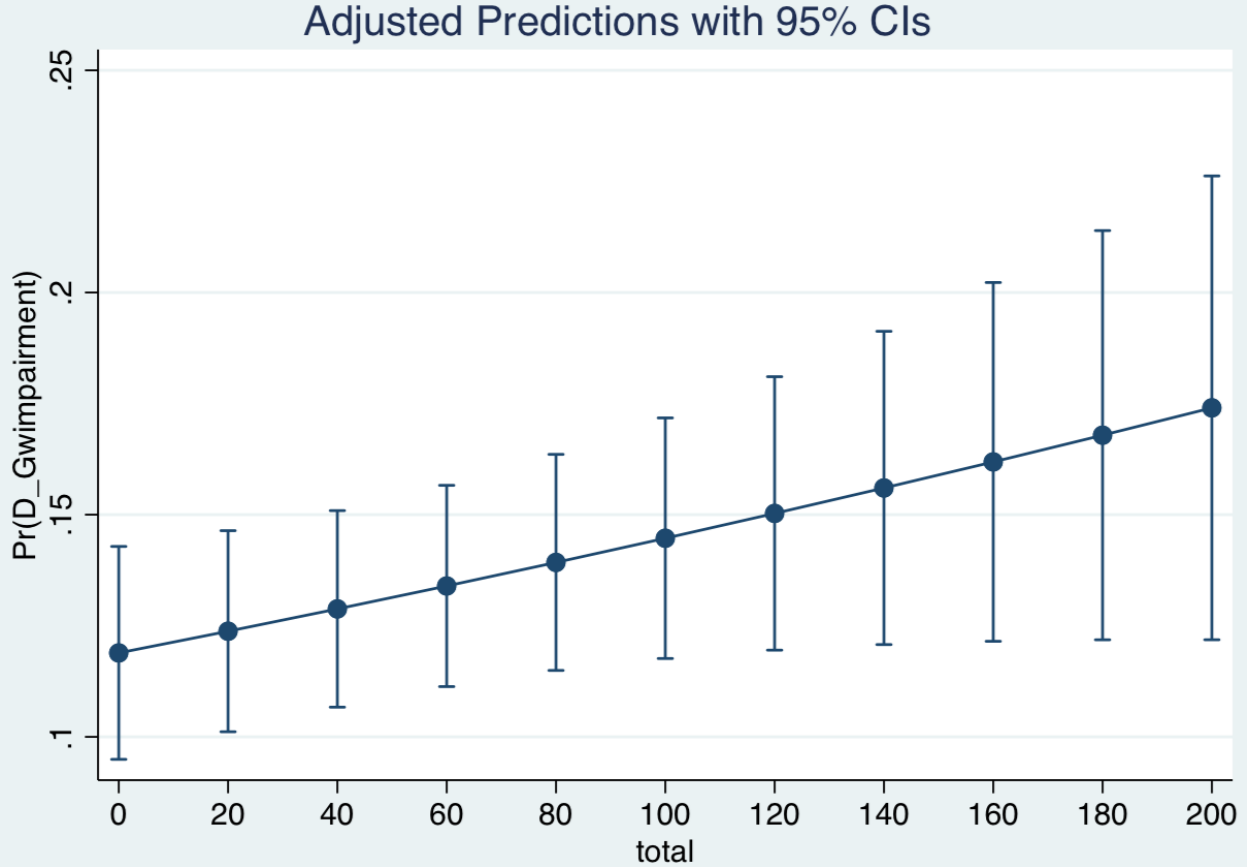

Figure 4,4, Diagram showing the marginal effects on d_gwimpairment when total increases.

The probability that a company makes impairment in goodwill increases from 11.1% to 17.4% when mentions in media increases from 0 to 200.

