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THE CHANGING FORM OF THE CORPORATE ANNUAL REPORT

Abstract: The purpose of this paper is to observe and explain signs of a historical change in the form of annual reporting of very large British industrial corporations. It is based on an argument by Sikes [1986], supported by Ewen [1988], that contemporary business management uses the annual report to reflect corporate style by means of visual metaphors of corporate character. Using data extracted from the annual reports of a small sample of British industrial corporations, the paper reports results consistent with the argument. The data indicate the annual reports of these corporations have increasingly been used as stylistic means of establishing corporate identity in a consumer-oriented world. This raises concern about the effectiveness of such reports as mechanisms of corporate governance.

This paper reports on observations of measurable changes in the form of annual reporting by very large British industrial corporations. It provides a commentary on how their annual reports have increasingly appeared to be used for purposes other than financial stewardship. More specifically, the purpose of the paper is to document and discuss a distinct change in annual reporting emphasis — i.e. from predominantly accounting communications of corporate financial performance to non-accounting projections of corporate identity in a consumer-orientated world. The researched data are consistent with Ewen's [1988] reported argument of Sikes [1986] that corporate executives use annual reports as part of an image management function to influence external stakeholders. This switch from an accounting to a non-accounting focus in annual reporting raises questions concerning the effectiveness of annual reports in the governance of corporations.

Helpful comments on this paper were received from colleagues at the Universities of Alabama and Edinburgh, Southern Methodist University, and this journal's anonymous reviewers. Alistair Preston of the University of New Mexico provided invaluable advice on the literature to which this paper relates, and Trevor Jenkins ably assisted in the data gathering. However, the usual caveat applies.

THE CORPORATE ANNUAL REPORT

The study observes developments between 1965 and 1988 in the form of the annual financial report of twenty-five of the largest British industrial corporations. The annual report is a long-lived mechanism of corporate accountability and governance. Evidence of change in this focus is observed and discussed in the context of Ewen's general thesis of corporate image management, and Sikes' specific argument regarding annual reports. The analyzed empirical data suggest that, at least for these very large corporations, annual reports have ceased to be merely vehicles for communicating messages about corporate financial performance. Instead, they appear to have become mechanisms to communicate stylized images of corporate identity. The data suggest the annual reports of these British corporations have evolved beyond their intended regulatory mission, and now serve a managerial purpose of a non-accounting nature.

The paper is constructed to, first, provide a review of Ewen's analysis of the politics of style, and how it relates to corporate annual reporting. Second, it presents qualitative data relating to the annual reports of a sample of twenty-five British industrial corporations for a period between 1965 and 1988. Third, it discusses the data observations in the context of Ewen's arguments. Fourth, it expresses a concern based on this discussion about the future of corporate annual reporting.

UNDERLYING THEORY

The theory on which this study is based describes an observed and persistent twentieth century practice of using stylized images to provide perceivable impressions of rationality in the corporate enterprise. The author of this theory is Ewen [1988]. Other writers, however, have presented consistent arguments, and the interested reader is recommended to study Featherstone [1991], Harvey [1989], and Morgan [1986]. Ewen's arguments are complex, but are supported by empirical observations from business history. The following is a condensation of his thesis. Citations refer to specific pages in his 1988 text.

Ewen's initial premise is that there is an observable phenomenon called *style* which aesthetically reflects societal assumptions, values, and structures [p. 3]. He reveals the phenomenon to be historically linked to consumption and, in modern times, to the power of mass media to manipulate and influence

consumers [p. 10]. More specifically, the politics of style go back to the Middle Ages, and the formation of market economies and the circulation of wealth within communities. It relates to the emergence of conspicuous consumption — from luxury goods as a form of social currency in the Renaissance onwards; to the establishment of a consumer democracy by the nineteenth century [pp. 26-32]; and, finally, to the “throw-away” society of the late twentieth century [p. 233]. In the politics of style, according to Ewen, it is the surface rather than the substance of goods and services in the market which dominates [pp. 33 and 96]. In effect, style becomes a compensation for substance [p. 103], and value is based on aesthetic appeal rather than intrinsic worth [p. 37].

Ewen writes of images being constructed as artifacts to identify and signal existence [p. 64]. He particularly emphasizes the importance of design in an image manufacturing process [pp. 33 and 42], with a marriage between art and commerce in the context of market advertising [p. 41]. Such design activity is described as *consumer engineering* [p. 43] — in which design becomes a business tool [p. 45] with a bottom line of sales [p. 46]. Designs or symbols are deliberately formed to impress the memory of consumers, even in a fast-changing World [p. 246].

