



# Visual rhetoric and the case of intellectual capital

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## ABSTRACT

Visual images abound in accounting-related media and are powerful tools for communicating messages regarding all aspects of organisations. This is particularly important in the case of intellectual capital, where a deficient accounting framework for intangibles leads stakeholders to seek enlightenment beyond the financial statements. The central contribution of the work presented here is the development of theory to guide the interpretation of visual rhetoric in pictures and photographs. Within an over-arching framework of Barthesian visual semiotics, a model of visual rhetoric and repetition is developed by reference to the work of Durand and others. Four types of visual repetition are identified: *identity, similarity, accumulation and series*. In the light of this model, illustrative examples of visual images from annual reports are analysed to indicate how visual rhetoric contributes to the communication of intellectual capital.

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*Visual literacy will begin to be a matter of survival, especially in the workplace.*

Kress and van Leeuwen (2006)

## Introduction

Recent modernity has been characterised by a 'society of the spectacle' (Debord, 1967), a world where simulacra have taken the place of reality (Baudrillard, 1981), where our relationship to the environment is primarily aesthetic (Bauman, 1997) and where we wander through enchanted 'cathedrals of consumption' which might be physical or virtual and which are constantly reinvented (Ritzer, 1999). 'We are now deep in the era of the spectacle' and 'our consciousness is saturated with image' (Gabriel, 2012, pp. 243–4), alongside which runs a desire for instant gratification. Thus there is a need for new skills of assimilating pictures' qualities of ambiguity, opacity, plurality

and juxtaposition that all contribute to the ambivalence of 'liquid modernity' (Bauman, 2000; Gabriel, 2012). It is well documented in accounting research that annual reports, whether printed or electronic, have reflected this trend. Annual reports have become imbued with visual images that frame, and frequently eclipse, the accounting statements (Hopwood, 1996; Lee, 1994), such that they have become 'presentation-driven' documents (Beattie, Dhanani, & Jones, 2008).

This interdisciplinary study adds to a small but burgeoning research literature that provides theory and interpretation (as opposed to content analysis) of pictures and photographs in annual reports (Davison, 2007, 2010, 2011; Graves, Flesher, & Jordan, 1996; Justesen & Mouritsen, 2009; Preston, Wright, & Young, 1996; Preston & Young, 2000). Despite, or even because of, their equivocal nature, pictures do matter to accounting, and matter in their rhetorical patterns, just as 'words do matter' in the rhetoric of accounting narratives (Young, 2003, p. 625).

The paper is arranged as three sections followed by Conclusions. The first section, 'The importance of the visual to accounting', argues that the visual images of annual reports matter because: (1) pictures are ubiquitous; (2) pictures are multi-faceted, carry complex and co-existing messages, and are open to rich and varied interpretation;

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(3) pictures have interwoven roles as incremental information and impression management (or representation and construction); (4) pictures have a special place in memory and cognition; (5) pictures have emotional power.

The central section, entitled 'Visual rhetoric and visual repetition', formulates much-needed visual theory with which to analyse the rhetoric of visual images more systematically. It has often been noted (see, for example, Mitchell, *Picture Theory*, 1994) that visual studies lacks theory to underpin analysis of the detailed *modus operandi* of the visual image, in the way that there are well-established theories of literary analysis, especially following the 'linguistic turn' (Rorty, 1979) of the last century. Indeed, the visual often seems to resist theory (Mitchell, 1994; Roque, 2005). This lack of theory would in part explain the relative research neglect of the detailed *modus operandi* of visual images in annual reports. Despite initiatives towards investigation of the visual 'surround' to the accounts (Hopwood, 1996), 'accounting has not devoted enough time to pictures and images' (Quattrone, 2009). It is a research need that has been recognised across management studies as well as in other disciplines. This paper adds to a handful of papers that have closely examined the *modus operandi* of visual material in accounting (for example, Baldvinsdottir, Burns, Nørreklit, & Scapens, 2009; Davison, 2007, 2009, 2010; Ezzamel, 2009; Preston et al., 1996; Quattrone, 2009), rather than taking visual material at apparent representational or decorative face value. It develops a sustained in-depth theoretical framework of visual rhetoric and visual repetition. This is rooted in an over-arching and close analysis of the French philosopher and critical theorist Barthes' (1982b) 'Rhetoric of the Image', considered more finely than in prior work. The paper then takes Barthes' analysis further to formulate a model of visual repetition. Drawing on an extension of Barthes' work by Durand (1987), not previously used in accounting research, and on work by others such as Kress and van Leeuwen (2006) and Varnedoe (2001), the paper develops a model of visual repetition as: (1) identity; (2) similarity; (3) accumulation; (4) series.