	Model 1	Model 2	Model 3	Model 4
	b/z	b/z	b/z	b/z
d_gwimpairment				
total	0.001**	0.001**	0	0.001
	-2.14	-2.25	(-0.52)	-0.96
Intercept	-1.181***	-0.992***	-1.909***	-1.382***
	(-19.78)	(-8.98)	(-7.05)	(-3.17)
Wroa		-2.011***	-2.589***	-2.449***
		(-3.46)	(-4.11)	(-3.83)
lev		-0.023	-0.053**	-0.073**
		(-1.27)	(-1.98)	(-2.02)
gwta		0.064	0.134	0.397
		-0.21	-0.45	-1.2
Tenure		-0.020**	-0.020**	-0.017*
		(-2.22)	(-2.23)	(-1.93)
logTA			0.123***	0.070*
			-3.59	-1.92
Year effects	No	No	No	Yes
Industry effects	No	No	No	Yes
Adj. R-6				
N	892	890	890	890

Figure 4,5, Multiple regression analysis with d_gwimpairment as the dependent variable and total as main independent variable.

What can be seen in the table above is that total articles lost its significance when other variables were controlled for. Furthermore, the industry and year variables does not seem to have a significant correlation with goodwill impairments. When the same test was done without controlling for logta, the total articles variable regains its significance to P>z = 0.02. When controlling only for logta, the same relation was found. What this means is that total articles written correlate to the company's total assets which in turn also correlates to impairment. Significance is still there when controlled for everything except logta.

The table shows that tenure is significant at a 10% after controlling for year and industry effects. Tenure has a negative relationship with goodwill impairments meaning that the longer tenure a CEO has the less likely they are to make a goodwill impairment.

H1 - Impairment decisions are not affected by the CEO's presence in media

The hypothesis cannot be rejected based on these results. This study shows that the significance level does not reach the 10% level when controlling for other factors and can therefore not support a claim that reputation is a factor that affects CEOs in their decisions regarding goodwill impairments.

4.2 Hypothesis 2

Variable	Obs.	Mean	Std. Dev.	Min	Max
Optimism	726	50.33101	1.276041	43.94	55.31

Figure 4,6, Test on the sample size.

The text analysis produced one score for every company and year that was based on the English language media articles that were collected. An analysis of all the scores showed that the mean score was 50.33 in a range of possible values of 0-100. A value of 50 would indicate that the sample in question is completely neutral in terms of optimism. The minimum value in the dataset was 43.94 and the maximum was 55.31 as the table indicates. The scores indicate that most of the observations contain language that on average is neutral and the minimum and maximum values are fairly close to the mean.

Z-Test			
Group	Obs.	Mean	Std. Err.
0	622	50.33426	0.0528065
1	104	50.31154	0.0982275
combined	726	50.33101	0.0473583
diff		0.0227221	1.276041
H0: diff = 0		z = 0.1680	

Figure 4,7, z-test comparing optimism between those that makes impairments and those that does not.

The table above illustrates that the mean difference between having goodwill impairments and not, as represented by 1 and 0 respectively, is 0.023 which would be considered small. The difference is not statistically significant meaning that the existence of a difference between the means cannot be proven. Therefore, it cannot be said that the sentiment of media reporting has any effect on goodwill impairment decisions.

The regression analysis that was made with goodwill impairment dummy variable also showed that optimism does not affect goodwill impairments significantly. In the table below, the values for that regression analysis is displayed. The P-value for the optimism variable is 0.89, not close to any levels of significance.

	Coefficients		
	Model1	Model2	Model3
	b/z	b/z	b/z
d_gwimpairment			
Optimism	-0.008	0.005	-0.007
	(-0.21)	-0.14	(-0.17)
Intercept	-0.659	-1.892	-0.762
	(-0.33)	(-0.95)	(-0.37)
logta		0.087***	0.045
		-2.63	-1.27
Wroa		-2.378***	-2.178***
		(-3.39)	(-3.09)
Lev		-0.048*	-0.069*
		(-1.70)	(-1.85)
Gwta		0.219	0.472
		-0.69	-1.33
Tenure		-0.020**	-0.014
		(-2.08)	(-1.58)
Year effects	No	No	Yes
Industry effects	No	No	Yes
N	726	723	723

Figure 4,8, Multiple regression analysis with d_gwimpairment as dependent variable and optimism as the main independent variable.

The vocabularies included in the optimism variable that was tested in DICTION were also individually tested. 4 out of 6 variables showed no significant correlation, whereas denial had a significant negative correlation at the 5% significance level and praise had a negative correlation at the 10% significance level.