Ewen demonstrates the form of style has changed over time [p. 4], and represents “*an incongruous cacophony of images*” [p. 14]. In recent historical times, the rate of change in business style has quickened [p. 243], particularly because of the concept of dynamic obsolescence of goods and services [p. 239]. Style therefore reflects a need for the business to survive, and its continuing search for a surviving identity [p. 20]. In a corporate context, this can be seen in advertising and packaging, in which the idea is to use designed images to provide identity both to the producer and the consumer (e. g. as with *the Card* of American Express) [p. 57].

If successful, these images become part of the fabric of everyday life [p. 23] and, historically, have the effect of transcended social classes [p. 59]. According to Ewen, they were particularly at work in the creation of a Victorian middle class [p. 61]. Thus, stylized images are historically part of a social process of “becoming” [p. 74], and of social mobility [p. 75] and gradual democratization [p. 78]. Ewen describes this process as “*constructing the person by style*” [p. 79]. In this sense, construction also applies to the business enterprise.

Ewen’s thesis also reveals the part played by technology in

the politics of style. He provides the nineteenth century example of photography — where the photographic image became more important than the photographed object, bringing into question the meaning of reality [p. 24-25]. This visual process of stylized images continues to the present day — particularly with the use of photographed or televised personalities with whom consumers can identify and pursue ideals [pp. 85-87]. Television has proved to be a particularly powerful vehicle to manipulate and control consumers [pp. 201-202] in a dispersed community [p. 231].

Ewen takes these ideas further. For example, he describes in detail the use of designed logos to identify corporate personality, operational efficiency, and organizational dignity [p. 112]. In this respect, the main point of his thesis is revealed when he links style to power [pp. 114, 171 and 216]. He particularly uses architecture as an example of this phenomenon in business [p. 118] (i.e. ornamental facades in the late 1800s, skyscrapers in the early 1900s, and glass-framed buildings in the 1970s). The progression has been to produce unifying corporate images of rationality [p. 211]. He illustrates this perceptible rationality with the early example of the AEG company, and the unifying script in its publicity materials [p. 212].

Ewen's overall description is of the deliberate creation by corporate management of images formed by technologies of representation [p. 213]. During the twentieth century, corporate enterprises outgrew images of ornamentation, and moved to those of organizational functionality [p. 128] — with the machine-based factory process as the main focus [p. 134]. The idea was to provide images of economic efficiency and institutional rationality [p. 143]; and give a utopian view of transcendent perfection, encompassing the full range of technological possibility [p. 215].

Historically, the specific style change in business has been from hard goods to abstract value — i.e. to the ephemeral, with idea divorced from matter [pp. 157 and 161]. Ewen argues this creates a new reality because of the freeing of form from substance [p. 174]. Thus, style causes tangible reality to disappear below the less tangible surface of image [p. 262]. Under these circumstances, access to coherent information reduces as stylistic information increases. Truth is that which sells to the consumer [pp. 264-265].

What Ewen is therefore saying about the history of style in corporate business is that there is a link between modern aes-

thetics and social management [p. 200]. In this respect, he identifies three principles of image related to style — a separation of images from their source; a need to economically mass produce images; and the production of images as merchandise. [p. 247]. Ewen specifically uses the annual financial report as a practical example of these principles in operation. He describes annual reports as the domain of designers who slip fantasy between facts and figures [pp. 259-260]. He provides an example of the detail of image management in the form of the paper on which the annual report is printed. More generally, he describes the creation of corporate personality by means of image in annual reports [p. 260]. Finally, he sums up these characteristics by quoting from Sikes [1986, pp. 31-32]:

The audience for annual reports extends beyond stockholders and employees. Executives use them as calling cards, salesmen as credentials, personnel departments as recruiting tools, and financial analysts as a means of evaluating a company's performance. Thus, there's no limit to the kinds of visual metaphors used to express corporate character.

In annual reports it's what's up front that counts. The opening pages can be visual corporate propaganda in its purest form. The reality you see is the reality the firm wants you to see, often by showing rather than by telling. Chief executives officers (CEO) are primped for portraits as lovingly as pet poodles, and oil rigs are lit as theatrically as the set of *Miami Vice* next to breezy, easily scanned prose. The real story lies in the back pages' financial figures, a territory frequently neglected by designers — perhaps in the hope that shareholders will do the same.

