



The language of executive financial discourse



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ABSTRACT

This paper firstly examines the literature on the linguistic devices of rhetoric in financial disclosure. Secondly, it suggests avenues for future research on the value of executive financial discourse by regarding language as an asset.

Using an exploration of the business communication and business discourse literature on financial disclosure over 15 years, it discusses the language issues identified in the literature on the CEO's letter to shareholders and the annual report from a linguistic perspective.

Two linguistic devices offer further insights into the value of executive financial discourse: metaphorical expressions and discourse markers.

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1. Introduction

The language of corporate financial disclosure, henceforth financial disclosure, is a topic whose importance is widely acknowledged in the fields of business communication (BC),¹ business discourse (BD), and accounting. The avenues of research in accounting are based on quantitative as well as interpretative approaches analyzing “voluntary disclosure” (Beattie, 2014, p. 112) and “accounting narratives” (ibid.), respectively. Within applied linguistics, BC and BD, the most productive approaches to investigating the language of financial disclosure, especially that of the annual report (AR) and the CEO's letter to shareholders, are based on discourse and genre theory and analysis (e.g. Bhatia, 2004; Ditlevsen, 2006; Garzone, 2004, 2005a, 2005b, 2006; Groot, 2008; Hyland, 1998; Malvasi, 2006, 2007, 2010; Nickerson & Groot, 2005; Resche, 2010; Rutherford, 2005).

This paper focuses firstly on the BC and BD approaches to the language of financial disclosure and examines what kind of language issues are raised in previous BC and BD literature on financial communication (FC), a corporate function. Its second aim is to outline how linguistics can make a further contribution to the analysis of the language of FC, based on the assumption that FC is strategic

communication through language. It is specifically assumed that the language of CEOs represents an asset. A focus is therefore put on executive FC. The paper identifies the language issues in the literature which provide the most productive insights into the rhetoric and the linguistic value of executive FC. Conceptually, it adopts a rhetorical perspective which draws on the model of metadiscourse and embraces the semantics and pragmatics of discourse. As a result of the investigation and evaluation of the literature two linguistic devices are put at the heart of a further contribution linguistics can make to the analysis of executive financial discourse: discourse markers and metaphorical expressions.

1.1. The CEO's words: language as an asset

This section will discuss why FC is strategic communication through language and why the words used by a CEO constitute an asset. For this purpose, different disciplinary fields are considered.

First, the corporate communication perspective acknowledges the role of investor relations (IR) (Dolphin, 2004). Given that IR is a “strategic management responsibility that integrates finance, communication, marketing and securities law compliance” (NIRI Board of Directors 2003, cited in Hoffmann & Fieseler, 2012, p. 139), FC in general, and specific genres of FC in particular, perform an important function in meeting this responsibility. The strategic role of financial communications is also acknowledged in management studies: “Among the many forms of communication produced by firms, the Chief Executive Officer's (CEO) letter to shareholders is perhaps the most strategic in conveying the well-being and future direction of the enterprise” (Segars & Kohut, 2001, p. 535). From

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¹ Abbreviations in order of appearance: business communication (BC), business discourse (BD), annual report (AR), financial communication (FC), investor relations (IR).

a linguistics perspective, language is the code through which such strategic communication is realized in the letter. Researchers in the field of corporate communication see language as an asset (Dhir, 2005; Hartman & Lenk, 2001); in management studies, the existence of “intangible benefits of strategic communication” (Segars & Kohut, 2001, p. 550) is similarly asserted.

Second, the organization studies approach combines strategic management research with rhetorical analysis (Sillince & Suddaby, 2008), and confirms the importance of language and communication for the organization’s strategy.

Third, BD regards the discourse at the top as leadership discourse (Norlyk, 2012). From this perspective, the “role of leadership genres especially concerns the establishing and maintaining of corporate and organizational identity and authenticity in the relationship with key stakeholders” (Norlyk, 2012, p. 111). Clearly, this, too, represents a strategic goal.

Moreover, even accounting literature highlights the crucial role of language in establishing leadership: “leadership is enacted through language and language is an important means of crafting corporate culture” (Amernic, Craig, & Tourish, 2010, p. 31). The language used by a CEO in his or her strategic management function to communicate with investors, analysts and other stakeholders through the CEO-letter represents the code he or she uses in this particular socio-cultural situation. This is known as the CEO’s discourse (e.g. Amernic et al., 2010).

In this paper, I will refer to the words used by a CEO in ARs and letters to shareholders – i.e., the leadership genres (Norlyk, 2012) of FC – as executive financial discourse.

1.2. The CEO’s letter: a value-creating genre in financial communication

This section will explain why the paper focuses particularly on the genre of the CEO’s letter to shareholders within the genre of the AR in order to analyze language in executive financial discourse. In this paper, discourse is defined as “written, spoken or visual language as a form of social practice that is conditioned by and signifies the context in which the language is applied. Therefore, discourse can be defined as situated action: it not only covers the transmission of texts with specific functions in a given time and place but also encompasses the enactment of affiliations with certain institutions, social groups or cultures” (Groot, 2008, p. 17).