Descriptive statistics: Denial					
Variable	Obs.	Mean	Std. Dev.	Min	Max
Denial	726	3.936942	2.994428	0	28.28

Figure 4.9, summarised statistics of the Denial variable

An analysis of all the scores showed that the mean score was 3.94. A value of 0 would indicate that the sample in question is completely lack words from the denial vocabulary. The minimum value in the dataset was 0 and the maximum was 28.28 as the table indicates. The scores indicate that most of the observations contain language that on average is quite neutral and the minimum value is fairly close to the mean.

	Model1	Model2	Model3
	b/z	b/z	b/z
d_gwimpairment			
Denial	-0.041*	-0.044**	-0.050**
	(-1.94)	(-2.12)	(-2.40)
Intercept	-0.912***	-1.499***	-0.947**
	(-9.43)	(-4.92)	(-1.99)
Logta		0.091***	0.049
		-2.72	-1.37
Wroa		-2.419***	-2.262***
		(-3.41)	(-3.17)
Lev		-0.047	-0.067*
		(-1.62)	(-1.79)
Gwta		0.244	0.493
		-0.76	-1.38
Tenure		-0.020**	-0.015*
		(-2.13)	(-1.65)
Year effects	No	No	Yes
Industry effects	No	No	Yes
N	726	723	723

Figure 4,10, Multiple regression analysis with d_gwimpairment as dependent variable and Denial as main independent variable.

The regression model shows that denial is a variable that has a relationship with goodwill impairments. The relationship reaches a significance level of 5% when controlling for other factors. This means that articles that include a lot of the denial words in its content has a negative relationship with goodwill impairments.

Descriptive statistics: Denial					
Variable	Obs.	Mean	Std. Dev.	Min	Max
Denial	726	3.936942	2.994428	0	28.28

Figure 4.10, summarised statistics of the Denial variable

An analysis of all the scores showed that the mean score was 3.94. A value of 0 would indicate that the sample in question is completely lack words from the denial vocabulary. The minimum value in the dataset was 0 and the maximum was 28.28 as the table indicates. The scores indicate that most of the observations contain language that on average is quite neutral and the minimum value is fairly close to the mean.