The empirical analysis of this paper is directed to the arguments of writers such as Ewen and Sikes. Ewen's view of the history of the business world centers on consumerism, and a related need for business managers to manufacture designed images to establish the identity of the corporate personality in the minds of consumers — i.e. for managers to be actively involved in the function of image management. Sikes suggests that these images become business commodities designed to reflect power and authority, and influence or manipulate corporate stakeholders in a consumer culture. The process of image management has been subject to change over time, and has used available technologies of representation. The images repre-

sented have created a surface reality separate from the underlying realities of the corporation and its goods and services. Information about these matters is accessed at this surface level. Corporate annual reports are an important example of this surface information.

There is a need to research this issue in greater depth — i.e. to discover if the surface form of corporate annual reports has changed over time and, if so, whether the change is consistent with Sikes' and Ewen's thesis of the annual report as part of the style of modern consumerism and business. The significance of this research is to determine if corporate annual reporting's long-standing regulatory focus on financial stewardship has been affected by changes connected with Ewen's politics of style. If the focus of the annual report has changed, there is an obvious concern that its traditional function of reporting financial results may have been corrupted by activities which distract report users from their main task of assessing managerial performance (as suggested by Sikes).

IMAGE MAKING IN HISTORY

Before proceeding to the empirical analysis, it is important for the reader to know that what is described in this study is not unusual in the generalized context of the history of image management by organizations. For example, pre-corporatism, one of the most familiar uses of manufactured public images was those images organized by or on behalf of monarchy. According to Thurley [1991, p. 14], the construction by Henry VIII of magnificent palaces was no more than a means of impressing his subjects with his dominant position as their ruler:

Henry VIII was not particularly interested in Renaissance architecture for its own sake. There was no merit in faithfully reproducing classical orders and proportions as in Italy. What Henry was concerned with was magnificence. He wanted his palaces to reflect his power and status as a leading ruler in Christendom.

Burke [1992] also looks at the monarch as an institution which required image management. In a study entitled *The Fabrication of Louis XIV*, he reveals the French government's primary emphasis on the creation of images of Louis. As with Henry VIII, architecture was chosen as the primary mechanism for this purpose. So too were portraits, statues, medals, texts, and poems [pp. 25-26] (a situation similar to annual reports).

Extensive use was made of architects and artists [p. 28], thus involving the latter in social and, indeed, political roles. The same conclusion has been reached by Harvey [1989, p. 62] in relation to corporate sponsorship of the arts in recent times. Indeed, more generally, Featherstone [1991, p. 64] writes of "*the interdependencies between various groups of specialists in symbolic production and economic specialists.*"

ENVIRONMENTAL FACTORS AND SAMPLE SELECTION

This study is presented in the context of a number of environmental factors affecting the production of corporate annual reports in Britain between the mid 1960s and the late 1980s. First, the technologies of representation (e.g. printing and color) improved due to innovations over the period examined [Harvey, 1989, p. 289], and relevant unit production costs were reduced simultaneously. Thus, for those corporate enterprises involved in image management by means of annual reporting, the medium became much more efficient, economic, and effective for use as an external communication device.

Second, as Ewen demonstrates throughout his text, those corporations most committed to image management in recent times, and arguably best able to afford to do so, were the largest entities with a wide constituency of external stakeholders seeking the accountability of management. This study therefore observes a small sample of the largest British industrial corporations, all of which had a multinational focus throughout the period of analysis. The companies are listed in the appendix at the end of this paper.

Third, the data studied are presented in the context of persistent legislative and other regulatory changes to increase corporate financial disclosure in Britain — i.e. the Companies Acts of 1967, 1976, 1981 and 1985; and the standards of the Accounting Standards Committee. Each of these prescriptions expanded the required disclosure of financial information, and imposed change both on the form and the substance of the overall reporting package. The volume of disclosure significantly increased.

The corporations selected for this study were and remain part of a relatively small subset of corporate enterprises in Britain. They are among the very largest industrial organizations, and are believed to be representative of that group. Because of their very public position in the corporate world throughout the

period of analysis, they were deemed to be suitable candidates to study for purposes of observing change in the form of annual reporting.

