

Studying corporate texts - critical discourse analysis of Finnish companies' discourses on growth in Russia

Organization and Management

Master's thesis

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STUDYING CORPORATE TEXTS – CRITICAL DISCOURSE ANALYSIS OF FINNISH COMPANIES'
DISCOURSES ON GROWTH IN RUSSIA

Objective of the study

The objective of this study was to find out how Finnish companies justify and legitimize seeking growth in Russia, and how they then communicate their performance and future outlook therein. As a cross-disciplinary study, it aimed to understand and bring forward the underlying motives of using language for the 'justification' and 'naturalization' of the companies' activities in Russia. To reach this purpose, the thesis combined methods and theories from accounting research, management and organization studies, international business studies, business communication and linguistics.

Methodology

In order to find the answer to the main research question, a qualitative critical discourse analysis methodology was applied on five CEO's letters to shareholders (years 2007-2011) of five large Finnish companies that have established operations in Russia. In the spirit of critical discourse analysis the thesis does not see language merely as a conveyer of messages that reflect reality – instead, it views language as a force capable of (re-)creating social reality. The study was broken into two parts: first, an overall analysis was conducted on the textual material to see which discourses and other phenomena arise from it and, second, these specific discourses and other phenomena were then analyzed in more detail.

Key findings

The study found that top management, having the incentives to do so, frequently engages in self-serving behavior in their discourses in order to manage the perception the external audience has about their company. This behavior manifests itself in the management's use of language in creating a 'positive discursive reality' surrounding the company and results from the pressure of shareholders' growth expectations and a simultaneous failure to meet them. Thus, the management is pressurized into presenting their activities in Russia in a positive light and in conjunction with growth even though the 'reality' may differ from this 'discursive reality' communicated by the management.

Keywords

Discourse, critical discourse analysis, growth, Russia, performance

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1 Introduction

Growth through foreign market expansion has become an increasingly popular strategy (Rasheed 2005), as domestic markets become saturated and economies around the world globalize. To Finnish companies, Russia has for long been a natural next step in the pursuit of growth and larger markets. With an average GDP growth rate of 7.4 percent per year from 2001 to 2008, the country's business opportunities grow faster than in the developed economies and, in fact, Russia's GDP growth has been among the fastest in the world (Fey & Shekshnia 2011). However, the attractiveness of the Russian market is at least to some extent diminished by the fact, that the country's business environment is shadowed by significant amounts of risk related to, for example, the weak legitimacy of formal institutions (Puffer & McCarthy 2011) as well as arbitrary policies towards foreign companies (Puffer et al. 1998). Considering this, the excessive expansion activities of Finnish companies to Russia would seem to be guided more by optimism than sound profitable growth strategies based on a proper analysis of the market and the weighing of opportunities and risks.

Publicly listed companies are legally bound to disclosing information about their past performance and the current state of their operations. One of the key external communication documents showcasing this information is the annual report, which is issued after a fiscal year has been closed. Numerical accounting data in the annual report is audited, and therefore should represent a true and fair view of the company. However, the same does not apply to accounting discourses – the textual sections of the annual report – which are still neither regulated nor audited (Clatworthy & Jones 2003). These texts, the most read of which is the CEO's letter to shareholders found in the annual report (Tessarolo et al. 2010), include not only information about the company's previous year's performance but also reasons for any successes or failures (Staw et al. 1983) as well as expectations for the future.

Considering the unaudited nature of accounting discourses, and the view that discourses have the power to (re-)create social reality (see e.g. Jokinen et al. 1993, Fairclough 2005), the CEO's letter to shareholders as an external communications text offers an interesting angle for research. In the communication of previous year's performance and the outlook for future performance, top management has incentives to present their company in the best possible light (Aerts 2005), which may result in excessive impression management activities (Aerts 2001) instead of giving a 'true and fair view' of the company's state of operations. Indeed, when communicating the reasons that led to the past year's performance as well as giving an outlook for the future, the management is essentially performing a balancing act between self-promotional discourses and the truth.

