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# “Delivering” performance: The capital market framing of financial numbers from a preparer perspective

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## Abstract

This paper investigates the work involved in making sense of specific financial numbers within a preparer organization and conveying this understanding at the corporate-capital market interface. An observation-based study was undertaken of the investor relations team’s interactions during the silent period up to the release of the quarterly report for a large Northern European bank. This rare empirical material was used to trace the successive framing (Goffman, 1974) of the Core Tier 1 ratio, a regulated measure of capital adequacy that the case organisation “delivered” on in its quarterly report. We argue, in contrast to prior literature, that preparers of corporate financial reporting are limited in their choices of the economic reality they present by the very process of constructing a meaning of financial numbers. The process of framing involved anchoring specific numerical representations to perceived intra-organizational realities, market audience expectations, as well as past representations of financial performance. We observed how specific interpretations of financial numbers, as expressed in words and phrases that became imbued with meaning, were moved between spatio-temporally separated sites through the circulation of cues. These cues provide a scaffolding for the enactment of interpretational frames within specific situations – and across sites. The development and circulation of cues in interactions between investor relations professionals and numerous other parties at the corporate-capital market interface contribute to making financial numbers meaningfully anchored, widely distributed and influential representations of organizational reality.

**Key words**: financial reporting; framing; impression management; investor relations; Goffman; capital market

# 1. Introduction

How to understand corporate financial communication and interpret financial performance is a long-standing practical concern. Indeed, the meaning of financial reports is a professional preoccupation for numerous actors, including corporate managers, capital market analysts, investment managers and standard-setters. Accounting scholars have, unsurprisingly, also directed extensive attention to the production and use of financial reporting information. More recently, financial reporting in the capital market setting has served as a site for sociological investigations of accounting within a "context in which it operates" (Hopwood, 1983). As in adjacent empirical domains, this growing stream of research on "financial accounting as social and organizational practice" (Robson, Young, & Power, 2017) has broken with previously dominant understandings of financial accounting as a tool for objectively representing economic reality (Robson & Young, 2009). Departing from an understanding that "in communicating reality, we construct reality" (Hines, 1988), a developing body of literature has investigated how actors such as professional users (Barker, 2000; Bouwman, Frishkoff, & Frishkoff, 1987; Durocher & Gendron, 2011; Gniewosz, 1990; Hellman, 2000; Imam, Barker, & Clubb, 2008; Imam & Spence, 2016), auditors (e.g. Johed & Catasús, 2018), accounting standard-setters (e.g. Hines, 1991; Hjelström, 2005; Young, 2003, 2006), and financial accountants (e.g. Barker & Schulte, 2017; Huikku, Mouritsen, & Silvola, 2017) participate in making particular economic realities viable, visible, and valuable through the financial reporting information that circulates at the company-capital market interface. A recurrent theme of this research, which is further underscored by the practical efforts to organize and standardize the form, content, and communication of financial reporting information,[1] is that 'the numbers do not speak for themselves'. How, then, do numbers take on a particular meaning?

We direct this general question towards how preparers of financial reports seek to convey an economic reality to the capital market. Scholars have previously observed interactions between corporate managers and capital market actors in more public arenas, such as the annual general meeting (Carrington & Johed, 2007; Catasús & Johed, 2007; Johed & Catasús, 2018) and Q&A sessions with equity analysts (e.g. Abraham & Bamber, 2017; Graaf, 2016). One conclusion from the analysis of these frontstage performances is that managers, as well as financial analysts (e.g. Abraham & Bamber, 2017) and auditors (Johed & Catasús, 2018), contextualize financial numbers as part of their active work to maintain a presentation of self. For example, Carrington and Johed (2007) have described how top managers enrol accounting to construct themselves as 'good stewards' at the annual general meeting. That managers frame corporate performance in a manner consistent with capital market

[1] These efforts include the codification of national and trans-national standards for financial reporting, the adoption of legal requirements for information disclosure in public markets and the establishment and continued sanctioning of an audit profession to monitor and promote compliance, as well as the creation and operation of both governmental and independent regulatory and oversight bodies.

actors' established expectations of what constitutes good performance and appropriate behavior resonates with verbal accounts of what happens in private, closed meetings (e.g. Barker, Hendry, Roberts, & Sanderson, 2012; Holland, 1998; Roberts, Sanderson, Barker, & Hendry, 2006; Solomon, Solomon, Joseph, & Norton, 2013). Based on interviews with corporate finance directors and investor relations managers, Roberts et al. (2006) concluded that the extensive preparation of corporate representatives prior to meetings had "the quality of a rehearsal for a performance" (p. 283). This infers that corporate representatives construct and convey an economic reality whose form and content is staged to align with external expectations. Yet, as Robson and Young (2009) have noted, the "daily practices and mundane decisions" (p. 359) that take place within preparer organizations during the production of financial reports and associated communication targeted to capital market audiences have seldom been *directly* observed and analysed.

In the absence of direct observation, scholars have extrapolated preparers' intentions and behaviours in the production of financial reporting information through content analysis of outputs. The persistent and asymmetrically positive tone which has been identified in the narratives of annual reports, press releases and executive statements, has led to the conclusion that companies (or, their senior management) engage in various forms of impression management (e.g. García Osma & Guillamón-Saorín, 2011; Merkl-Davies, Brennan, & McLeay, 2011; Neu, Warsame, & Pedwell, 1998). Studies have also shown how these positively framed narratives are constructed using various rhetorical tools (e.g. Aerts, 2005; Henry, 2008; Merkl-Davies et al., 2011). As part of the overarching argument that companies engage in impression management, scholars have recurrently problematized the economic reality that is conveyed through numbers and associated narratives (for an overview, see Froud, Johal, Leaver, & Williams, 2006, pp. 122-136). For example, Clatworthy and Jones's (2003) conclusion of self-serving attribution bias in annual reports' explanations of high vs. low financial performance "may prejudice the provision of a balanced, true and fair view of the company's financial performance" (p. 183). Other studies have questioned the scope of the reality which is conveyed in accounts of corporate performance (e.g. Chwastiak & Young, 2003). The underlying assumption, throughout, is that companies have the power to manipulate and mould accounts of corporate performance as they see fit (see also Macintosh, 2009).

Thus, there would seem to be competing accounts of what role preparers play in making financial numbers take on a particular meaning: the one of corporate representatives disciplined by external expectations to give fitting accounts, the other of the company manipulating its environment by crafting stories that make corporate representatives look good. However, in both cases, the characterization of preparers' backstage work is largely inferred based on frontstage performances or publicly communicated outputs. Our approach to investigating preparers' role in making sense of financial numbers as accounts of a particular economic reality differs from previous studies in two ways. The first is our methodological focus on the hitherto unobserved backstage work of a listed company's preparation of financial reports and associated communication targeted to the capital market. The focus on interactions within the preparer organization in conjunction with the preparation of a financial report, was chosen to gain a more granular account of the social processes involved in establishing a certain (sic!) account of economic reality. The second difference concerns the theoretical lens through which we choose to analyze the observed interactions. To make sense of the various efforts to construct a coherent and plausible account of corporate performance, we take our point of departure in Goffman's view of interactions as the site of meaning creation (Goffman, 1974). It is through interaction that shared understandings emerge via processes of *framing*, that establish a situated cognitive interpretational schema (*frame*) between participant actors. Our analysis highlights how traces of previously enacted frames, denoted *cues*, are mobilized in processes of framing financial numbers, and how these numbers are *anchored* to a delimited context. Rather than extrapolating the content of backstage work based on the form and content of frontstage performance and formal outputs, the chosen conceptualization articulates how the situated construction of meaning occurs within – as well as across – sites of interactions.

Our analysis has traced the emergence of meaning in the drafting of a quarterly financial report and related communication guidelines for Q&A and conference calls in conjunction with the release of this report. Recent observational studies, notably of auditor-client interactions (e.g. Guénin-Paracini, Malsch, & Marché Paillé, 2014) have underscored the analytical value of empirical accounts which can 'unpack' the production of financial numbers. Here, we mobilize such methodological resources to investigate a nexus for company-capital market interaction: the investor relations function (IR). IR has become firmly established among larger listed companies in recent decades (Cheuvreux, 2012; Rao & Sivakumar, 1999). It was a salient insertion point for our investigation, since IR is typically where responsibility for the crafting of a 'capital market message' is formally allocated, and where the production of regulated financial reports is practically coordinated (Useem, 1993, pp. 132ff). Our empirical material is drawn from the detailed study of activities undertaken by the IR team of BigBank[2], a large Northern European universal[3] bank. A combination of observation, proprietary internal document analysis and clarifying interviews gives us rare insight into the so-called silent period leading up to the public release and presentation of a quarterly report. This hectic part of the quarterly reporting cycle was characterized by numerous interactions involving financial numbers and accompanying narratives, both within the IR department, and between members of the IR function, senior management team and other parts of the BigBank organization. From this rich empirical material, we focus on the framing of one specific financial measure: the so-called Core Tier 1 ratio.[4]

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[2] BigBank is a pseudonym.

[3] The term 'universal' refers to a bank that offers a full range of financial services to both retail and corporate customers. These services include basic transaction services, cash management services, corporate finance, trade finance services, investment management, life insurance, pension schemes, private banking, investment funds and online trading services.