The corporations were selected on a random basis from a publicly-available list of the largest British industrial organizations (*The Times 1000*). Their size was defined in terms of reported capital employed. Within the context of the 1,000 largest industrial corporations in each of the years 1965, 1978, and 1988, the highest ranking for the selected corporations was 1 (in 1965, 1978, and 1988), and the lowest 179 (in 1988). The mean ranking of the sample ranged from 45 in 1965 to 73 in 1988, indicating a gradual diminution in its relative size over the period, while consistently remaining very large in the context of all British industrial corporations. The 25 organizations covered 19 different standard industrial classifications.

The sample is small because of the defined corporate focus of the study, and the amount of time required to extract the required data for analysis. Results consequently cannot be interpreted other than in the context of the largest British industrial corporations. The years examined are 1965 (a period in the mid-1960s prior to a significant increase in regulated accounting disclosure); 1978 (a period towards the end of continuous accounting standardization); and 1988 (a period towards the end of the 1980s and representative of most recent times).

METHODOLOGY

The reader is reminded that this is a study of reporting form rather than substance, consistent with McLuhan's 1964 cliché that the medium is the message. Consequently, it is concerned with data which describe the shape and structure of annual reports rather than their specific content. Such data were derived from physical inspections of the annual reports of the selected companies. Page counts were made to discover changes in the reporting volume devoted to general categories of disclosure (i.e. regulated versus voluntary); narrative versus pictorial; and operational versus non-operational). In all cases, these counts were estimated, allowing for page and print size, and line spacing.

Other raw data were more easily observed. These include the use of image management techniques such as design consultants, corporate logos, color presentations, and picture and narrative mergers or fusions. Second order data were derived

from raw data — i.e. with respect to the order of reported information; voluntary disclosures forming the majority of total report volume; pictorial disclosures exceeding narrative disclosures; and product-related disclosures constituting the majority of available report volume.

ANALYSES

A useful starting point for the analytical part of this paper is the recent professional accounting literature. It reveals signs of a relatively new dimension to discussions of corporate annual reporting. This concerns the packaging of the annual report by professional designers to create, manage and report images intended by corporate management. For example, Pettersen [1990, p. 16] presents the idea of using the annual report as a means of communicating corporate objectives in the following terms:

... today, annual reports are widely recognized as highly credible, multipurpose documents with the power to communicate important corporate messages. Every element covers the message, from the figures it presents to the paper on which it is printed.

Pettersen is a representative of an industry which exists with the primary purpose of assisting corporate organizations to communicate their managerial messages to an external world. The corporate annual report is an important element of such communication, and a significant product of the design industry manufacturing it. Several British design and art journals (e.g. *Print*) devote space to issues relating to the form of annual reporting.

The analysis begins with an examination of change in the volume of the annual report. The use of a measure of reporting volume is justified on the basis of its potential to signal changes in managerial intention to disclose. The analysis focuses on whether there was a disproportionate increase in report volume devoted to voluntary disclosure between 1965 and 1988 (i.e. allowing for accounting disclosure changes imposed by regulators). If there was such an increase, this is indicative of corporate managers using the annual report to signal messages other than those required by regulators. More specifically, the data were examined to discover whether any voluntary increase in disclosure between 1965 and 1988 (a) took a narrative or pictorial form (pictures being consistent with Ewen's descriptions of

twentieth century image management); and (b) emphasized product-related matters designed to influence stakeholders (consistent with Ewen's consumerism argument in image management).

The initial analysis focuses on the general shape of reporting form, and thus observes for possible image management in the annual report of the companies surveyed. The second phase of analysis searches for signs of image management techniques of the type suggested by Ewen — i.e. the employment of design consultants as image managers; the creation of explicit images in the form of corporate logos; and the use of contemporary reproduction technologies in image management, including high resolution color and merging or fusing of pictures and narrative messages. The third stage of analysis outlines certain of the consequences of image management as indicated by measurable changes in the form of the annual report — i.e. (a) the order used to disclose voluntary messages and required accounting information (particularly looking for any change in positioning in the report as a signal of relative importance); (b) the balance between required and voluntary disclosures (with specific attention to the relative proportions of total reporting volume devoted to voluntary disclosures); (c) the use made of pictorial and narrative content in the report (especially searching for significant use of pictorial messages); and (d) the emphasis on operational activity (particularly product-related data). Explanations of each of these analyses are provided in each appropriate section.