Keeping the tensions presented above in mind, this thesis aims to gain an in-depth understanding of how Finnish companies seeking growth in Russia communicate these expansion activities and their results. It is a cross-disciplinary critical discourse analysis of the CEO's letter to shareholders of five Finnish companies that operate in Russia. In the spirit of *critical* discourse analysis (see e.g. Fairclough 2005), this thesis does not see language merely as a conveyer of messages that reflect reality – instead, it views language as a force capable of (re-)creating social reality, and therefore aims to understand and bring forward the underlying motives of using language for the 'justification' and 'naturalization' of the companies' activities of seeking growth in Russia. Comprising a time span of five years (from 2007 to 2011), the thesis combines accounting research, management and organization studies, international business studies and business communication as well as linguistics.

1.1 Purpose and research questions

Taking the tensions mentioned in the previous chapter into account, it is striking to find that hardly any qualitative critical discourse analyses have been conducted in the study of the CEO's letter to shareholders as means of external corporate communications. The most accounts of textual analyses on the letter to shareholders have revolved around content analysis (e.g. Staw et al. 1983) or other computer-aided quantitative methods, which imply having a more mathematical approach and aiming to make generalizations. However, this thesis aims to gain an in-depth understanding of the Russian expansion of Finnish companies based on the discourses given by the top management. For this purpose, a qualitative, *critical* discourse analysis approach is most suitable especially considering the constitutive nature of language advocated by, for example, Norman Fairclough (2005). The constitutive nature of language is also one of the premises of this thesis.

In this thesis, I aim to study the question of how Finnish companies justify and legitimize seeking growth in Russia, and how they then communicate their performance and future outlook therein. In order to find the answer to this key question, I apply a critical discourse analysis methodology on five CEO's letters to shareholders (years 2007-2011) of five large Finnish companies that have established operations in Russia.

The key question in this thesis is divided into sub-questions, each correlating with a more specific area of interest and aiming to break down the main research question into smaller, more easily analyzable pieces. These sub-questions are:

1. How is the expansion to Russia explained and legitimized?
2. How do companies justify their performance in their annual report?
3. How do companies reflect on their future outlook?

Since the material to be studied covers a rather large amount of text (a total of 25 CEO's letters to shareholders) it will be impossible to present every single component of each text in detail in this thesis without expanding the thesis into a disproportionately large piece of work. Furthermore, presenting every single component to the most detailed level would not serve the purpose of this thesis, which is to gain an in-depth understanding of the most important discourses arising from the material – and not to conduct a quantitative study, in which the number of observations plays a more key role. Therefore, I have adopted a two-step process for the analysis of the texts: first, I will conduct an overall analysis of the textual material as a whole in order to see what kind of discourses and other interesting phenomena arise from it. After the overall analysis has been conducted, I will focus on the key discourses of growth and Russia as well as other interesting phenomena and move to the second phase of the analysis, which is a closer reading of specific textual passages related to these identified discourses.

1.2 Key concepts

CEO's letter to shareholders: One of the most read documents in companies' external communications, the letter to shareholders consists of a brief section of the company's annual report in which the CEO discusses last year's performance and main events, and gives guidance on the future outlook (Staw et al. 1983). The letter is targeted at the external audience such as shareholders, industry analysts and other media representatives (Aerts 2001).

Critical discourse analysis: An interdisciplinary approach to studying discourses concerned with the relations between discourses and other social elements, and aiming to reach a better understanding of these complex relations – including how changes in discourse can cause changes in other elements (Fairclough 2005). The CDA approach implies having a critical perspective (Vaara & Tienari 2004).

Discourse: A particular way of representing certain parts or aspects of the (physical, social, psychological) world; for instance, there are different political discourses (liberal, conservative, social-democratic etc.) which represent social groups and relations between social groups in a society in different ways (Fairclough 2005, p. 925). Discourses encompass language in many forms, including but not limited to, text and talk.

Growth: An increase in the revenues and/or size of the company manifesting itself as a by-product of a deliberate process of pursuing increasing profits (Penrose 1959). The term is at times used synonymously with 'profits' in this thesis, for example, when discussing the goal of a company's investment program.

Impression management: A diverse set of strategic behaviors aimed at controlling others' perception of oneself (Tessarolo et al. 2010, p. 199).