[4] While the question of what Core tier 1 ratio *is* constitutes part of the topic of study, a basic working definition is appropriate for framing purposes. The Core Tier 1 ratio is calculated

The remainder of the paper is structured as follows. The next section outlines our conceptual framework, after which we outline key elements of the design and undertaking of our study of BigBank's investor relations function. The subsequent empirical account precedes a concluding discussion, which draws out our analytical findings and proposed contributions.

## 2. Conceptualizing backstage interactions in financial reporting preparation

Our analytical interest in this paper engages with established interests in meaning-making and accounting in general (e.g. Boland, 1989, 1993; Boland & Pondy, 1986; Morgan, 1988; Pentland, 1993), and recent resurgent interests in understanding this issue using the work of Erving Goffman (Abraham & Bamber, 2017; Beunza & Garud, 2007; Fauré, Brummans, Giroux, & Taylor, 2010; Jeacle & Carter, 2012; Johed & Catasús, 2018; Lorino, Mourey, & Schmidt, 2017; Preda, 2009; Skærbæk, 2005; Solomon et al., 2013; Vollmer, 2007), in particular. A shared attribute in all these studies is what Pentland (1993, p. 605) describes as a focus on "the collective nature of the setting and the process of the work, rather than the content" of specific accounting numbers. This approach draws on the symbolic interactionist tradition, where the meaning of objects and actions are assumed to arise in the "situation" (Thomas, 1934 [1923], p. 42) as a set of relations formed through the stimulus and responses between the individual and a social group (Mead, 1972 [1934], pp. 71-74). Goffman's development of these ideas broadened the concept of interaction beyond verbal face-to-face forms to include consideration of objects (e.g. 1959, pp. 22-30; 1969, p. 19) and mediated forms (1981),[5] and has been used to foreground how interacting participants interpret representational claims of accounting numbers in meetings (Fauré et al., 2010; Jeacle & Carter, 2012; Lorino et al., 2017), as well as annual reports (Skærbæk, 2005) and on trading platforms (Preda, 2009).

The provision of financial information, both within organizations and at the corporate-capital market interface, is characterized by a multitude of interactions between a diverse range of actors to make sense of organizational performance. These interactions lend themselves to the use of a Goffman lens, as a key matter at stake is the collective cognitive processes at work rather than the subsequent actions that may follow. Several recent contributions have analysed specific actors' presentation of self in public sites of interaction such as the annual general meeting (Johed & Catasús, 2018), Q&A sessions with analysts (Abraham & Bamber, 2018), as well as private capital market meetings (Solomon et al., 2013). Other studies have rather foregrounded the role of accounting information in the construction of meaning in this domain. The latter approach has developed within two broad

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using the sum of a bank's common equity and disclosed reserves (numerator) and its risk-weighted assets in the balance sheet (denominator). Risk-weighted assets is a measure of the default-related risk of a bank's on-balance sheet assets.

[5] He was however, not inclined to grant agency to inanimate objects, but rather considered these as means and medium for human interaction (see e.g. Goffman, 1969, p. 89).

streams. The first has centred on the structural analysis of frames in conjunction with external communication of organizational performance (e.g. Beunza & Garud, 2007; Skærbæk, 2005). This tradition draws on Goffman's notion of *frame* as the basic identifiable element that orders social interaction and govern participants' subjective involvement in events (Goffman, 1974, pp. 10f.). For example, Beunza and Garud's (2007) analysis of equity analysts' reports characterized different "calculative frames", whereby a company (Amazon) was made intelligible in relation to certain analogies, peers, and metrics. A frame operates as a structural interaction device that participants draw on, deliberately or unaware, to organize the meaning-making into a *shared* understanding of what is going on in the situation. Thus, frames act as more than individual schemes of cognition (Cornelissen & Werner, 2014; Dewulf, Gray, Putnam, Lewicki, Aarts, Bouwen, & van Woerkum, 2009), by providing the *context* for arriving at a certain shared understanding (Scheff, 2005). The contextualization that a frame provides may be clearly circumscribed (a common example of this is games, such as chess), while others are less so, "providing only a lore of understanding, an approach, a perspective" (Goffman, 1974, p. 21). Yet, by virtue of being cognitive constructs, any frame – regardless of the degree of specificity – will need to be instantiated by participants in each situation.

This situated process of *framing* serves as a starting point for the second stream of research, primarily in the area of intra-organizational accounting use, that has studied how particular frames are "negotiated and produced in the ongoing interaction" (Dewulf et al., 2009, p. 160; see also Czarniawska, 2006). Preda (2009), for example, has shown how a trading platform, as a technology of interaction, formats the conditional possibilities for calculations made by lay-traders, even as the interactional nature of the calculations prevents structurally determined outcomes of individual calculations. In other words, although the platform provided basic structural elements for ordering the meaning-making activity of the traders, the process of framing these into a relevant frame of action was situational. Similarly, Fauré et al. (2010) has argued that it is the ongoing interactions among organizational participants in e.g. budgetary meetings that make 'the organization' present as a shared cognitive construct ('the frame'); and as such it is continually subject to change depending on the participants situational use of organizational technologies such as accounting numbers. Building on this procedural approach to framing, a recent contribution by Lorino et al. (2017) has foregrounded "the dual nature of accounting numbers" as both generic models and singular events (p. 32). Their study illustrated that accounting numbers, such as a product margin, may be utilized by organizational participants "as a specific numerical value, with meaning rooted in a precise place at a precise moment" (ibid, p. 43), while also denoting a model for understanding and expressing organizational activities in economic syntax. Specifically, Lorino et al. (2017) analyze how frame-shifting occurs between multiple frames within a given situation. The availability of these frames, and their situated enactment, lead the authors to conclude that accounting numbers "act as mediators between a singular situation and socially-constructed, generic classes of meaning" in situated utilizations (ibid, p. 32; cf. Vollmer, 2007).

That accounting can be both structural (generic, circulated) and procedural (enacted, situated) speaks to a long-recognized analytical tension between situational and trans-situational framing processes. For while framing takes place in interactions and the resultant frames are *by definition* situated achievements, particular understandings (frames) seemingly perpetuate across multiple sites of interaction (Cornelissen & Werner, 2014; Stokes & Hewitt, 1976; Vollmer, 2007). In this paper, our purpose is to conceptually elaborate on mechanisms for spatio-temporally distributed instantiations of shared understanding.

There are commonly multiple frames at work in a particular interaction, posing an organisational challenge for interacting participants to reach a shared understanding of the situation. To conceptualise how such organisation of meaning-making occurs, Goffman has introduced the term *cue* to denote when different frames are to be activated (1974, p. 45).[6] For example, Skærbæk (2005) characterizes the accounting language as a cue for when the reader should interpret numbers denoting resources spent on educating students in a university's annual report through a financial frame, rather than a pedagogical frame. Which frame is in operation is significant: one interprets a 'high' number as positive, while 'the same' figure is negative in the other frame. However, we would like to underscore that while cues are interaction devices in ongoing framing ('activating' particular frames), they also remain as structural traces of past framing by virtue of their material character. As has been noted by Fauré et al., "accounting interactions lead to the creation of texts, which come to act across space and time, as the accounting numbers become part of future interactions" (2010, p. 1255). This is analytically consistent with observations made in other streams of accounting scholarship: particular key words or attributional statements in financial reports "provide both the content of valued company characteristics and the appropriate cues for interpreting them" (Aerts, 2005, p. 515; see also e.g. Clatworthy & Jones, 2003; Henry, 2008; Merkl-Davies et al., 2011). It suggests a dual role for accounting: activating certain frames of organizational performance in specific sites of interaction, while also providing structural traces of such framing work that can circulate across sites. We argue that cue is a first part of an elaborated conceptual vocabulary to make sense of observations of spatio-temporal distribution of shared understanding in prior studies of accounting.[7] In the

[6] Two terms – cues and keys – are used by Goffman to discuss changes in frames. While the terms are at times used interchangeably, we understand keys to transpose between different frame tonalities (for example make-believe, contests or practicing for something, as outlined in Goffman, 1974, p. 74). In the accounting field, the use of financial numbers as detached calculative properties has been analysed as a form of frame tonality (see Vollmer, 2007). This differs from cues, which signal when frames (including changes in tonality) are to be activated (Goffman, 1974, p. 45).

[7] There are analytically important distinctions between our chosen concept of 'cue', and another influential concept in the accounting literature: 'circulating reference' (see Latour, 1999). The former was developed within an epistemologically constructivist tradition that privileges human agency and cognition. It has been used to address questions related to individual's and group's situated construction of meaning. The latter concept, which stems from an ontological constructivist tradition that problematizes the status of human agency, has been used to address the role of inscriptions in enabling action at a distance. Thus, while

context of the present study, the term cue sensitizes us to the significance of particular numbers, words and phrases in the ongoing writing and revision of a financial report. These formulations are understood as expressions of situated meaning-making in the organization, and as means to circulate a precise understanding of organizational performance to other actors across time and space.

However, a cue does not automatically instantiate a particular framing. It provides only a partial tool for "exploring how the contours of a frame, or rather a set of framings, are actually constructed and negotiated in context by actors" (Cornelissen & Werner, 2014, p. 219). As participants work to achieve a shared understanding in interactions, it is necessary to establish a common basis as to what is part of the (emergent) frame and what is not. Goffman (1974) introduced the term *anchoring* to conceptualise how participants relate a frame to the environing world in which the framing occurs (p. 248). A basic function of the process of anchoring is to bind and delimit the framed activity or objects from the rest of the world. It allows participants to fit their understandings of where the claims of the ongoing world leave off and where the claims of the frame take over in the situation. These contours or rims of enacted frames are constantly in a state of flux in the ongoing interaction as participants strive for precision in their meaning-making:

> The very points at which the internal activity leaves off and the external activity takes over – the rim of the frame itself – become generalized by the [participants] and taken into [their] framework of interpretation, thus becoming, recursively, an additional part of the frame. In general, then, the assumptions that cut an activity off from the external surround also mark the ways in which this activity is inevitably bound to the surrounding world (Goffman, 1974, p. 249).