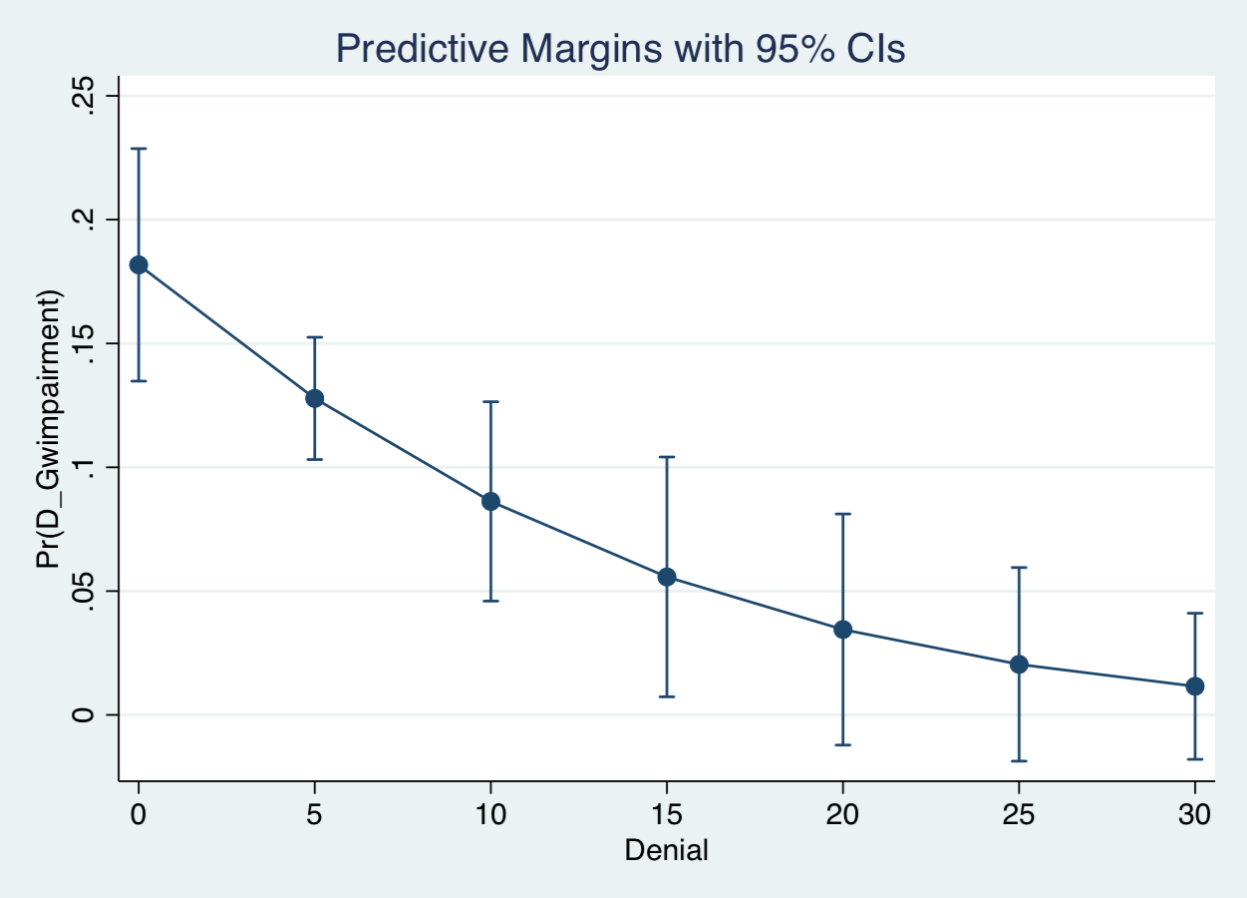

Figure 4.11, Marginal effect of the Denial variable on the d_Gwimpairment variable.

The probability that a company makes impairment in goodwill decreases from 18.2% to 1.2% when the denial score increases from 0 to 30.

5 Analysis

5.1 Discussion Hypothesis 1

The first regression analysis that checked for a relationship between goodwill impairments and reputation, shows that the correlation is significant at a 5% level. This relationship is similar to what Malmendier and Tate (2009) and Graham et al. (2005) have shown to exist between reputation and earnings management. They claim that managers with better reputation are more likely to engage in earnings management. For this study the relationship indicates that managers with better reputation are less likely to do goodwill impairments. This goes against the result from Fama's (1980) study that claims the opposite, reputed CEOs will refrain from engaging in earnings management.

When the regression model was expanded to also include multiple control variables the relationship was not as clear. The relationship was significant until logta was controlled for. A problem with adding logta is that it correlates quite strongly with reputation, which is why it has

such a large impact when it comes to the regression analysis. This correlation can be seen in different ways, they correlate because large companies hire CEOs with a big reputation or, larger companies tend to have a larger media presence and since media presence is the proxy for reputation this will result in a correlation. In reality it is probably a combination of both which would explain why the correlation between the two variables had a moderate coefficient at 0,568. Other studies that use media presence as a proxy for reputation, like Francis et al. (2008), also has a high correlation between total assets and reputation but not as strongly correlated as in this study. Some of the other studies like Milbourn (2003) use alternative proxies to show company size, these proxies seem to not show the same correlation with reputation as total assets does, and therefore they do not encounter the same problems.

The regression analysis showed that tenure have a negative correlation with impairments in goodwill, although only with a 10% significance level, meaning that CEOs make more impairments in the beginning of their tenure. This pattern is consistent with big bath theory that says managers make more impairments early in their tenure to, amongst other things, signal the start of new times and improve performance indicators for future financial years (Abughazaleh et al., 2011). Tenure have in other studies been used together with other variables as a proxy for reputation (Milbourn, 2003). This could indicate a relationship between reputation and impairment decisions that could not be proven in this study, opening up for further examination within this topic. The regression analysis showed that tenure have a negative correlation with impairments in goodwill, although only with a 10% significance level, meaning that CEOs make more impairments in the beginning of their tenure. This pattern is consistent with big bath theory that says managers make more impairments early in their tenure to, amongst other things, signal the start of new times and improve performance indicators for future financial years (Zucca & Campbell, 1992). Tenure have in other studies been used together with other variables as a proxy for reputation (Milbourn, 2003). This could indicate a relationship between reputation and impairment decisions that could not be proven in this study, opening up for further examination within this topic.