Self-serving attribution: A particular instance of causal reasoning (Tessarolo et al. 2010), in which good news are associated with internal causes such as company strategy or management decisions and bad news with external causes such as a difficult business climate, inflation, government policy or market prices (Aerts 2001).

1.3 Structure of this thesis

In critical discourse analysis context is of specific importance (Leitch & Palmer 2010). In order to understand the meaning of discourses, one needs to understand the context in which the discourses take place (see e.g. Vaara & Tienari 2004). Therefore, I have dedicated a significant amount of space to illustrating the theoretical context, in which this thesis positions itself. The thesis starts by discussing the theme of studying annual reports (or more specifically, the CEO's letter to shareholders) as a means of external communication in the beginning of Chapter 2. Later in the same chapter, the 'seeking growth in Russia' discourse of Finnish companies is presented from a contextual point of view. After the theoretical context in terms of studying corporate texts as well as the context of the 'growth in Russia' discourse as a particular instance of contemporary corporate discourses has been presented, I will move to discuss the theoretical framework of critical discourse analysis as the method, with which these corporate texts can be studied. Following the overall critical discourse analysis methodology, I will move on to present the methodological approach and the group of companies studied for this thesis in Chapter 4, which is then followed by the findings of my research (Chapter 5) as well as a discussion of their relation to the theoretical frameworks presented earlier. In the end, in Chapter 6, I will conclude my findings and present directions for further research.

2 Studying corporate texts

In this section, I will present the purpose and usage of annual reports and the CEO's letter to shareholders as the company's most important external communication documents as well as portray the context for the discourse of 'seeking growth in Russia' as a contemporary prime example of external corporate communications. My focus will be on presenting the previous literature on studying the CEO's letter to shareholders, but the rest of the chapter will be devoted for laying the context of 'growth in Russia'. The key takeaways from this section will be summarized in the end, in Chapter 2.3.

2.1 Annual reports

Annual reports, issued each year by corporations as a principal means of communicating with the public after the closing of the fiscal year, do not only highlight the financial results for the past year, but also provide reasons for any successes or failures (Staw et al. 1983). In particular, the CEO's letter to shareholders included in the annual report typically provides the management's reasoning for past achievements and disappointments, forecasts for the future as well as other important events of the year that the management wishes to communicate to the public.

Even though the economic cycles have shortened and, as a result, quarterly interim reports have gained in importance in the companies' external communications, the annual report still remains the primary external communications document of a company, since it sums up a whole fiscal year, and gives forecasts for the following year instead of just a quarter. Moreover, when discussing topics such as financial performance and growth, a quarter is usually too short of a period in time for making conclusions due to short-term fluctuations. Therefore, a year constitutes as a more solid foundation for making observations and conclusions about the company's performance and growth prospects. As the most read textual section of the annual report (Tessarolo et al. 2010), the CEO's letter to shareholders, thus, provides an optimal target for studying the communications activities of publicly listed companies.

2.1.1 Accounting discourses in annual reports

Accounting discourses, meaning the textual explanation of accounting figures, are a relatively new phenomenon (Clatworthy & Jones 2003), which started to become more common starting from the late 1970s. For publicly listed companies, annual reports are much more focused as a part of a wider disclosure process towards institutional investors, market analysts and financial media, with a primary aim to create a well-informed market environment and a more tolerant, supportive and a predictable investor crowd. As a part of this larger investor relations process, the textual parts of annual reports have a specific role to play (Aerts 2001), allowing company management to present annual performance to users in a readily accessible manner (Clatworthy & Jones 2003). Research suggests that such accounting discourses are, indeed, widely used and considered important in the investment decisions of private and institutional investors (Clatworthy & Jones 2003), as well as an important part of a company's external communications. Therefore, it is striking to note that comparatively little research has been conducted into the textual sections in annual reports, even despite their growing importance.

The discourses in annual reports will, to a certain extent, be aligned with the published financial statement figures (Aerts 2001), and are a medium for placing specific aspects of the company's per-

formance within a wider explanatory context: they document a move from purely releasing facts to framing and interpreting them (Aerts 2005). In this respect, the CEO's letter to shareholders is the most important document. Even though the CEO's letters to shareholders as a data source can be regarded comparable between companies, their form of presentation varies a great deal (Tessarolo et al 2010). Even though the name of the document is the CEO's letter, the document is the work of a team of public relations and communications professionals, which is why it should be interpreted as a set of causal explanations presented by many powerful actors in the corporation, including, but not limited to, the chief executive officer (Staw et al. 1983).