Anchoring is thus the process that establishes relationships and linkages in framing processes, even in the cases when the relationship established is that of a demarcated border of what the interaction is not. In this way, anchoring is also the process whereby participants order multiple elements into a coherent framing. The study by Beunza and Garud (2007) of financial analysts' work to interpret the company Amazon.com provides an example. One element of framing Amazon.com, enacted by the analysts to understand the company, was a categorisation: Amazon.com as an 'Internet company'. A second element was an analogy, i.e. Amazon.com is similar to the company Dell. A third element was the accounting metric 'revenues'. By anchoring Amazon.com to each of these elements, the analysts in the Beunza and Garud (2007) study achieved a delimited "calculative frame" that enabled a collectively shared valuation of the company to be performed (ibid, p. 14). Consequently, anchoring allows for structural elements of frames (signified by cues in e.g. analyst reports or other accounting texts) to be theorised in terms of a *processual* analysis of framing. We argue that anchoring provides the second part of a conceptual vocabulary that opens for an understanding of the spatio-temporal achievement of shared meaning, thereby answering a recent call "to study the

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there is a degree of conceptual overlap in the two terms, they address different analytical questions and emphasize different parts of social reality.

ongoing and interpretive processes of framing and meaning construction across actors and across time" (Cornelissen & Werner, 2014, p. 219). In this study, the concept of anchoring directs attention to how the quarterly reporting work linked the case organization's overall financial performance, including dimensions of this performance such as capital position, to specific numbers, operations, and analyst expectations into a coherent and plausible frame. The concept of cues, meanwhile, denotes the structural traces of frames – the choice of words and phrases – that are enrolled within framing processes and circulated across sites of interaction.

# 3. Research method and the context of investor relations in the financial reporting process

## 3.1 Study design

Previous studies of preparers' financial reporting practices have been based on interviews and analysis of public documents. To date, these methodological choices have arguably contributed to what Hatherly, Leung and MacKenzie (2008) have characterized as an *indirect* understanding of the social processes involved in financial reporting. The present study was designed to amend this lack of *direct* accounts of how members of preparer organisations work to make financial numbers take on a certain meaning.

The investor relations function was deemed to be a fruitful entry point for such a study, as IR professionals are involved in work that explicitly attends to enabling the production and circulation of numbers that make claims to financial representations of companies' past performance and future prospects (Holland, 1998; Rao & Sivakumar, 1999; Useem, 1993). Indeed, IR is often charged with the ultimate responsibility for the publication of quarterly and annual reports under the supervision of the Chief Financial Officer (Brown, Call, Clement, & Sharp, in press). In a stylized financial reporting process, the investor relations function is involved in the work which take place *after* accountants have produced financial numbers (Barker & Schulte, 2017; Huikku et al., 2017) and their audit (Johed & Catasús, 2018; Pentland, 1993), yet *before* corporate managers present the final report in public and private meetings with capital market actors (Abraham & Bamber, 2017; Roberts et al., 2006; Solomon et al., 2013).

The case company, BigBank,[8] was identified based on two main criteria. First, the company was large in terms of financial market capitalization. At the time of the study, its market value was in excess of 75 billion Euro, making it one of the twenty largest banks in Europe. Second, the company was listed on an established stock exchange. Together, these two criteria ensured that the company had multiple institutional investors and was followed by a variety of equity and credit analysts and other market information intermediaries. This meant that there was recurrent interaction with capital market actors with an interest in BigBank's financial numbers,

[8] BigBank is a pseudonym used to ensure anonymity of the organization and informants.

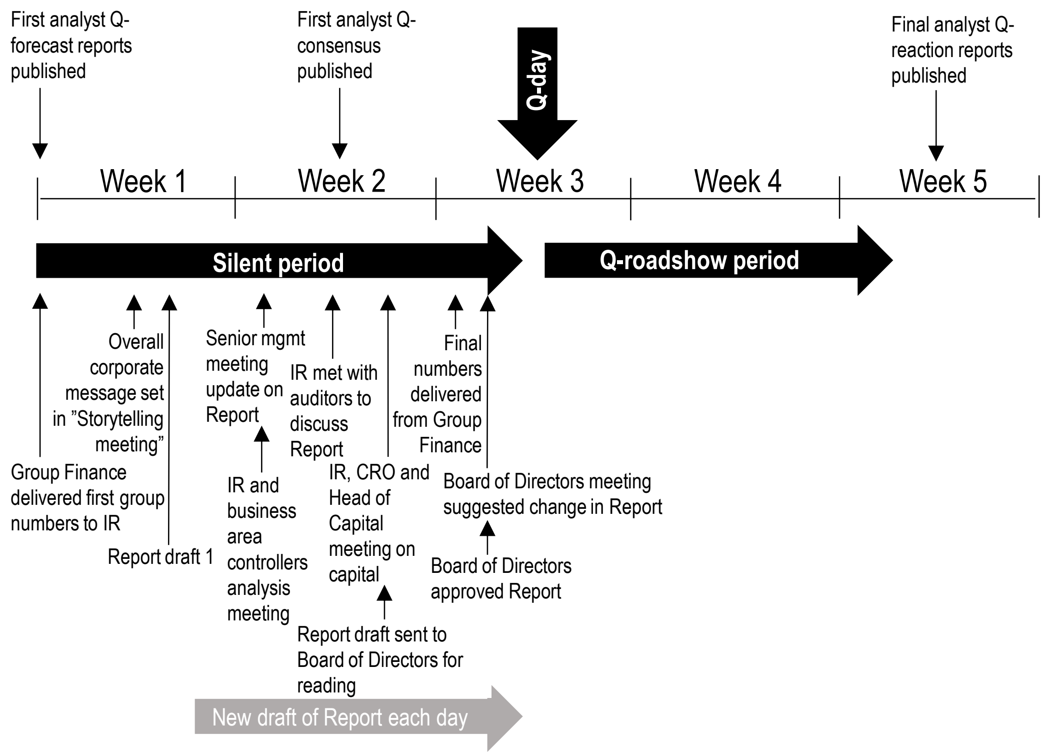
and a dedicated IR team to undertake work across a broad spectrum of financial reporting. From the outset, the intention was to undertake a process-based study of the backstage work of the BigBank IR function. In this investigation, our methodological strategy was to follow mundane work. Given the dearth of detailed studies from within preparer organizations, this approach was initially deemed more productive than the otherwise common strategy to investigate the taken-for-granted through instances of controversy. The approach also proved appropriate, as the participants in the study did not perceive that the studied quarterly reporting cycle involved any surprises that required non-routine handling. A consequence of the chosen methodological strategy and empirical circumstances is that the case description is characterized by accounts of continuity and stability.

## 3.2 The BigBank organization and the work of its investor relations function

BigBank is a large Northern European bank with more than 25,000 employees in several countries. They are a universal bank, which means that their operations include the provision of banking services, cash management services, corporate finance, trade finance services, investment management, life insurance, pension schemes, private banking, investment funds and online trading services. BigBank was at the time of study formally managed by a group of six individuals: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), and three business area managers. Together, these individuals were known as the senior management.

The IR team in BigBank was formally a part of the CFO-office and consisted of five members: the Head of IR, the Senior investor relations officer (IRO), the IRO, the IT IRO, and the Coordinator. The work of the IR team was defined by the quarterly reporting cycle (Blomberg, Kjellberg, & Winroth, 2012, pp. 69-71) of BigBank. The time line for this cycle is outlined in Diagram 1:

Diagram 1: Time line of the BigBank quarterly reporting cycle




The start of the quarterly reporting cycle is known as the silent period. This refers to the weeks leading up to the public release of the quarterly report. In accordance with the company's stock listing agreement, all financial communication is suspended while the members of the IR team write the quarterly report and its associated documents. Various security measures are taken during the silent period to prevent information leaks. Notably, the executive floor, which houses the offices of senior management, the IR team and a select few of top ranking managers at the bank, is sealed off. The restricted area was jokingly referred to as 'the cage' by the IR team, as it was physically separate from the rest of the organization.

During each silent period, the activities of the BigBank IR team is centred around crafting four documents: *The Report* (henceforth also 'the quarterly report') is the formal document issued by BigBank in which the company's performance for the previous quarter is presented by a mix of numerical, graphical and textual means. The presentation and content of the financial statements in the Report are regulated by financial reporting standards. There is also extensive regulation concerning when and how the Report is publicly disclosed. *The Presentation* is used by the CEO and CFO to communicate BigBank's quarterly performance at the investor conference call presentation. *The Q&A* is a document that lists all (expected) potential questions investors and analysts might have regarding the numbers in the Report. These questions are developed by members of the IR team, based on their experience and knowledge about the individuals that make out the investor community. It also lists approved answers and internal reasoning around specific financial numbers in the Report. The Q&A document is strictly for internal use by individuals interacting with capital market actors. *The Fact Book* is a public document which can best be likened to an encyclopaedia of financial and operational facts up until the current quarter. It includes a five-year history for a number of metrics, which is provided in Excel format as a service to analysts who can copy-paste numbers from the spreadsheet into commonly used valuation models.