RESULTS

The most simplistic view of change in the form of the observed annual reports is contained in Table 1.

The initial analytical focus on report form is the absolute volume of the annual report. Use of this variable is justified because, as Ewen [1988, pp. 259-60] argues, the annual report is a significant vehicle for management to construct an image of the industrial corporation. Report volume is a crude proxy for the extent to which the annual report is used for this purpose — i.e. the greater the volume, the higher the probability of its use for purposes other than regulatory compliance. The annual report is therefore viewed in this study in much the same way as Thurley and Burke perceive a royal palace as a deliberately constructed signal of a monarch's power and authority.

TABLE I
Annual Report Structure

	1965	1978	1988
(A) TOTAL PAGE COUNT			
Mean total	26	36	54
Standard deviation	8	8	10
(B) REGULATORY PAGE COUNT			
Mean total	15	23	25
Standard deviation	3	4	4
(C) VOLUNTARY PAGE COUNT			
Mean total	11	14	29
Standard deviation	7	7	8
(D) NARRATIVE PAGE COUNT			
Mean total	8	6	19
Standard deviation	4	3	8
(E) PICTORIAL PAGE COUNT			
Mean total	3	7	10
Standard deviation	4	5	4
(F) OPERATIONAL PAGE COUNT			
Mean total	8	7	16
Standard deviation	5	4	9
(G) PRODUCT PAGE COUNT			
Mean total	1	2	12
Standard deviation	1	3	5

On the basis of total page count described in Table 1(A), the annual reports of the 25 companies appear to have been significant vehicles for management to communicate corporate presence throughout the period of analysis. In 1965, the mean total count for the sample was 26 pages. This datum grew continuously over the period and, by 1988, reached 54 pages — an increase of nearly 108%. This difference is significant at a level of less than 1% using a two-sample *t* test. The change can be expressed in an alternative form. In 1965, 23 of the 25 corporations had reports of less than 40 pages. By 1988, not one of these organizations fell into this category. The smallest and largest changes between 1965 and 1988 were, respectively, 5 and 58 pages.

These figures suggest something substantial was taking place in the annual reporting of the 25 companies between 1965 and 1988. However, the data are relatively uninterpretable until they are decomposed into relevant elements which help explain

where the increase in report volume occurred. Looking first at report content in terms of regulatory and voluntary disclosures, Tables 1(B) and (C) show that, between 1965 and 1988, the regulatory mean page count increased by 67% (presumably as a result of the requirements of the Companies Act 1967), while the voluntary mean count expanded by approximately 164%. Thus, for these industrial corporations, the mean total reporting volume dedicated to voluntary disclosure increased by 18 pages, compared to a 10-page mean increase for regulatory disclosure. Put differently, 84% of the 25-company sample in 1965 had less than 20 voluntary pages. By 1988, this figure dropped to 8%. This suggests there was a significant use of the annual report by management for purposes other than to satisfy regulatory requirements for financial disclosure. Differences in mean between 1965 and 1988 are significant at a level of less than 1% in the case of both required and voluntary disclosure page counts (again using a two-sample *t* test).

The data for voluntary disclosure were decomposed to narrative reporting and pictorial presentation. The purpose of doing this was to identify if there had been a change during the period between reporting volume devoted to traditional narrative explanation of corporate business activity, and that concerned with picture messages — which, according to Ewen [1988, p. 85] had become an important part of corporate image-making.

The data in Tables 1(D) and (E) reveal a relatively steady disclosure of narrative messages between 1965 and 1982. The mean page count was 8 in 1965, and increased to 19 pages by 1988. The overall change in mean count between 1965 and 1988 was 138%, a difference significant at a level of less than 1% using a two-sample *t* test. The position with respect to pictorial presentation was just as persistent — a mean count of 3 pages in 1965 gradually increasing to 10 in 1988. The overall change in mean for the complete period was 233%, indicating a differential rate of growth in pictorial presentation compared with narrative disclosure. The difference is significant at a level of less than 1% using a two-sample *t* test. Indeed, 92% of the 25 corporations had less than 10 pictorial pages in their 1965 reports. The comparable proportion in 1988 was 36%. These results appear consistent with Ewen's view that large corporations use visual techniques to project images of their position in the economic world [see also Harvey, 1989, p. 289].