As with any other kind of text, the CEO's letter to shareholders can, and indeed should, be subjected to critical discourse analysis. In essence, the letter as an identifiable genre provides an interesting study subject because of the function it serves. Accounting data is the primary source of information for the interpretation of a company's performance, but these numbers need to be accompanied by some kind of discursive justification – especially in the case of unstable or bad performance since the management's reputation is at stake (Tessarolo et al. 2010). The studying of intra-organizational communications explaining or justifying performance would be rather difficult, but the letter to shareholders as a source of organizational data is well suited for this purpose (Staw et al. 1983). Indeed, the letter to shareholders can be taken to represent management's construal of corporate events, and as such believed to reflect informational as well as self-serving tendencies (Aerts 2001).

2.1.2 Justification of organizational performance

From the reporting organization's point of view, one of the main uses for the letter to shareholders is justifying organizational performance. Because there are strong norms for organizations to make efficient use of resources and to achieve their goals, it can be predicted that organizations will attempt to justify their performance when communicating information about their results, and in that process a major role of management is to provide the context and logic behind organizational actions and performance so that this data can be properly interpreted (Staw et al. 1983).

Because of strong societal demands for rationality, organizations seek out and label events as problems, threats, and opportunities, characterizing their actions as logical responses to these needs (Staw et al. 1983). Thus, a large portion of what looks like rational behavior of the organization may merely consist of actions that are justified to the organization's employees and managers themselves. Some research has even claimed that organizations follow systematic, formal and bureaucratic procedures not so much to achieve greater results, but to legitimize their actions to critical publics (Staw et al. 1983). By this argument, organizations attempt to make their actions logical and defensi-

ble so as to satisfy societal demands for rational or competent behavior, which can be described as behavior that aims to influence and manage the public image of the company.

Indeed, Staw et al. (1983) were probably the first authors to introduce the management of public impressions rationale in analyzing the textual portion of corporate annual reports. Using the impression management theory that had been previously developed by psychology researchers, Staw (1983) argued that both individuals and organizations strive for rational and goal-oriented behavior. Nonetheless, their actions generally fall short of these ideals, which motivate them to rationalize or justify their course of action. The further the results are from the ideal, the greater the forces that drive the justification process (Staw et al. 1983). In general, positive organizational or accounting outcomes provide a powerful signal of managerial competence and do not necessarily need further explanation to make them consistent with a desired organizational image (Aerts 2005, p. 497). However, the same does not apply to negative outcomes, which need to be justified and explained. This justification and explanation process involves both self-serving attributions as well as an external form of justification termed impression management (Tessarolo et al. 2010). The theories of impression management and self-serving attributions will be discussed in more detail in the following chapters.

2.1.3 Impression management

Impression management stands for a diverse set of strategic behaviors aimed at controlling others' perception of oneself (Tessarolo et al. 2010, p. 199). These strategic behaviors imply significant management of information, so that any positive events are credited to internal sources and negative events are blamed on external factors, with the actual performance of a company only influencing the amount of each type of information that must be explained (Staw et al 1983). Clatworthy & Jones (2003) point out that the annual report has evolved from a financially-driven document to one used to construct a corporate image, and is unaudited which makes it an easy subject for impression management.

The impression management phenomenon is rooted in human psychological and cognitive processes and has been extensively documented in psychology literature (Aerts 2005). In theory, the company's management has incentives to represent their company's performance in the best possible light, which may cause *selective financial representation* (Aerts 2005). Taking credit for positive events and eschewing blame for negative events is only one means of positive self-presentation; another mechanism is a simple emphasis of positive rather than negative news (Staw et al. 1983). Moreover, when bad news is conveyed, companies may try to lessen the impact by presenting any negative information early in their reports and moving quickly to more positive events (Staw et al. 1983). In addi-

tion, companies may engage in a phenomenon called the Pollyanna effect: the phenomenon that positive, affirmative words are used more often than negative words, regardless of the corporation's financial performance (Rutherford 2005). Indeed, Tessarolo et al. (2010) point out that companies attempt to create a positive corporate image to external stakeholders even when negative performance occurs in a clearly favorable external context.