The silent period is followed by the quarterly roadshow period. This starts on the day that the quarterly report is released and continues for a few weeks. During the quarterly roadshow period senior management travels with the IR team to meet and present the quarterly result to investors and analysts around the world. The Presentation and the Q&A, described above, are key documents used throughout this period at various investor meetings, including so called roadshows, where investor meetings take place off-site and are organized and hosted by an investment bank. Once the quarterly roadshow period is ended, there is an intermediate period of 'business as usual' until the next silent period begins.

## 3.3 Data collection

BigBank was formally approached with a request to participate in the study in December 2012 through a letter addressed to the Head of IR by name. This letter was then followed up by a phone call a few weeks later in which a variety of practical and substantive questions about the study and its undertaking were posed by the Head of IR and answered. Finally, a personal meeting with the Head of IR was arranged where the study was presented to the company. The company formally agreed to participate in the study in February 2013. Data collection commenced in March 2013 and closed in June 2014. The data presented in this paper covers a two-month period centred around one quarterly report release date in 2013.

In line with the primary analytical interest in social interactions, direct observation was the main empirical method (Goffman, 1959, 1974, 1989; Samra-Fredericks & Bargiela-Chiappini, 2008). Shadowing individual members of the IR team of BigBank allowed for observations of how specific financial numbers were discussed and interpreted in a range of settings (Czarniawska, 2007). In this paper, we draw on material from a total of 93 hours of observations, primarily during one of BigBank's quarterly report cycles. As summarized in Table 1, observations were made across a range of sites within the organization and external events. The 71 hours of observation of internal work within BigBank included observations of the writing of the quarterly report at corporate headquarters and meetings between managers and the IR team. The remaining 22 hours of observations were made at investor presentations of the quarterly result with corresponding questions and answers sessions by senior management, and other external events such as the BigBank capital markets day, annual general meeting, and roadshow meetings with investors that situated the quarterly financial reporting work within a broader context of capital market interaction. Notes of observations were taken continuously in real time and any gaps in note taking were complemented from memory at the earliest convenience.

Table 1*:* Collected data on BigBank quarterly reporting cycle

| | |
|---|---|
| **Total time observed** | **93 hrs** |
| Of which internal work | 71 hrs |
| Of which external work | 22 hrs |
| **Number of interviews** | **11** |
| Average duration of interviews | 63 min |
| **Total number of documents collected** | **333** |
| Of which internal | 26 |
| Of which external (excl. analyst reports) | 57 |
| Of which analyst reports | 250 |

As a complement to the direct observations, recurring formal interviews were also held with the five-person BigBank IR team. In total, eleven one-hour interviews were held with these five individuals between April 2013 and June 2014. The formal interviews provided a structured means for probing the cognitive universe of these individuals. The interviews were semi-structured. Interviewees were asked to reflect on broader themes in the IR work and recount specific details of the quarterly reporting cycle that is the focus of the present paper. All interviews were digitally recorded and transcribed. In addition to the formal interviews, the first author posed numerous informal questions to the BigBank IR professionals in connection with observations. While these exchanges were not recorded, both the questions and responses were noted down in the observation notes.

A final source of empirical material was internal and public documents. A total of 333 documents were collected. Most of these documents (250 in total), were published financial analyst reports on BigBank which were accessed via the Thompson Investext research database. The analyst reports were used to trace the capital market community's understanding of BigBank's performance throughout the 16 months of the study. A further 57 documents collected were publicly available documents such as quarterly and annual reports, investor presentation material, the fact book of financial numbers and other outputs of the BigBank financial reporting. Finally, 26 internal documents were also collected. These documents notably included a succession of drafts of the final, publicly released, quarterly report, material prepared for investor meetings, as well as material about the proposed financial communication for approval by the Board of Directors. These internal documents were used as a part of the method of direct observation, inspired by ideas in ethnomethodology, in which documents externalises and leaves a lasting trace of particular conditions, interpretations and local historical contexts of their production and use (Garfinkel, 1967; Smith, 1984). Thus, the internal documents serve as more than background for the study; they form a core part of the analysis, together with direct observations of interaction and interviews.

## 3.4 Data analysis and presentation

The data analysis was conducted by ordering the material in four iterations. The first ordering of the material was temporal – *when*? – such that the three sources of empirical material (observations, interviews and documents) could be matched up in a chronology of unfolding events. The second ordering of material was situational – *where*? – so that empirical material related to different sites of interactions were linked. This structuring of the data is evident in the following case description, which presents interactions during the silent period that involved at least one member of the IR team and where the meaning of financial numbers was discussed.

The third ordering of material was numerical – *what*? – where the data material was grouped in relation to a few specific metrics based on empirical occurrence, and more importantly, recurrence. Such an ordering enabled a subsequent granular analysis of the (re-)framing work of these numbers across situations of interaction. In the following account we highlight the framing work of the *Core Tier 1 ratio*. Briefly, the Core Tier 1 ratio is a number that is ascribed central importance in the European regulation of financial institutions. Notably, it is one of the cornerstones on minimum capital requirements for banks.[9] This metric is calculated as the ratio between the sum of a bank's common equity and disclosed reserves (numerator) and its risk-weighted assets in the balance sheet (denominator).[10] The metric was chosen as an anchor for our narrative due to its empirical richness.

Our fourth and final ordering of the material was analytical – *how*? – and guided by the chosen conceptual framework. Building on the theoretical positioning, we also chose to structure the empirical account as strips of activity. The term strip refers "to any arbitrary slice or cut from the stream of ongoing activity" (Goffman, 1974, p. 10). A strip is not a naturally occurring division of the flow of activity; rather, it denotes "any raw batch of occurrences (of whatever status in reality) that one wants to draw attention to as a starting point for analysis" (ibid., p. 10). The case description thus presents a series of strips, based on a combination of material from of observations, interview responses and extracts from documents. It is to this account that we now turn.

## 4. Production of meaning: The iterative framing of BigBank's quarterly performance

We enter BigBank's IR group on the closing date of the quarter, which marks the beginning of the silent period. The quarterly report will be released in less than three weeks, and the first visible steps to craft this Report and its attendant documents now begins. However, writing the new Report does not start with a blank page – but rather with the preceding interim report:

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[9] These capital requirements are set out in the Basel II and the new Basel III frameworks by the Basel Committee on Banking Supervision (BCBS 2006, pp. 12ff, BCBS 2010, pp. 12ff). The Basel II was adopted into European legislation by Capital Requirements Directives (2006/48 and 2006/49) and replaced by Basel III in the legislative package of Directive (2013/36) and Regulation (No 575/2013). Available 2018-10-10 at http://ec.europa.eu/finance/bank/regcapital/legislation-in-force/index_en.htm.

[10] BCBS, 2006, pp. 12ff.

## 4.1 "Insert number here": Starting from a skeleton structure of cues

The BigBank IR team's first working document that outlined a skeleton frame for the presentation of financial results in the Report and the Presentation did not include any actual figures from the Group Finance function. Rather, the preceding quarter's report was stripped of its numerical content and "X" or similar placeholders inserted for the as-yet-unknown arithmetic quantities (Diagram 2).[11] Thus, already in the first days of the silent period, there was an initial framing of specific performance metrics. Both the selection of these metrics and the surrounding text were effectively reproductions of the preceding quarter. The Core Tier 1 ratio, for example, was positioned in relation to cues such as "strong capital generation", "reduc[tion of] the risk-weighted assets" and "a positive outcome" for pending approvals[12].

Diagram 2: Early framing of Core Tier 1 ratio (reproduced from internal Report draft 2, p. 2, paragraph 8; redactions added)

> **Capital position (TBU by GCRM and IR)**
> BigBank's strong capital generation has led to an improved core tier 1 ratio by 2.X%, partly supported by volumes. Our focus to reduce the risks in the banks and to get more transparent and better models to price risk correctly reduced the risk-weighted assets by EUR X.Xbn.
>
> We expect a reduction of risk-weighted assets by EUR xx-yybn between now and 2015 from roll-outs, model reviews, sources and processes. The approval for [redacted] is still pending and we still expect a positive outcome.

The practice of using the previous quarter's report as scaffolding for the new quarter was explicitly acknowledged by IR team members as helpful for ensuring consistency in how financial numbers were framed over time. Maintaining such consistency was considered important for appropriately managing and stabilizing capital market actors' "expectations picture" over time, as the Head of IR explained:

> In such a large and low risk bank as [BigBank] there are never any dramatic changes in expectations from one quarter to another, rather it is x-percent up or down, which is an advantage because then each quarter we can calibrate this, the expectations picture [….]. Because what we do not want is that one moment the analysts think that we will make a hundred, the next that we will make eighty, or a hundred and ten. A hundred and ten is better than eighty but neither is good because it creates uncertainty of what [BigBank] will make,

---

[11] Our methodological focus on interactions involving the BigBank IR team scopes out the production of arithmetic elements by the Group Finance function (cf. Huikku et al., 2017). However, as we shall see in subsequent sections, these two processes eventually merged in the final stages of the silent period.

[12] The pending approvals referred to the implementation of the (then) new Basel III regulation, which required regulatory sign-off on the bank's internal models for calculating risk-weighted assets.