There are methods that could be used to try to show a relationship between goodwill impairments and reputation, while at the same time trying to limit the effects that company size will have on the test. Finding another reliable proxy could make it possible to get a clear result from the test. With more possible proxies the test could also be made by testing multiple proxies at the same time. The problem that arises from using multiple proxies is that it would require more time to be able to gather all the extra data to perform the analysis.

5.2 Discussion Hypothesis

This study's statistical analysis could not prove that the optimism variable that was used to analyse the articles, correlate or affect the goodwill impairment decisions of those companies. There is however, one variable that denotes the tone of the articles that is significant at a 5% significance level; denial. The correlation between goodwill impairment and denial is negative, meaning that a higher level of denial in the media coverage decreases the probability that goodwill impairments will be made. Worse reputation in terms of denial will lower the amount of goodwill impairments being made.

If a company has a lot of negative press, they will try to act in a certain way to mitigate the negative press that they receive. The reason is to save the reputation of the company or manager, this is extra important considering media's ability to influence people's opinion as shown by the media agenda setting theory (Brown & Deegan, 1998). From an accounting perspective, not making impairments when you should, is seen as something negative. The media agenda setting theory is based on the public's opinion, and the public usually does not react negatively to the absence of impairments but instead react negatively to impairments being made. This can be seen as there is a relationship between announcements of planned goodwill impairments and a decrease in market value (Li, Amel-Zadeh, & Meeks, 2010). This reaction is visible when looking at the effects of an increase in the denial factor, an increase will result in the companies being less likely to make goodwill impairments. One explanation to why this relationship exists could be that companies try to minimize the bad press by not acting in ways that would generate additional bad news, therefore they refrain from doing impairments. Even though denial is the only factor that is significant at a 5% level, all the negative factors have a higher significance level than the optimism variable as a whole. One possible explanation to why only denial is significant, could be because the other variables is based on negative words that might not be used as often when it comes to business articles. Denial is based on more commonly used negative words such as don't, shouldn't, won't etc. Explanations for the variables and examples of words can be found in the appendix.

Denial has shown to have a negative relationship with goodwill impairments which indicate worse reputation or more bad press will result in a lower amount of goodwill impairments, the same relationship exists with the word list praise, more positive press in the terms of praise will also lead to a lower amount of goodwill impairments. This causes a contradiction considering both positive press in terms of praise and negative press in terms of denial will according to the results lead to a lower amount of goodwill impairments. The negative word lists do have a stronger effect on the impairments than the positive word lists.

An explanation to why a higher praise leads to less goodwill could be found in the research on earnings management. Many managers engage in earnings management in an attempt to improve the bottom line and thereby increase their reputation (Graham et al., 2005). As mentioned above, doing goodwill impairments are generally considered as something negative and therefore could cause damage to the managers reputation (Li et al., 2010). CEOs who are engaging in different types of earnings management or refraining from doing goodwill impairments could gain praise from the media by showing a better result. This could be a possible explanation for the negative relationship between praise and goodwill impairments.

The analysis may have shown other results if companies in English speaking countries was examined since diction only could be used on English articles. The articles written about Swedish listed companies in English may generally be of the more informative kind and the correlation this paper was set out to find may be prevalent only when looking at texts that more resemble opinion pieces. Another explanation may be that there simply is not enough written in media about Swedish listed companies in general. If the test was done on only the largest companies in Sweden, we may have seen a different result. However, since Sweden is a relatively small country, the companies that are big enough to be mentioned in such a large scale may be too few to find statistical results that are significant.

6 Conclusion

The first hypothesis – impairment decisions are not affected by the CEO's presence in media – was concluded that there is indeed a correlation between the number of mentions in media and goodwill impairment decisions. However, mentions in media is unlikely to be causal in this context since the effect disappears when controlled for the value of total assets. Considering that CEOs with longer tenure tend to make less impairments, and tenure as previously been used as a proxy for reputation in other studies, there are still indications that reputation has an effect on goodwill impairments, and it could be relevant to conduct further research on this subject.