The fact that management may indulge in impression management behavior in order to influence the public's perception of them may lead to conflicting messages being given in the accounting discourses and in the quantitative financial statements (Clatworthy & Jones 2003). Research by Aerts (2005) suggests that within a capital market environment, a financial performance downturn constitutes a solid cue for impression management, whereas an upturn does not. Indeed, organizational impression management literature and research stresses the fact that verbal impression management behavior typically functions in a reactive mode, as a repair mechanism in response to identity-threatening predicaments (Aerts 2005). In publicly listed companies, these identity-threatening predicaments may specifically cause conflicts of interest between the management and the company's shareholders in the sense that shareholders would require the revelation and explanation of negative outcomes, whereas the management may necessarily not.

Although impression management has sometimes been viewed as a substitute for self-justification processes, the two mechanisms can be viewed as complementary rather than competing forms of rationalization (Staw et al. 1983). Managers may very well understand their financial performance and the causal relations leading to it correctly, but nonetheless seek to manage the presentation of news through impression management (Clatworthy & Jones 2003). This is a perfectly rational coping mechanism, in which managers are adopting an impression management strategy whereby they are self-interestedly attempting to influence the perceptions of users (Clatworthy & Jones 2003).

In summary, research supports the idea that accounting discourses represent one method of impression management available to company management. In this respect, impression management by the managers of companies is consistent with the psychology literature, which demonstrates that individuals respond to societal pressures to portray themselves in the best possible light (Clatworthy & Jones 2003). However, impression management is just an umbrella term for a set of strategic behaviors that can be pulled out of texts by using critical discourse analysis. The next chapter presents a more detailed strategic behavior, that previous research has identified from letters to shareholders – self-serving attributions.

2.1.4 Self-serving attributions

Attribution is a concept in social psychology referring to how individuals explain causes of behavior and events. Essentially, attributions concern self-serving human behavior, since they serve the basic psychological human need of presenting oneself in such a way as to gain favorable reactions from others (Clatworthy & Jones 2003). The management's attributional framing of organizational outcomes within the context of annual report discourses has been studied on several occasions (see Staw et al. 1983; Aerts 2001, 2005; Clatworthy & Jones 2003; Tassarolo et al. 2010), and most papers have focused on the phenomenon of how self-serving attributions function in an impression management mode – i.e. how they are used in managing the perceptions that the external audience has of the company and its management.

A self-serving attribution is a particular instance of causal reasoning (Tassarolo et al. 2010), in which good news are associated with internal causes such as company strategy or management decisions and bad news with external causes such as a difficult business climate, inflation, government policy or market prices (Aerts 2001). This reasoning pattern is self-serving in the sense that it is used in explaining situations to the company's own advantage by taking credit for positive results and avoiding blame for negative outcomes. Several studies have found evidence of self-serving attributions in letters to shareholders (see Staw et al. 1983; Aerts 2001, 2005; Tassarolo et al. 2010). Indeed, Clatworthy & Jones (2003) found out that statements, in which management takes credit for the firm's good performance, are three times more common than any other causal statements in annual reports. Unsurprisingly, management is also three times more likely to blame the environment for setbacks (Clatworthy & Jones 2003). Self-serving attributions are prime examples of how attributions function in an impression management mode (see Aerts 2001, Clatworthy & Jones 2003, Tassarolo et al. 2010), and therefore also constitute the focal point of this thesis.

According to recent literature, self-serving attributions in annual reports are triggered primarily by the company's financial performance (Aerts 2001); especially negative performance triggers self-serving attributional behavior since it gives the management a sense of vulnerability creating the need to justify and explain the presented bad figures. Therefore, Aerts (2001) concluded that changes in the company's financial performance should also imply changes in the attributional content of its annual report. Even though negative performance is the main trigger for self-serving attributions, it is not the only one: Staw et al. (1983) point out that previous stock decline, price volatility and mutual fund ownership may contribute to the feeling of corporate vulnerability and therefore lead to the use of self-serving attributions in annual reports – and especially the letters to shareholders. In addition to performance-related triggers, the management of the company will want to manage the meaning of their financial performance results in a specific way and guide the reader of their annual reports to interpret the results in a way that is beneficial for the company's management. For this

purpose, they use self-serving attributions. Although, it should be noted that companies in general tend to avoid explicit causal attributions (Clatworthy & Jones 2003).