> what the earnings capacity really is. So again, what we want is to be the large safe stable alternative and therefore we work in this transparency. (Head of IR)

Using words and phrases which had been carefully crafted to enact a precise framing of the financial number during past interactions in past quarterly reporting cycles was a way to make BigBank recognizable as "the large safe stable alternative". Recycling these words and phrases put in place *cues* for re-activating previously enacted frames in new situations.

Another input in the early efforts at framing BigBank's quarterly performance was a few aggregated group financial numbers provided by the Group Finance function.[13] The Head of IR and the Senior IRO sat down on the second day of the silent period to sketch out an overarching message that incorporated these actual figures. As the Senior IRO emphasized, the actuals were also *cues* for the construction of meaning about BigBank's performance: "That is after all the final product, although one might have some question marks about what it is that has driven it". In this early meeting between the two senior IR members, the Senior IRO noted that part of deciding how to draft the message was to cross-reference the arithmetic values of the aggregated financial numbers with internal ideas about performance and external predictions: "We check if [the actuals] appear to be true in relation to what [the IR team] thinks and what the expectations the market has, what estimates they have on the Q3 result". This early *anchoring* of the actual figures in relation to both internal and external frames would be followed by additional efforts to both contextualize and situate BigBank's performance. With a first, IR-internally message in place, the participants in interactions around the quarterly financial numbers rapidly swelled to include senior members of the BigBank organization. In these subsequent interactions during the observed reporting cycle, we can follow how alignments and adjustments were made to the (structural) traces of previous framing processes.

## 4.2 Framing an overarching message in relation to circulating cues: The storytelling meeting decides to "deliver" on performance

The so-called storytelling meeting, held on day 3 of the silent period, was attended by the entire BigBank senior management team, as well as the Head of IR, and the Heads of the Group Finance function and the Group Strategy and Business Control function. The purpose of the meeting was to agree on an overarching message for the quarter's financial result, in relation to which specific performance metrics in the report could be positioned.

The meeting began with a presentation of the aggregate result numbers by the Head of Group Finance, followed by the presentation of an early sketch of the storyline for these numbers by the Head of IR. The Senior IRO noted that any storyline for the Report at this stage of the silent period was a moving target, as many actual values were either unknown or could change. Despite the lack of certainty, notably

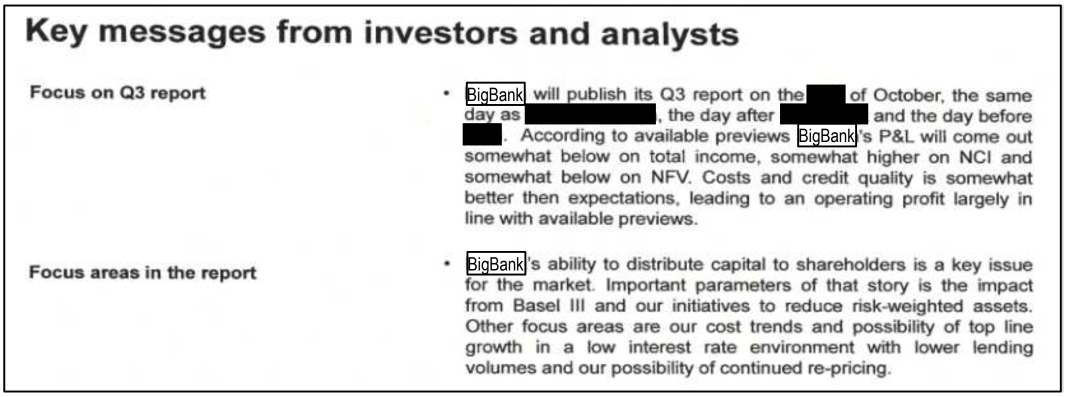
[13] The first financial information was sent to the Head of IR and the Senior IRO by the Group Finance function towards the end of day 1 of the silent period.

about capital development, he explained that the storytelling meeting nevertheless served as important guidance for the IR team's work:

> So we had a bit about the view on the income, on the result, on the capital development and so on. Actually, the capital number is not entirely certain yet, but on the things we know. [Head of IR] brought the proposal to the meeting. At the meeting there was not so much discussion, rather they took it and thought it was OK – as long as it did not change, based on this first initial information. But it can be a lot of discussion, it depends on how uncertain it is – or how surprising it is. So they discussed [the proposal] at the meeting yesterday, and based on that [the IR team members] continue our work. (Senior IRO)

The proposal put to the storytelling meeting by the Head of IR incorporated words and phrases used in recent financial analyst reports' on BigBank (Diagram 3). A highlighted issue was that many of these reports framed BigBank's "ability to distribute capital" as an important dimension of financial performance, due to the (then) on-going implementation of the Basel III framework. This regulation mandated changes in how the Core Tier 1 ratio was calculated. Analysts' "calculative frames" (Beunza & Garud, 2007) directly linked this metric to the amount of equity available for distribution to BigBank shareholders in the form of dividends. The IR team's proposal was therefore that a focus area in the Report should incorporate this *cue*, as it would aid in framing forthcoming interactions with capital market actors. (As elaborated on below, however, this was not agreed on with the storytelling meeting participants.)

Diagram 3: Proposal to consider capital market concern with dividends and regulatory impact on metrics used to calculate Core Tier 1 ratio (reproduced from internal briefing by Head of IR at storytelling meeting, p. 2; redactions added)


**Key messages from investors and analysts**

| | |
|---|---|
| **Focus on Q3 report** | • BigBank will publish its Q3 report on the [redacted] of October, the same day as [redacted], the day after [redacted] and the day before [redacted]. According to available previews BigBank's P&L will come out somewhat below on total income, somewhat higher on NCI and somewhat below on NFV. Costs and credit quality is somewhat better then expectations, leading to an operating profit largely in line with available previews. |
| **Focus areas in the report** | • BigBank's ability to distribute capital to shareholders is a key issue for the market. Important parameters of that story is the impact from Basel III and our initiatives to reduce risk-weighted assets. Other focus areas are our cost trends and possibility of top line growth in a low interest rate environment with lower lending volumes and our possibility of continued re-pricing. |

The Head of IR also showed a slide comparing so called 'actuals' with 'preliminary consensus' for a number of financial metrics. While those discussed in the storytelling meeting referred to items on the income statement, this type of arithmetic comparison was a recurrent part of the framing of numbers during the silent period. Notably, various interviewees indicated that comparisons were consequential for how the sentences surrounding specific numbers in the Report were phrased; the cues used by BigBank should be aligned with those articulated in prevailing capital market frames.

The early interactions concerning the framing of BigBank's quarterly performance thus crafted links to both phrases *and* arithmetic values which were already in circulation among the intended audience of investors and analysts. In addition to analyst reports, one source of such circulating numbers (Vollmer, Mennicken, & Preda, 2009) was the so-called Financial Plan 2015, which set out arithmetic targets for various metrics in the coming three years. The report had been communicated as BigBank's targets to capital market actors and provided an *anchoring* for the new quarter figures. According to members of the IR team, the production of any key numeric representation of BigBank's financial performance during the quarter had to link to the levels and targets of the number in the Financial Plan 2015.

> [T]he 'Financial Plan 2015' was presented on the capital markets day in March 2013, so it's around for three years now …. [I]n principle this is what applies now for three years and what one should follow up on. That is our simple view on things – and it is the investors' view on things too – if management and the company committed themselves to the plan, then that is what one should follow up on. (Senior IRO)

In the case of the Core Tier 1 ratio, the communicated target was for it to be maintained above 13%. This and other specific arithmetic targets and analyst forecasts, together with established narratives in the investment community and in previous quarterly reporting, provided a skeleton structure of cues and a delimitation of context for corporate representatives in their work to establish an overall framing of BigBank's Q3 financial performance.

When the storytelling meeting ended, an initial frame had been articulated. The proposed interpretational schema for BigBank's Q3 performance was cued by the title of the second draft of the Report: Delivery on costs, capital and credit quality. The notion of 'delivery' in relation to three financial dimensions linked to the results of the comparison of specific values for the Core Tier 1 ratio and a smaller number of additional metrics. *Delivery on capital* alluded to the Core Tier 1 ratio level, which would be "somewhere above 14%" for the quarter (although the exact level was unknown at the time of the meeting). This outcome was above the target level of 13%, and also exceeded the Q2 value (14.0%) and the previous year's Q3 value (12.2%). *Delivery on credit quality*, meanwhile, was represented by Net Loan Losses.[14] The initial choice to deliver on *cost* rather than *income* was prompted by the report that Total Operating Income would be lower than the preliminary consensus for Q3, below the reported Q2 level, and only marginally higher than the previous year's Q3. This meant that this financial performance metric was not in line with the stated target of "income initiatives" which would lead to increases.[15]

---

[14] The first internal Q3 figures for Net Loan Losses put them at 171 MEUR, which was lower than the preliminary consensus version of 182 MEUR, as well as lower than Q2 (186 MEUR) and the previous year's Q3 (236 MEUR). This development put it in line with the target-frame of "improving".

[15] Later during the silent period, this decision was revisited, and the final report headline *did* state that BigBank was 'delivering' on income, but an income figure net of currency effects that showed the targeted trajectory.