The second hypothesis – Impairment decisions are not affected by the sentiment of the media coverage of the CEO – could neither be rejected nor supported by this study. Meaning that it cannot be proven that impairment decisions are affected by the sentiment of the media coverage of the CEO. Although, when looking at factors such as denial and praise, there are indications that the tone in media has an effect on managers, on this subject there is room to make a more in-depth study to further examine the correlation.

What are the implications of this study? The study shows that the reputation of the CEO in media can affect a CEO's decisions towards making or not making goodwill impairments. This new insight could possibly be used by investors to predict the behaviour of the CEO and in turn get an indication of how the company is going to act in the regard of goodwill. Focusing on reputation and the tone in articles, this study also contributes to a better understanding of the factors that affect CEOs when making goodwill impairment decisions. Getting a deeper understanding of the underlying motives to why goodwill impairments are made is extra important at this point in time considering IASB and their proposed change to the regulation.

7. Further Research

Reputation and its effect on goodwill is a subject that has the potential for further research, as mentioned previously in this study, there is a number of things that could be done differently to get different results from this study. Conducting similar research but instead using samples consisting of companies from English speaking countries and have a higher number of large companies could possibly generate a different result. It would also result in studies with larger samples, both in terms of the number of companies but also in the number of English written articles that are written about each of those companies. The type of article that is written may also be a factor when doing word analysis, and since only english articles could be used in DICTION english speaking countries would have a large variety in types of articles. Another option is to conduct a study with the use of multiple proxies for reputation, this could possibly lead to other conclusions regarding the effects of reputation on goodwill impairments. There are multiple options to further build on this study and by doing so, create a more in-depth understanding of reputation and its effect on goodwill impairments in the process.

Using reputation and seeing how it affects managers in their decisions about things other than goodwill could also be very interesting, and it is an area with many possibilities for further study. Looking into how the tone in media effects managers decisions when it comes to earnings management could also be a very interesting topic to research.

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9. Appendices

9.1 Appendix 1: Tone Word List Description

(Digitex, 2013)

Formula: [Praise + Satisfaction + Inspiration] - [Blame + Hardship + Denial]

PRAISE: Affirmations of some person, group, or abstract entity. Included are terms isolating important **social qualities** (*dear, delightful, witty),* **physical qualities** (*mighty, handsome, beautiful),* **intellectual qualities** (*shrewd, bright, vigilant, reasonable),* **entrepreneurial qualities** (*successful, conscientious, renowned*), and **moral qualities** (*faithful, good, noble*). All terms in this dictionary are adjectives.

SATISFACTION: Terms associated with **positive affective states** (*cheerful, passionate, happiness*), with moments of **undiminished joy** (*thanks, smile, welcome*) and **pleasurable diversion** (*excited, fun, lucky),* or with **moments of triumph** (*celebrating, pride, auspicious).* Also included are **words of nurturance**: *healing, encourage, secure, relieved.*

INSPIRATION: Abstract virtues deserving of universal respect. Most of the terms in this dictionary are nouns isolating **desirable moral qualities** (*faith, honesty, self-sacrifice, virtue*) as well as **attractive personal qualities** (*courage, dedication, wisdom, mercy).* **Social and political ideals** are also included: *patriotism, success, education, justice*.

BLAME: Terms designating **social inappropriateness** (*mean, naive, sloppy, stupid*) as well as downright evil (*fascist, blood-thirsty, repugnant, malicious*) compose this dictionary. In addition, adjectives describing **unfortunate circumstances** (*bankrupt, rash, morbid, embarrassing*) or **unplanned vicissitudes** (*weary, nervous, painful, detrimental)* are included. The dictionary also contains **outright denigrations**: *cruel, illegitimate, offensive, miserly.*

HARDSHIP: This dictionary contains **natural disasters** (*earthquake, starvation, tornado, pollution),* **hostile actions** (*killers, bankruptcy, enemies, vices*) and **censurable human behavior** (*infidelity, despots, betrayal*). It also includes **unsavory political outcomes** (*injustice*, *slavery, exploitation, rebellion*) as well as **normal human fears** (*grief, unemployment, died, apprehension*) and in **capacities** (*error*, *cop-outs, weakness*).