Self-serving explanation patterns can be broken down to two components: the assertive and the defensive component. The assertive component aims to stress the importance, relevance and scope of positive outcomes or actions, whereas the defensive component is used for downplaying the significance of negative events (Aerts 2001). Thus, the former component could also be called the 'positive' component, and the latter the 'negative'.

Existing research (see Aerts 2001) has identified that the assertive component of self-serving attributions is the most robust and common instance of attribution in annual reports. In addition to the basic form of positive self-serving attribution (taking credit for positive outcomes), several other positive attributional tactics may take place. Aerts (2005) has identified a discourse practice, where the company management enhances positive attributions by portraying positive outcomes in the context of a negative external environment, which may lead to an upgrade in the favorability of the positive outcome. Moreover, companies may try to highlight alternative organizational outcomes that reflect positively on the company in the attempt that the reader of their annual report will consider them over an overall negative financial performance when forming their image of the company's current state (Aerts 2005).

The defensive component, or an attributional excuse, states a negative event or outcome, but denies responsibility for it by pointing to external determining factors (Aerts 2005, p. 497). One form of this kind of attributional excuse is the 'in spite of'-statement, where the management states that the negative outcome happened in spite of internal actions that in normal circumstances would have led to positive results. These 'internal causality denials' dissociate the management from negative outcomes, thus reducing their responsibility for them (Aerts 2005). Justifications are another kind of defensive attributional tactic, in which the management implicitly takes responsibility for a negative outcome, but at the same time reduces its negative consequences by referring to the outcome as a mandatory step in achieving higher goals (Aerts 2005).

By and large, research on the use of self-serving attributions is based on psychological theories that postulate either motivational or informational explanations for this kind of behavior (Tessarolo et al. 2010). The motivational explanation is commonly associated with attempts to manage the corporate image by retrospective rationality and ego-defensive behavior, and observed in situations of unfavorable outcomes (Staw et al. 1983). In short, the motivational explanation means that managers deliberately try to take credit for positive results and avoid blame for negative outcomes, which would match the functioning of attributions in an impression management mode. On the other hand,

the informational explanation is based on either biased or limited internal information processing capabilities or other flawed reasoning processes related to the interpretation and recollection of events (Tessarolo et al. 2010). Essentially, the informational model claims that people typically intend or expect to arrive at favorable outcomes, for example, on the basis of prior experience or cognitive beliefs (Aerts 2005). The model is based on the premises of bounded rationality or on attributional principles of discounting and augmentation of information (Aerts 2001), therefore stressing the limited human information processing capabilities in reaching an abstract causal understanding of events. Therefore, attributions as explained by the informational model would be either caused by a wrong or biased recollection of causal processes, which may be caused by the mere expectation of being successful.

In the organizational and management literature as well as recent research (see e.g. Staw et al. 1983), self-serving attributions have generally been regarded as an explicit form of impression management and as purposive, goal-directed behavior (Aerts 2005), which would favor the motivational explanation. The research by Aerts (2005) revealed that self-serving attributions, especially when manifesting themselves as explicit impression-relevant attributional statements (entitlements, enhancements, excuses, causality denials and justifications), are significantly affected by the motivational model and usually reflect attributional patterns that would be counter-intuitive from an informational perspective. Clatworthy & Jones (2003) came to the same conclusion and continued that self-serving attributions do not accurately reflect the real world, but are instead constructed by management in their annual report discourses. Core (2001) continued on the same track and concluded that it would be too costly to eliminate all manipulation of information from the annual report, which means that managers are free to add some bias to discourses at a low personal cost.