Sections F and G of Table 1 relate to report volume dedi-

cated to operational and product-related messages. A general review of voluntary disclosures in annual reports suggests they can include a variety of topics (e.g. operating and financial performance, personnel, and external economic issues). Much of the voluntary disclosure surveyed in this study consistently related to operational activity and personnel. For example, in 1965, nearly 73% of the mean voluntary page count described operational details (8 of 11). In 1988, the equivalent figure was 55% (16 of 29). The overall mean increase in operations-related pages between 1965 and 1988 was 100%, with the biggest movement in the mid 1980s. The difference between 1965 and 1988 is significant at a level of less than 1% using a two-sample *t* test.

With respect to the more specific product-related disclosure volume, a change similar to that of operations is evident from the analyzed data. In 1965, the mean product page count was one page. In 1988, the figure was 12 pages. The overall difference between 1965 and 1988 of 1100% is significant at a level of less than 1% using a two-sample *t* test.

The mean product content of total voluntary disclosure for the 25 companies was 9% in 1965. By 1988, the equivalent datum was 41%. These analyses suggest that not only were the surveyed corporations increasing their voluntary disclosures at a rate faster than regulatory-based changes, they were also doing so more by use of pictures than narrative, and were specifically focusing on corporate operations generally, and corporate products particularly. This is consistent with Ewen's [1988] general thesis of consumer engineering using image management techniques.

The above analyses reveal that a communication device which was mainly informing investors and others about corporate financial performance in 1965 was, by 1988, primarily promoting images of the corporate enterprise's operational performance and products. Nearly 64% of the 1965 to 1988 change in mean total page count is accounted for by an increase in voluntary disclosure. Of the latter, 61% relates to each of the narrative and product-based disclosure changes. Put differently, of the change in mean total page count between 1965 and 1988, 39% is attributable to space devoted to product disclosures.

Detailed analysis

The previous analysis indicates a considerable change in the form of annual reporting by the 25 corporations observed

between 1965 and 1988. This section further examines the process of producing the annual report to detect significant changes in reporting method. The data concerned are contained in Table 2.

TABLE 2
Production of the Annual Report

FEATURES		1965	1978	1988
		%	%	%
Design consultants	*	12	24	80
Corporate logos	*	28	68	96
Paper colors	*	4	24	64
High resolution color	*	0	28	100
Fusion of pictures and narrative	*	20	44	96

* Fisher exact probability test: differences between 1965 and 1988 significant at <1%

The explicit use by the 25 corporations of design consultants to manage the production of the annual report is a significant feature of change in reporting emphasis. The proportion of the sample following this practice increased from 12% in 1965 to 80% in 1988. Most of this change occurred in the 1980s. Thus, by the end of the 1980s, most of these corporations were acknowledging in their annual report that it was produced by professional designers.

The influence of such designers in annual report production can be observed in a number of ways. First, there was a significant increase in the use of prominent logos in annual reports to assist in corporate identification and association (28% of corporations in 1965; and 96% by 1988). Second, improved reproduction methodology is evidenced in the significant increase in use of different paper types and colors in the annual report (4% in 1965; and 64% in 1988); and, particularly, high resolution colors for presentation purposes (none in 1965; 100% in 1988). Third, the graphic design technique of fusing or overlaying narrative descriptions with pictorial presentations became a significant feature of reporting (20% in 1965; and 96% in 1988). Each of these differences is significant at a level of less than 1% using the Fisher exact probability test.

Final analysis

The previous analyses point to an increasing emphasis on voluntary disclosures concerning corporate operations and products, and that these developments took place in the context of professional design management using contemporary design methodologies. Table 3 presents an overview of the effects of professionalizing the annual reporting process.

TABLE 3
Annual Report Emphases

FEATURES		1965	1978	1988
		%	%	%
Financial report order	*	36	80	100
Voluntary majority	*	16	12	72
Pictorial majority		12	44	20
Products majority	*	0	8	32

* Fisher exact probability test: differences between 1965 and 1988 significant at <1%

The first part of Table 3 suggests there was a deliberate switch in emphasis in the ordering of annual report material by the 25 companies during the period of analysis. In 1965, 36% of the corporations preceded their regulatory accounting material with voluntary disclosures. By 1988, the equivalent datum was 100%. This is consistent with Sikes' observation concerning the relative importance of the two types of disclosed material in the minds of reporting managers.