In the light of this theoretical model, the final section, entitled 'Visual rhetoric and the case of intellectual capital: illustrative examples', analyses examples of how the visual rhetoric of the 'surround' (Hopwood, 1996) to the accounts can manage impressions of intellectual capital. It aims to analyse the nature of visual communication, rather than the substance of the underlying intangible assets. Visual rhetoric may be forcefully used to communicate messages regarding very tangible assets, and is an important component even of the accounting statements and numbers themselves (Quattrone, 2009). However, intellectual capital has special characteristics, such as investment in human and often emotionally linked attributes, or in abstract concepts such as strategy, which visual images can better bring to life than words or numbers.

Resources which have been variously-called 'intellectual capital', 'intangibles' or 'knowledge assets' have become increasingly important to organisations (see, for example, Blair & Wallman, 2001; Lev, 2004; Power, 2001). The competition induced by globalisation, deregulation and technology has forced greater investment in

innovation and economies have moved away from manufacturing to service and technology (Lev, 2001), and the notion of the good corporate citizen has also evolved. Yet the accounting framework for intellectual capital or intangibles is often said to be deficient. Not only is there inconsistency between the treatment of acquired intangibles and internally generated intangibles, but also, financial statements fail to capture the value and performance of many intangibles (Lev, 2001; Power, 2001). Uncapitalised goodwill is often defined as the excess of a business's economic or market value over its book value (Skinner, 2008). The growing disparity between market and book values is cited as evidence of the limited usefulness of accounting statements (Beattie, 2005; Blair & Wallman, 2001; DiPiazza et al., 2006; ICAEW, 2003; Lev, 2001). It has been suggested that the accounting deficiency and general uncertainty with regard to intellectual capital leads stakeholders to search beyond the accounts and other regulatory disclosures for information (Lev, 2001; Wyatt, 2008). This search is often fruitless. For example, an examination of the financial reports of forty large US companies indicated no relevant, quantifiable disclosures regarding human resources despite the frequent expression of the platitude 'our employees are our most important asset' (Bassi & McMurrer, 1999). An extensive study of voluntary disclosures by the US Financial Accounting Standards Board (FASB, 2001) similarly revealed a general lack of meaningful and useful disclosures about intangible assets. Nonetheless, Nagar and Rajan (2001) report that non-financial quality measures are better than financial measures for predicting future revenue implications, and Gelb (2002) finds that for companies whose expenditure is higher on research and development and advertising, US analysts rate voluntary publications more highly than the annual report and accounts.

In this context visual images are therefore important sources of information and/or impression management with regard to intellectual capital. Extensive research has been conducted on narrative-based voluntary intellectual capital disclosures (for example, Campbell & Rahman, 2010). Yet intellectual capital disclosures through visual images, that are arguably more powerful media than words (Anderson, 1980; Spoehr & Lehmkuhle, 1982; Tversky, 1974), have been almost totally neglected. It has been noted that studies on narrative intellectual capital disclosures have generally been based in content analysis and focused on measurement and reporting (Mouritsen & Roslender, 2009; Roslender & Fincham, 2001) rather than based in critical theory or interpretive analysis of other aspects, such as impression management. A small number of prior papers have examined the pictorial portrayal of individual intangible values such as trust (Davison, 2007) (using a visual theoretical framework from Barthes' *Camera Lucida*, 1980), leadership (Davison, 2010) (based in visual portraiture theory) and wisdom (Ramo, 2011) (drawing on ethical philosophy). This present paper examines visual rhetoric and visual repetition in illustrative cases of a range of commonly recognised types of intellectual capital, from structural assets such as strategy, to relational intangibles such as customers, and to human capital such as brainpower (Campbell & Rahman, 2010; Mouritsen & Roslender, 2009).

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