2.2 Growth in Russia as a prime example of corporate discourse

In general, the Russian market has significant potential due to its large size, fast growth rate and still developing market structures. However, operating in the country implies having to deal with the arbitrary rule of government officials, corruption and other significant problems. Due to this mix of possibilities and problems, companies thinking about expanding to the market are confronted with a bi-polar, even contradictory, business environment. Therefore, companies have incentives to present the 'growth in Russia' discourse in a positive light regardless of the cold reality of the situation. This is why this particular discourse provides an interesting studying point into the external discourses of Finnish companies.

In addition, in the current business discourse, growth itself seems to have an intrinsic value for managers, which can be seen in the way how CEOs set strict annual growth targets for their companies

and measure them on a frequent basis. Growth targets for the future as well as the company's performance measured against past growth targets are the main focus of the accounting discourses in the annual report, and a very topical prime example among Finnish companies is the discourse of pursuing growth in Russia. For the external observer this fixation on growth (and especially the pursuit thereof in the neighboring country) may seem difficult to grasp, which is why it is important to explain the context for this discourse as well as its underlying motives.

2.2.1 Growth as the by-product of pursuing increasing profits

The term growth can have several meanings in business and economics. One of the pioneers in growth research, Edith Penrose (1959), approached the duality of growth discourse by explaining that 'growth' has two different connotations: sometimes, it denotes only an increase in amount, for example when speaking about 'growth in sales'. At other times, growth is used in its primary meaning implying an increase in size or an improvement as a result of a development *process*, similar to biological processes in which an interlinked series of internal changes results in an increase in size as well as changes in the characteristics of the growing object (Penrose 1959). In this sense, growth is seen as something 'natural' or 'normal', which occurs in favorable conditions making the increase in size becoming a more or less incidental result of the continuous on-going development process. However, this kind of 'natural' process is not the way growth is seen by top management.

It is reasonable to assume that the managers who make decisions on behalf of a company are acting in the light of a specific purpose. This thesis follows the reasoning of Penrose (1959, p. 23-24), who states that the growth of firms can best be explained if we can assume that investment decisions are guided by opportunities to make money; in other words that firms are in search of profits. The motives for searching for an increase in profits are very simple from the company's point of view: the aim is to be able to generate more profits to shareholders. From the managers' point of view seeking increasing profits relate to fulfilling the very same purpose, but their rewards are not necessarily aligned with those of the shareholders. Instead, managers may be aiming for prestige, personal satisfaction, more responsibility and better paid positions as well as a wider scope for their ambitions and abilities (Penrose 1959). Therefore, it would seem reasonable to assume that the investment decisions in companies are controlled by a desire to increase total long-term profits, with companies wanting to expand as fast as they can – investments will be undertaken as long as they yield a positive return.

If we accept that profits are a condition for successful growth, and that firms will not undertake any growth investments which do not yield a positive return (as such behavior would be damaging for the company), then what follows is the conclusion that companies are, in fact, searching increasing

profits and growth occurs only as a by-product of this process (Penrose 1959). Keeping this in mind, it would seem that the managers' focus on growth seems somewhat counter-intuitive. However, Penrose (1959, p. 26) points out that since companies will not invest in programs generating negative profits, and that companies will never invest outside the firm except eventually to increase the funds available for investing in the firm, an increase in the long-run profits of the company becomes equivalent with an increase in the long-run rate of growth. Therefore, the two terms of 'profits' and 'growth' can also be used in an interchangeable way when discussing the goals of the investment activities of a company.

2.2.2 Motives for seeking growth in Russia

In the previous chapter I concluded that companies generate growth as the by-product of seeking increasing profits, and that 'growth' and 'profits' may both be used when discussing the goals of the investment activities of a company. However, for simplicity, I have only used one or the other of these two terms in this chapter, even though their meaning is in fact interchangeable.

The natural first choice for increasing profits would be the company's own domestic market, but for several reasons companies decide to look outside their own playground for new revenue sources. Larimo & Huuhka (2007) divide these reasons into two categories: push and pull factors. Push factors are (negative) factors in the domestic market that cause the firm to look for opportunities elsewhere, and pull factors are (positive) factors in the foreign market that make it tempting to think about expanding to the specific market. Thus, push factors encourage the firm to expand as a result of negative environmental or company-specific conditions in the home market – for example small size, saturation, and low or declining economic growth (Larimo & Huuhka 2007). Pull factors, on the other hand, attract companies to foreign markets, and these include for example the size of the foreign market, speed of market growth, underdeveloped and emerging market structure (Larimo & Huuhka 2007), low prices for land and labor as well as cost and tax benefits of operations in the market (Puffer et al. 1998).