The relative volume of the voluntary segment of the annual report also changed significantly over the period. Always a minority part of the total report until the late 1980s, it was a majority segment for 72% of the 25 corporations in 1988. The significant pictorial presence in annual reports described earlier is also evident in Table 3. In 1965, 12% of the corporations had a majority of their annual report volume in pictorial form. Although this datum rose to a peak of 68% by 1986 (a difference significant at a level of less than 1% using the Fisher exact probability test), it fell to 20% by 1988. There is no obvious reason to explain the bell-shaped nature of this change. But the 1988 position does suggest a move back to the traditional narrative emphasis of the late 1960s and early 1970s

The recent emphasis in product-related disclosures is highlighted in the last data line in Table 3. It reveals that none of the 25 corporations in 1965 had a majority of annual report volume dedicated to product disclosure. However, by 1988, nearly one third of the sample (32%) exhibited that characteristic. Again, this emphasizes not merely the change to a *consumer* focus, but also the size of this change for several of the companies surveyed.

SUMMARY AND CONCLUSIONS

The above analyses suggest significant changes were taking place between 1965 and 1988 in the annual reports of 25 very large British corporations. Nothing in the analyses is inconsistent with the general proposition that these entities were increasingly using their annual reports for purposes other than compliance with regulatory provisions of a financial nature. The substantial rate of increase in report volume devoted to voluntary disclosures (particularly of corporate operations and products), and the explicit and increasing use of professional designers and design methodologies to produce annual reports, each support such a general conclusion. As suggested by Sikes and Ewen, the form of annual reporting of these corporations was significantly changed between 1965 and 1988, and in a way consistent with the idea of the annual report as a means of creating and managing images of the reporting corporation's position in the economic community. The reasons for such changes in each corporate case are unknown in this study, and should form the basis for further research. However, the general emphasis captured by the data suggests a desire to participate in *consumer engineering* via the annual report.

Of course, such conclusions are subject to limitations. First, the sample surveyed was small and restricted to very large industrial corporations with the resources necessary to operationalize change in reporting form as described in this paper. Second, the analysis was made primarily on the basis of page counts as a means of measuring the relative disclosures by companies. As such, the justification is in observing the broad picture. Further content analysis is necessary to examine the detail of the disclosures to, first, determine the specifics of how management attempted to create images. From the broad-brush data, it would appear the predominant emphasis was on corporate operations and products. This is not dissimilar to the previ-

ously described impression management of royalty in terms of artistic descriptions of the heroic actions and deeds of kings and queens.

The implications of these changes in corporate reporting emphasis are not difficult to identify. First, financial reporting for stewardship and decision purposes appears to have been overtaken by the voluntary part of the annual report (at least in terms of disclosure volume). Whether the latter has submerged the former in terms of content and quality is arguable and needs researching. However, at least for very large British industrial corporations, it is reasonably clear that financial data constitute a minority of space in the total reporting package. Second, following the previous point, if financial data take a secondary position in the annual report of large and complex corporate organizations, this creates concerns about the quality of accountability and governance. More specifically, if the annual report during the last three decades has gradually become part of the public relations arm of the very large corporation, there is a danger that its financial reporting may not receive the attention it deserves from its readers (particularly, those with little or no accounting competence). If this is found to be the case following further research, attention must be paid to the issue of the annual report apparently existing for financial accountability purposes whilst, in reality, being part of corporate image management.

CONTRIBUTIONS

This is not a typical accounting history paper. It looks at very recent historical change, and provides only general insights into the nature and explanation of such change. Nevertheless, it makes a contribution in three related ways. First, it attempts to monitor change in the area of accounting as it is happening. Too often in historical study, the historian arrives too late to acquire the historical materials needed to provide accurate descriptions and plausible explanations. Second, the study introduces the reader to Ewen's study of the politics of change which could be applied to a variety of communication tasks in accounting. And, third, the results of the study are sufficient to justify further research in a number of areas mentioned in this concluding section.

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APPENDIX: CORPORATIONS OBSERVED

BAT;	Johnson Matthey;
Beecham;	Lucas;
Blue Circle;	Marks and Spencer;
BP;	Reckitt and Colman;
Burton;	Plessey;
Cadbury Schweppes;	RTZ;
Coats Viyella;	Sears;
Courtaulds;	Scottish and Newcastle;
English China;	STC;
GKN;	TI;
Glaxo;	Unigate;
Guinness;	Whitbread
ICI;	