The text type chosen for the analysis of executive financial discourse is the CEO-letter in the context of the AR. In research on language for specific purposes in professional settings, text types “reveal how a community typically operates as a social group and, as such, they are generally defined as ‘genres’” (Groot, 2008, p. 25). In BD, “researchers have used genre analysis to identify and meaningfully classify systems of *recurrent practices* as they are manifested in texts between and within companies, and to characterize and describe potentially new genres” (Bargiela-Chiappini, Nickerson, & Planken, 2013, p. 218).

Based on genre theory and with regard to ARs, Groot (2008) argues that: “Genres are situated *social actions* characterized by particular communicative or *rhetorical purposes* recognized and mutually understood by the members of the professional community in which the actions reoccur, often as part of a *network* of interrelated events. The rhetorical purposes of these actions form the rationale for the genres, i.e. they constrain and explain the audiences of the genres as well as their prototypical *content*, discourse or *move structure* and *lexico-grammar*. These constraints are often exploited by the experienced members of the discourse community in order to achieve sender-specific *strategic intentions* within the scope of the socially recognized genre purposes” (Groot, 2008, p. 26). This typology thus acknowledges the strategic character of genres. By

addressing the CEO’s language, the present paper focuses on the generic lexico-grammar of the AR, particularly of the CEO-letter.

There has already been some research into the characteristics of the CEO-letter genre in general and its lexico-grammar in particular (cf. Section 4.1). Some scholars argue that the CEO-letter is a genre within the AR genre set (Groot, 2008, p. 37), while others locate it within a genre system in FC (Palmieri & Palmieri, 2012, p. 97). According to Groot, the genre set of the AR belongs to two distinct, but overlapping genre repertoires: FC tools and marketing communication tools (Groot, 2008, p. 37). The former include genres such as the shareholder meeting and the financial press release, the latter corporate brochures and advertisements (ibid.). The overlap is particularly obvious with respect to the sustainability review genre. In contrast, when viewed within the context of the genre system of FC, the CEO-letter is considered a genre within the communications flows between companies and investors, equivalent to newsletters, proxy statements, etc. (Palmieri & Palmieri, 2012, pp. 96–97).

In BC and BD, the promotional and value-creating character of financial disclosure, especially the CEO-letter, is widely recognized (e.g. Bhatia, 2004, 2008; Ditlevsen, 2006; Garzone, 2004, 2005b; Hyland, 1998; Kohut & Segars, 1992; Malavasi, 2007, 2010; Nickerson & Groot, 2005; Resche, 2010). The accounting literature also acknowledges the promotional and thus strategic character of the CEO-letter, especially under the heading of impression management (Brennan & Merkl-Davies, 2013). Of course, impression management in this sense does not correspond to a utilitarian perspective of a value-creating business communications approach. The latter is described as “developing and disseminating knowledge that increases the effectiveness and efficiency of business operations” (Louhiala-Salminen, 1999, p. 26, cited in Bargiela-Chiappini et al., 2013, p. 36). By contrast, Brennan and Merkl-Davies adopt a critical approach disclosing manipulation, bias, etc. in accounting narratives. Nevertheless, the corporate communication perspective can also be found in the accounting context.

The CEO-letter is “a convenient, important, publicly-accessible medium for ascertaining the tone that top corporate leadership sets, wishes to set, and wishes to be seen by others” (Amernic et al., 2010, p. 67). By adopting the corporate communication’s perspective on the CEO’s discourse, scholars in accounting recognize that it is “an important and privileged public corporate communication medium” (Amernic et al., 2010, p. 82). Moreover, it could serve as a sort of auditing tool to reveal corporate communication and culture (Amernic et al., 2010, p. 157). In their research on corporate reputation in accounting, Craig and Brennan (2012) adopt a corporate communication perspective. They investigate the language choices made in CEO-letters, stating that “[c]orporate annual reports (and the CEO shareholder letters they contain) are used not only for accountability purposes but also to create corporate reputation, corporate image and corporate credibility” (Craig & Brennan, 2012, p. 167). To sum up, accounting researchers also recognize the strategic, value-creating features of the language used in this genre.

In conclusion, the CEO-letter can be seen as a genre within the genre set of the AR within the genre repertoire of corporate FC tools (Groot, 2008, p. 37) in the wider genre system of FC (Palmieri & Palmieri, 2012, p. 97). Like the AR (Ditlevsen, 2012a, p. 381), it is a sophisticated strategic IR tool and an executive FC tool that creates corporate value.

2. Methodology

This paper firstly examines the literature on linguistic devices of rhetoric in executive financial discourse through language use in FC. Secondly, it suggests avenues for future research on the value of executive financial discourse. For this twofold purpose, first, an

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