The ‘delivery’ concept, which had emerged in interactions between the IR team and senior management, provided a strong cue for how to shape subsequent interactions around specific numbers within the already drafted and cue-laden structure of the quarterly reporting documents. However, in the next (temporal) phase of the silent period, the efforts to produce an account of BigBank’s financial performance took on a different character. Rather than focusing on circulating cues and aggregate figures, as in the lead up to the storytelling meeting, we traced the IR team’s extensive *anchoring* of figures through interactions with individuals within various functions, business areas and geographical regions of the organization. As elaborated on in the next section, we understand this *anchoring* as attempts to flesh out the overall frame by linking aggregate numbers to operational settings and more disaggregated numbers. In this process, the aggregated financial numbers served as something of a circular referent for framing the performance of BigBank: the arithmetic levels of the actual numbers would set the baseline for the tone in the Report (cf. Allee & Deangelis, 2015; Henry, 2008), but explaining these outcomes and linking them to a certain economic reality in terms of BigBank’s performance and future prospects were as-yet-incomplete parts of the framing process.

## 4.3 Anchoring ‘Delivery on capital’: The characterization of Core Tier 1 ratio development in the Report

Following the storytelling meeting, the work of the IR team shifted to interactions with various parts of BigBank’s operations to gauge if the arithmetic and interpretative parts of the emergent framing of quarterly performance held up:

> [R]ight now we are in an early phase and we have just understood the group result, but we are not certain on all the driving forces. We do not know, for example, the volume development in all segments, we have not got that compiled. So you start in this way and hope that you have the right analysis or that you have the right background material so you can do the analysis anyway. Then we start to confirm it, the first step now is that we get the business areas’ material and get in the last numbers. We will probably get a balance sheet [for the group] tomorrow too, for example. (Senior IRO)

To delve into the drivers and component parts of specific numbers, the IR team engaged with individuals from various units within the bank. A recurrent request was for disaggregated numbers and additional accounts of how to understand a specific number. These were discussed within the IR team, before any supplied material was entered into the Report and the Presentation. The exchanges between IR team members and the BigBank operations typically took place on an ad hoc basis, either as two-way conversations or meetings in smaller groups, and prompted multiple iterations of the four quarterly report documents.

The anchoring of the Core Tier 1 ratio revolved around seemingly minute changes in which cues were used to enact a specific positioning of this number within the broader framing of BigBank’s ‘delivery’ of quarterly performance. The following dialogue between the BigBank Chief Risk Officer (CRO), the Head of Capital and the Senior IRO in a meeting on capital ratios concerned the credit quality of the loan portfolio underlying the risk-weighted assets in the Core Tier 1 ratio. The issue at stake was how 'stable' this performance was, and this assessment required extensive contextualization:

> **CRO:** Are we on plan with what we said on the [Capital Markets Day]?
>
> **Head of Capital:** No, we are not because [lengthy explanation involving various internal numbers and attendant explanations for these arithmetic levels and their interrelationship].
>
> **CRO:** OK, then I suggest that we specify in the report that – instead of what we write now; 'migration is largely stable for both corporate and households'; – we write 'migration is overall stable but negative on the one and positive on the other'.
>
> **Senior IRO:** Yes, but in Q2 we said 'stable effects from migration' in both, it could be good to stick to that message?
>
> **CRO**: OK, let us keep it as it is.

Traces of the anchoring of the Core Tier 1 ratio can be found in the succession of drafts of the Report, where small changes were made to the cues used to frame this metric. The intensive work of the IR team, and the numerous interactions with members of the BigBank organization, centred on finding the 'right' cue structure to make the number intelligible and representative of a certain organisational reality. Minute changes in wording were perceived to have formative framing effects, since these structural traces of the framing process provided cues for future re-enactment of specific frames among the capital market actors.

A first version of the cue structure of the Core Tier 1 ratio in the Report was completed immediately following the storytelling meeting with senior management (Diagram 4). As previously mentioned, this meeting agreed on the overarching message for BigBank's quarterly performance, which included the cue 'Delivery on capital'. While an abstract placeholder remained for the arithmetic value (and change) of the Core Tier 1 ratio, the metric had improved because of certain developments ('strong capital generation', 'low volume growth') and BigBank was 'delivering' on its initiatives (targeted as 'cost efficiency').

Diagram 4: Initial wording in the paragraph on Core Tier 1 ratio in the preamble of the Report (reproduction of internal Report draft 2, p. 1, paragraph 2)

| |
|---|
| Core tier 1 ratio has improved by 2.X% to 14.X% mainly due to strong capital generation and low volume growth. Cost efficiency continues to be high on the agenda and we see our initiatives delivering more than expected going forward. |

Already a few days later, following interactions such as that between the CRO and Head of Capital recounted above, the cue structure in the third draft of the Report was slightly altered (Diagram 5). While Core Tier 1 ratio had improved, this was now linked to 'strict volume prioritisation' rather than 'low volume growth'. The timing of when initiatives were delivering was also amended, with reference to the future ('going forward') removed.

Diagram 5: Revised wording in the paragraph on Core Tier 1 ratio in the preamble of the Report (reproduction of internal Report draft 3, p. 1, paragraph 2)

> Core tier 1 ratio has improved by 2.X% to 14.X% mainly due to strong capital generation and strict volume prioritisation. Cost efficiency continues to be high on the agenda and we see our initiatives delivering more than expected.

Interviewees described how these changes in wording – in particular that of 'low volume growth' to 'strict volume prioritisation' – came after interactions with other units in the bank led the IR team to conclude that the improvement of Core Tier 1 ratio was not simply an *effect* (in the form of low volume growth) but could be traced to *efforts* within the bank (at volume prioritisation). This illustrates how the process of anchoring the aggregate financial numbers in relation to an organizational context shaped the emergent frame. And while the change in the cue structure of this specific number might seem trivial to an outside observer, in the context of the BigBank quarterly reporting cycle it was deemed material enough to warrant a briefing of senior management by the Head of IR. At this briefing, which took place in a meeting held the week following the storytelling meeting, he showed the following slide (Diagram 6):

Diagram 6: Proposed change in the wording of the paragraph on Core Tier 1 ratio in the preamble of the Report (reproduction of internal briefing by Head of IR at senior management meeting, p. 4, paragraph 2)

> Page 1, second paragraph, changed to:
> "...and strict volume prioritisation. Cost efficiency continues to be high on the agenda and we see our initiatives delivering more than expected."
> *["going forward" deleted]*

The senior management approved the changes to the cue structure. In a subsequent draft that was sent to the BigBank Board of Directors towards the end of the silent period, this phrasing was paired with the arithmetic level of the metric which was (finally) fixed. The Core Tier 1 ratio for Q3 could be entered as 14.4% in place of the long-standing 14.X%, and an increase of 2.2% replaced 2.X%.

Yet the framing of Core Tier 1 ratio did not stop with the stabilization of its numeric value. At a late stage in the silent period, the Board decided to once again change the formulation in the Report: from 'strict volume prioritisation' to 'strict volume discipline'. It was this cue that was used to frame the Core Tier 1 ratio in the published Report (Diagram 7):

Diagram 7: Final wording in the paragraph on Core Tier 1 Ratio in the preamble of the published Report (reproduction of published Report, p. 1, paragraph 2)

> Core tier 1 ratio has improved by 2.2 %-points to 14.4% mainly due to strong capital generation and strict volume discipline. Cost efficiency continues to be high on the agenda and we see our initiatives delivering better than expected.

Rather than a clear sequence from number to narrative or narrative to number, the example of the Core Tier 1 ratio exemplifies the successive, iterative and interlinked emergence of specific numeric values and their characterization and explanation. The example of the Core Tier 1 ratio also illustrates the role of anchoring in substantiating the overall frame by linking specific numbers to operational settings and more disaggregated numbers.

## 4.4 Delimiting the frame: The Core Tier 1 ratio in the Q&A document

In addition to elaborating a cue structure in the Report, the IR team also worked on cues in quarterly reporting documents intended for use in specific sites of subsequent capital market interaction. The Q&A document, which was intended for internal use by senior managers and IR team members in conjunction with interactions with capital market actors, was the target of many revisions. The cues developed for the Q&A document included what interviewees described as more ambiguous characteristics of financial numbers, which we analytically understand as elements where further (internal) framing work was required to enact a certain frame in (external) interactions. Such characteristics were precisely what capital market actors were expected to ask questions about, since it mattered for the interpretation of key metrics. For this reason, it was widely understood to be important for BigBank representatives to have a precisely worded script that aligned with the overarching framing of performance and kept ambiguous elements outside the frame.

For example, although the IR team had anticipated that capital market actors would interpret the quarter's Core Tier 1 ratio in terms of BigBank's near term dividend capacity (see Diagram 3, earlier), the participants in the storytelling meeting decided to omit any such cues in the Report.[16] Rather than explicitly positioning the Core Tier 1 ratio in relation to dividend policy, this aspect of the Core Tier 1 ratio framing was instead to be handled through interactions at the conference call presentation and in subsequent investor meetings. The IR team anticipated that investors could approach the aspect from two different perspectives, and two versions of a response were therefore set out in the Q&A document to align the corporate response to how the investor participant framed their question. The first version was cued in relation to the Financial Plan and the financial targets BigBank had espoused at their capital markets day in the spring of 2013 (Diagram 8).