DENIAL: A dictionary consisting of standard **negative contractions** (*aren't, shouldn't, don't*), **negative functions words** (*nor, not, nay*), and terms designating **null sets** (*nothing, nobody, none*).

9.2 Appendix 2: List of companies in sample

A-E	E-N	N-Å
A3 Allmänna IT- och telek	Electra Gruppen AB	NIBE Industrier AB
AAK AB	Elekta AB	Nobia AB
AB Electrolux	Elos Medtech AB	Nobina AB
AB Fagerhult	Eltel AB	Nolato AB
AB SKF	Empir Group AB	Nordax Group AB
AB Volvo	Enea AB	Nordnet AB
AcadeMedia AB	Eniro AB	NOTE AB
Acando AB	Feelgood Svenska AB	Novotek AB
Actic Group AB	Fenix Outdoor Internationa	OEM International AB
AddLife AB	FM Mattsson Mora Group	Peab AB
Addnode Group AB	Formpipe Software AB	Poolia AB
Addtech AB	Getinge AB	Prevas AB
Ahlsell AB	GHP Specialty Care AB	Pricer AB
Alfa Laval AB	Gränges AB	Proact IT Group AB
Alimak Group AB	Gunnebo AB	Probi AB
Anoto Group AB	H & M Hennes & Mauritz	ProfilGruppen AB
AQ Group AB	Haldex AB	Qliro Group AB
ASSA ABLOY AB	Hexagon AB	Ratos AB
Atlas Copco AB	Hifab Group AB	Recipharm AB
Atrium Ljungberg AB	HiQ International AB	Rejlers AB
Attendo AB	HMS Networks AB	Resurs Holding AB
Axfood AB	Humana AB	RNB Retail and Brands AB
B3 Consulting Group AB	Husqvarna AB	SAS AB
Bactiguard Holding AB	IAR Systems Group AB	Scandi Standard AB
Balco Group AB	ICA Gruppen AB	Scandic Hotels Group AB
BE Group AB	ICTA AB	Sectra AB

Beijer Alma AB	Image Systems AB	Securitas AB
Beijer Electronics Group A	Industrial and Financial Sys	Semcon AB
Beijer Ref AB	Indutrade AB	Skanska AB
Bergman & Beving AB	Intrum AB	SkiStar AB
Betsson AB	Investment AB Latour	Softronic AB
Bilia AB	Investor AB	SSAB AB
BillerudKorsnäs AB	Inwido AB	Starbreeze AB
Biotage AB	Invuo Technologies AB	Stockwik Förvaltning AB
Björn Borg AB	JM AB	Studsvik AB
Boliden AB	KappAhl AB	Sweco AB
Bonava AB	Klövern AB	Svedbergs i Dalstorp AB
Bong AB	Knowit AB	Swedish Match AB
Boule Diagnostics AB	L E Lundbergföretagen AB	SOBI AB
Bravida Holding AB	Lagercrantz Group AB	Swedol AB
BTS Group AB	Lammhults Design Group A	SCA AB
Bufab AB	Lifco AB	Systemair AB
Bulten AB	Lindab International AB	Tele2 AB
Bure Equity AB	Loomis AB	LM Ericsson AB
Capio AB	Malmbergs Elektriska AB	Telia Company AB
Catella AB	MedCap AB	Thule Group AB
Cherry AB	Mekonomen AB	TradeDoubler AB
Cloetta AB	Midsona AB	Trelleborg AB
Collector AB	Midway Holding AB	Troax Group AB
Com Hem Holding AB	Moberg Pharma AB	VBG Group AB
Concentric AB	Modern Times Group Mtg	Venue Retail Group AB
Consilium AB	MQ Holding AB	Wise Group AB
Coor Service Management	Mr Green & Co AB	Vitec Software Group AB

Creades AB	MultiQ International AB	Vitrolife AB
Dedicare AB	Mycronic AB	Volati AB
Dometic Group AB	NCC AB	XANO Industri AB
Doro AB	Nederman Holding AB	Xvivo Perfusion AB
Duni AB	Net Insight AB	ZetaDisplay AB
Dustin Group AB	New Wave Group AB	ÅF Pöyry AB
Elanders AB	NGS Group AB	