[16] There were two explanations that interviewees provided for this decision. The first was that it (still) remained unclear as to what precise level the Core Tier 1 ratio would be recalculated into when the new Basel III regulation, and the expected regulatory approval for the internal models for the calculation of risk-weighted assets, was in place. This in turn meant that there was no agreed view *within BigBank* on the arithmetic level of equity capital required to keep the Core Tier 1 ratio at the target level (as expressed in the Financial Plan 2015), and thus the amount of equity capital available for dividends. A second explanation was that even though BigBank representatives had a fairly precise view of the new arithmetic level of the Core Tier 1 ratio under Basel III, they were still involved in internal discussions as to what it would mean if the Core Tier 1 ratio reached its target level. The discussion among the senior management was whether to pursue operational opportunities by investing or to pay out all accumulated excess capital.

Diagram 8: Dividend policy message in response to questions on the Financial Plan and targets (reproduced from Q&A final, p. 25, subsection Capital Policy)

> Dividend policy remains unchanged with a pay-out ratio of at least 40%. Excess capital is expected to be distributed to shareholders.

The second version incorporated cues related to regulatory concerns (Diagram 9).

Diagram 9: Dividend policy message in response to questions on regulations (Reproduced from Q&A final, p. 26, subsection Capital, paragraph 1; redactions added)

> BigBank is a well-capitalised bank and one of very few [redacted] rated banks. BigBank will be compliant with the CRDIV with a maintained dividend policy.

In this manner, a cue structure was articulated that could frame the Core Tier 1 ratio in interactions with capital market actors, following the release of the Report. However, it is notable that the answers set out in the Q&A are geared towards distancing the aspect of dividend policy from the Core Tier 1 ratio and delimiting out any mention of a specific dividend pay-out amount.

## 4.5 Showtime! Attempting to enact the frame in interactions with capital market actors

The Report was released at precisely 07.00 am (BigBank headquarter local time) on Q-day, when the IT investor relations officer punched the button on his keyboard to publish the document on BigBank's corporate webpage. According to interviewees, releasing the Report well in advance of the opening of the stock market was supposed to gives investors and analysts time to read and interpret BigBank's financial performance *as it had been framed*, before any trading took place. Q-day then progressed with a rapid succession of meetings and presentations, including a 10.00 am press conference for the general media, followed by an exclusive lunch with the senior management and selected investors at corporate HQ. A key ingredient in this lunch meeting was the Presentation talk, which the CEO then also delivered on the international telephone conference in the afternoon. The participants on this call was a wider group of investors and analysts, joined on this occasion by an accounting researcher:

The CEO began by evoking the overarching framing agreed on already in the storytelling meeting, two weeks prior: that BigBank was "delivering on the plan". This abstract interpretation of BigBank's performance was emphasized, while the report numbers which "you have all seen" were downplayed:

> Thank you very much, and welcome to this call. We'll do it briefly because by now you have all seen the numbers, so I will talk a little about our plan going forward. **But the key message today is the reality that we are delivering according to our plan.** (CEO at international telephone conference, authors' emphasis added)

In the above strip the CEO used the qualifier "the key message today" to introduce and establish the hitherto internal concept of 'delivery' in this interaction with capital market actors. While the term 'delivery' has a meaning in everyday use, in this setting it functioned as a *cue* for company-capital market interaction. In addition to the aforementioned emphasis, repetition (Henry, 2008) was also used to reinforce the cue, as can be seen in the continuation of the strip:

> Income is up, costs are down, RWAs[17] are down, and we build the Core Tier 1 to 14.4%. **So, all in all, we are delivering according to the plan.**
>
> **So, I will not take you through the numbers, but rather go to the slides where we present how we delivered on the plan** and give a bit more flavour to this, and this starts on page 20, where we just reiterate our targets. (CEO at international telephone conference, authors' emphasis added)

While the ostensible purpose of the conference call was to present the quarterly numbers, the previous strips illustrate how the CEO's interaction was geared towards conveying a particular understanding of the numbers: they were "delivering on the plan". The Core Tier 1 ratio value of 14.4% was the only specific numeric value that the CEO mentioned. Later during the telephone conference, the framing of this financial number was further elaborated on through references to corporate targets, specific regional conditions and regulatory requirements. The quarter's Core Tier 1 ratio – whose arithmetic value and interpretation had been agreed on after so many interactions and iterations internally – was now placed in relation to other representations of BigBank:

> First of all, **we reiterate our capital target of above 13%.** […].
>
> We have built 14.4% capital, as you see, 220 basis points in a year. **When we then adjust this for the [Country West] risk-weighted and the CRDIV[18] effects, when they come, then we have a fully loaded Basel III today at 13.4%.**
>
> We still have our initiatives on plan and **we are also here delivering according to our plan** and all the things we are doing, our many efficiency initiatives, our very standard risk initiatives, and so we still have a pro forma guidance now around 15% to 16%, including these initiatives, excluding profit and everything. (CEO at international telephone conference, authors' emphasis added)

Following the CEO talk, both the Core Tier 1 ratio's numerical value and its implication for dividends and other matters took front stage in the Q&A session of the conference call. Giving participants the opportunity to pose questions to corporate representatives was routine practice, and the detailed contents of the Report and associated documents were often probed by capital market actors (Abraham & Bamber, 2017; Matsumoto, Pronk, & Roelofsen, 2011). One example of this is the following exchange where the CFO was asked to elaborate on which numerical value of the Core Tier 1 ratio that should be used to evaluate whether BigBank was on target in its performance (authors' emphasis added):

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[17] RWA – Risk-Weighted Assets – is used in the denominator of the Core Tier 1 ratio calculation, see Footnote 4.

[18] The acronym *CRDIV* refers to the European Capital Regulation Directive IV (legislative package of Directive [2013/36] and Regulation [No 575/2013]). The CRDIV would replace the Basel II framework by the then new Basel III framework in European legislation. Basel II and Basel III differed slightly in their prescription of how the Core Tier 1 ratio should be calculated.

> **Analyst:** Yes, hi. Good afternoon. Two questions, if I may. The first one on the capital. You obviously present [a] number of Core Tier 1 Ratios. **What is the actual figure** that you are looking at when you [inaudible] and what **we should look at when we compare to the above 13% target**, at least in the fourth quarter? If you could shed some light on that, that would be great.

The analyst was contesting the Core Tier 1 ratio framing by saying, "What is the actual figure?"

The CFO's response to this contestation of the Core tier 1 ratio's framing began by invoking the 'strict volume discipline' cue, this much-discussed characterization of the Core Tier 1 ratio (see Diagrams 4-7, above). He then shifted to anchoring the Core Tier 1 ratio – and explaining the inability to produce a clear numerical value – in relation to the contents of the regulation and the regulatory environment of BigBank's operations:

> **CFO:** Yes, I think **we are working hard on the capital and the requirements**. The tying point is, as said, that we think the formal capital requirement for [BigBank] is around 11.3%. And then, we have a number of uncertainties – we have uncertainties [on] **systemic risk buffer calculation**, we have on **counter-cyclical buffer**, we have on Pillar 2 treatment, and then we have some **pending approvals**, which is quite important, of course, for our capital efficiency initiatives. (authors' emphasis)

Examples of the phrases and words used in this anchoring include 'pending approvals' and other concepts which provided a cue structure for framing a particular arithmetic value of the Core Tier 1 ratio. These terms were circulating cues which could be brought into the specific situation to enact previous framings in interactions between regulators, banks and capital market actors regarding the Core Tier 1 ratio calculation. The CFO then tried to frame his overall response by linking it to the arithmetic target of 13% (in the Financial Plan 2015) to the overall framing of BigBank's 'delivery on capital'. However, this attempt by the CFO to achieve a shared understanding failed, as seen in the analyst response:

> **Analyst:** But where do you believe you are, and **what's the real Core Tier 1 Ratio we should look at the kind (sic) of 14% target**?
>
> **CFO:** That is what I am saying. The target we are operating with, as we are waiting for more clarity, is something above 13%. It is more in the area of closer to 14%. (authors' emphasis)

For the analyst to ask about what the 'real' Core Tier 1 ratio was arguably constituted a test of the framing of this financial number. The short exchange of analyst question and CFO response in this last part of the strip could be seen as a mild case of frame-breaking, since a shared frame of the number was not sustained in the interaction. The CFO became less polite and more direct in his communication; his statement "That is what I am saying" being an attempt to control the situation. However, in terms of the situational roles played by the two parties in typical Q&A sessions (Abraham & Bamber, 2017) – that functioned as an important part of the framing work of the numbers to reach shared understanding – the exchange was not 'breaking the frame' but rather more of a typical role-play (cf. Goffman, 1974, pp.

378-438, on the manufacture of negative experience in framing). Holding to an established frame for such interactions, the Q&A session therefore moved on to other topics.

## 4.6 Epilogue: Picking up on cues in the market response

We have traced the numerous interactions and iterations to settle financial numbers and a story around their interpretation in the silent period, and to enact this framing of BigBank's financial performance when the quarterly report went public. Following these two phases of the quarterly reporting cycle, the IR team took part in the evaluation of how the capital market had responded to the quarterly report. This analysis included both how the BigBank share price had moved, and how analysts had written about the quarterly results and made forecasts for the company's future performance. The following compilation of analysts' final report headings was used in a senior management meeting held a few weeks after Q-day (Diagram 10):

Diagram 10: Compilation of analyst final report headings (Redacted reproduction of senior management meeting presentation given by Head of IR, slide 4)

**Analyst final report headings**

- Strong earnings growth seen for 2013-15 - [redacted]
- Stand and deliver - [redacted]
- Status quo - maintain Neutral - [redacted]
- Balancing expectations is good enough - [redacted]
- Payouts in focus - [redacted]
- Waiting for the payout - [redacted]
- Delivering on plan and €30bn of RWA reductions still to come - [redacted]
- Progress on profitability and capital visibility makes BigBank attractive for 2014 - [redacted]
- High hopes on year-end capital improvement - [redacted]
- Capital story intact – but still risky - [redacted]

On this slide we can observe how specific – by now perhaps also for the reader quite recognizable – cues such as 'delivery' (on capital, in particular), were used to characterize BigBank's quarterly performance. In addition to their reiteration of specific cues, the IR team's analysis also indicated that analysts' forecasts were in line with how the specific quarterly financial results had been communicated. Taken together, the sentiment expressed by members of the IR team was that they, as well as the BigBank senior management, felt that their message had been received. Seemingly, there was a shared understanding of the organizational reality represented by these financial numbers that had been enacted and maintained across multiple sites of interaction.

## 5. Concluding discussion

The BigBank case account provides a rare glimpse into the hitherto unobserved backstage work of a listed company's preparation of an interim report and associated public communication. A mix of observations, interviews and detailed working document analysis have together provided the contours for how particular numbers and narratives iteratively emerge and converge towards a certain capital market message. Specific elements of this process are recognizable from previous studies of activities in public sites of interaction, and analyses of the contents of published financial reports. For example, the studied interactions suggest an attentiveness to capital market expectations (Barker et al., 2012; Holland, 1998; Roberts et al., 2006; Solomon et al., 2013), for example in the Chief Risk Officer's agreement to keep a previous formulation regarding the 'stable' credit quality of the loan portfolio underlying the risk-weighted assets in the Core Tier 1 ratio. The account also suggests a preference for positive messages (García Osma & Guillamón-Saorín, 2011; Merkl-Davies et al., 2011; Neu et al., 1998), most notably illustrated by the initial decision to forego income in the overarching message for the quarter when this metric did not show the targeted increase. However, moving beyond these findings, the present study's research design and conceptual framing offers the possibility of reconciling competing accounts of what role preparers play in making financial numbers take on a certain meaning. Earlier document and interview-based studies have inferred *either* that corporate representatives are disciplined by external expectations to give fitting accounts, *or* that companies manipulate their environment by crafting self-serving narratives. Our findings, based on an analysis using concepts linked to Goffman's ideas on the function of framing in achieving situated constructions of meaning, nuance these opposing models of corporate agency.

A first finding centers on the observation of a basic storyline for structuring the capital market narrative which was in place before any specific financial numbers associated with the period's performance. This skeleton structure was visible in the stripped-down document of the previous quarterly report, where traces of a previously articulated frame were combined with abstracted placeholders that stood in for the period's as-yet-unknown financial figures. For example, the first version of the section on BigBank's capital position paired abstracted values such as "2.X%" and "EUR X.Xbn" with a narrative about "strong capital generation", "improved core tier 1 ratio" and "reduc[tion of] the risk-weighted assets" (see <u>Diagram 2</u>, above). We understand both narrative elements and chosen metrics as *cues* in the process of framing how the new quarter's performance should be interpreted. BigBank's situated production of meaning was therefore not completely open but constrained – although still not completely determined – by traces of previous frames. This finding contrasts with how the impression management literature has characterized the far-reaching agential capacity of preparers to deploy whatever rhetorical tools they see fit in capital market communication (e.g. Aerts, 2005; Clatworthy & Jones, 2003; Merkl-Davies et al., 2011). Of course, the use of a skeleton structure for structuring the new quarter's communication does not in itself contradict that companies can shape what economic reality they convey to external parties. However, our study underscores how the framing of corporate financial reporting is a *multi-period process*. Members of the BigBank organization expressed a keen awareness that larger changes to the skeleton structure established by the outcome of previous framing processes, notably the text and metrics presented in previous quarterly reports as well as the target levels for income, costs and capital adequacy in the three-year financial plan, could be problematic for the situated construction of meaning around the new quarter's performance. These observations regarding the systematic use of a skeleton structure of cues give some details to the process whereby a specific frame, as constructed by certain capital market actors (e.g. Beunza & Garud, 2007), can come to circulate and shape preparers' agency in framing new corporate-capital market interactions.

A second finding of the study further elaborates of how the circulation and (re-)enactment of frames occurs. The silent period that was the focus of our empirical account was characterized by an intensive iteration of narrative and numbers, which took place through various interactions between IR team members, senior managers and other employees of BigBank. These interactions saw the fleshing out of the aforementioned skeleton structure of cues, with revised narratives and specific numbers being successively *anchored* in relation to an evolving framing of BigBank's quarterly performance. Thus, the process of contextualizing various financial numbers to make them meaningful ('framing') also involved the elaboration of links between this context and specific numeric values ('anchoring'). Anchoring could lead to both elaborations and delimitations of the frame, as illustrated by interactions concerning the characterization of the Core Tier 1 ratio in relation to dividend pay-out levels. This aspect of the interpretation of the metric was explicitly consigned to the Q&A document, and thereby handled in the conference call and similar interactions, rather than incorporated into the written quarterly report. Our empirical observations of efforts to successively align the frame, comprising both an overarching narrative and chosen metrics, with specific numeric values and detailed descriptions underscores the recursive relationship between numbers and narratives, where the room for interpretational flexibility was bounded by the anchoring of different parts of the frame. In this, the cues operated as a circular referent in the framing of BigBank's quarterly performance: serving both starting point for what to make sense of ('what needs to be made understandable'), and as an outcome ('what must be understandable').

Finally, while our study focused on the production of a quarterly report from the preparer perspective, we observed various internal interactions where cues from capital market actors were brought into the framing process and influenced how financial numbers were understood. One example of this was the meeting where BigBank's expected performance in relation to specific metrics were put in relation to available consensus estimates (see Diagram 3, above). These metrics – like the skeleton structure of the quarterly report – were cues in BigBank's framing of the new quarter's performance, activating certain frames. This observation resonates with previous accounts of how corporate actors are disciplined by capital market expectations (e.g. Roberts et al., 2006). However, our study also shows how cues circulated from BigBank to capital market actors. An example of this is how equity analysts picked up on, and used, certain concepts that were emphasized in the capital market communication. The notion that BigBank was "delivering" on its performance targets, notably in relation to Core Tier 1 ratio, emerged in interactions within the IR team, and across the BigBank organization. This specific word was subsequently used in analyst responses to the quarterly report release (see Diagram 10). The finding highlights how the on-going framing of financial performance in one site of interaction creates traces, in the form of cues, which then circulate across other sites of interaction at the corporate-capital market interface. This circulation of cues is not unidirectional.

Our direct observation of the silent period's process therefore adds to the understanding of *how* the expectations of capital market actors are accommodated in company communication. In contrast to previous studies, we could not observe a unidirectional and automatic disciplining of BigBank's representatives (compare Kraus & Strömsten, 2012; Roberts et al., 2006; Tengblad, 2004). Rather, our study foregrounds the intricate process of producing meaning where neither capital market actors nor preparers make sense of financial reporting information in a vacuum. There is, in short, interaction in the analytical sense which leads to certain shared understandings. The traces of these previously enacted frames, in the form of cues, are what we can see travel across spatio-temporal distributed sites of interaction. They provide the foundations for re-enactments of certain frames arrived at by participants dispersed in time and place, which paired with anchoring enables this dispersed framing work to be coordinated into a shared understanding of corporate financial performance in a given period across the corporate-capital market community.

This leads us to make an overarching theoretical point vis-à-vis the domain literature using Goffman. Cues are a way of conceptually linking structural and procedural variants of frame analysis (Cornelissen & Werner, 2014). Cues are traces of enacted frames that persist across situations, and thus they provide a vehicle for bridging the framing processes that takes place in specific sites. We are not the first to argue for the analytical relevance of a procedural view of framing (Czarniawska, 2006) or to conceptualize micro-level procedural mechanisms for dynamically aligning frames within interactions (see notably Stokes & Hewitt, 1976). However, an important difference is that the present study, in part due to its chosen design, is not limited to situated framing processes.[19] Thus, we extend Lorino et al. (2017) by conceptually elaborating on *how* the dual role of accounting – as generic model and singular event – is fulfilled. Not just frame-shifting between and within sites, but *frame circulation* over time between sites and *frame activation* within sites. We would argue that our

[19] Compare with the notion of *aligning actions* (Stokes & Hewitt, 1976), which denote generic categories of largely verbal activities (such as for example disclaimers or apologies) that people use to deal with problematic occurrences where "[i]nteraction is disrupted, identities are threatened, meanings are unclear, situations seem disorderly, people have intentions that run counter to others' wishes, seemingly inexplicable events take place, people do not know what is happening to them, and the list could be extended almost indefinitely" (ibid., p. 842).

analysis begins to articulate a more precise procedural understanding for *how* people become "prepared" (Stokes & Hewitt, 1976, p. 841) through multiple interactions. Preparation denotes how "[a] great many of the objects that constitute the human world have a 'pre-existing' meaning, in the sense that people confront such objects with a set of assumptions about them – with a particular preparedness to act" (ibid.).

Our study also provides an answer to the competing accounts of preparer agency. Preparers are constrained in what they say by what they have said and what has been picked up by capital market actors but have room to shape interpretation that can successively shift what cues are circulated and activated. These conclusions have an important scope condition: we have studied a 'business as usual' quarterly reporting cycle, rather than one under conditions of financial (or other) crisis. This would be an interesting topic of investigation, although likely a difficult one to intentionally pursue.

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