The attractiveness of the Russian market as a target for foreign expansion has increased significantly over the past ten years (Larimo & Huuhka 2007), which is no wonder considering that Russia is the world's largest country, and with an average GDP growth rate of 7.4 percent per year from 2001 to 2008, the country's business opportunities grow faster than any of the more developed economies (Fey & Shekshnia 2011). Compared to other high growth countries, Russia's household disposable income is 30 percent higher than in Brazil, ten times that of India and four times that of China, and its population is highly educated especially in math, engineering and science (Puffer & McCarthy 2011).

However, evidence shows that the time needed for profitable operations in Russia seems to be longer than in the Western European countries (Larimo & Huuhka 2007).

Although Russia offers great growth potential for foreign companies, there is also an abundance of risks associated with doing business there. Since so many companies are (at least analyzing the possibility of) expanding to Russia, they must perceive that the market's growth potential outweighs the risks – otherwise they would go elsewhere in search of a greater risk-return ratio. In their study of internationalizing American companies, Puffer et al. (1998) found out that the vast opportunities for sales within the large Russian market far outweighed all other incentives for establishing operations there. Larimo & Huuhka (2007) concluded that one main reason for Finnish companies to expand to Russia were the push factors related to the relatively small size and low growth rate of their domestic markets, which offered only limited growth opportunities for leading companies. In addition, at least two different pull factors favoring the expansion to Russia have been identified: high market growth and low to moderate levels of competition in some industries (Larimo & Huuhka 2007). Moreover, the geographic distance to Russia is short and the cultural distance (using Hofstede's dimensions of culture) only moderate, which adds to the lucrateness of the market. However, keeping in mind Johanson and Vahlne's (1977) concept of psychic distance, I would argue that the differences in language, education, business practices and industrial development between Finland and Russia result in a larger than moderate cultural distance than Larimo & Huuhka (2007) propose. In order to understand the current Russian business environment and ways to do business in Russia, it is crucial to examine how the economy has developed in the recent years. This will be done in the next chapter.

2.2.3 The context of business in Russia

Business and management in Russia have undergone substantial change during the past two decades as the country has transitioned from the centrally planned Soviet system to a more market-oriented economy (Puffer & McCarthy 2011). As the country's economy is still in the stage of development, it provides high potential for growth. Indeed, Fey & Shekshnia (2011) commented, that it is not uncommon to hear business leaders in Russia discussing possible investment opportunities claiming that anything less than a 30 percent return is uninteresting. However, the flipside of the coin are the high risks associated with doing business in Russia. For many who hear the word Russia, the word risk comes to mind rather than the word opportunity (Fey & Shekshnia 2011). Nevertheless, Russia's challenging and difficult to understand business environment can also provide an advantage, since it may serve as an entry barrier to those who do not know how to operate effectively in the market – essentially providing higher profits to those who do.

Traditionally, Russia has been seen merely as a natural resource state bent on using its oil, gas, and mineral riches to restore the country's place in the world and to ensure high levels of economic growth (Frye et al. 2009). However, far less attention has been paid to the manufacturing and service sectors in the country. The importance of these sectors is already apparent in the Russian employment data: most Russians do, in fact, work outside the natural resource sectors (Frye et al. 2009), which provides companies operating in sectors other than resources a viable reason for expanding to Russia. In the past 25 years, Russia has undergone a tremendous upheaval from the relative stability that prevailed during the Soviet until the end of Communist rule and the breakup of the Soviet Union in 1991. Changes began with President Gorbachev's perestroika (restructuring) and glasnost (openness) policies of the 1980s (Puffer & McCarthy 2011).

One of the main results of Gorbachev's policies and the fall of the Soviet Union was the transition from a command to a market economy. This transition brought the need for the creation of a set of formal and informal institutions that protect property rights and support market exchange. New state agencies needed to be created for performing specific functions that did not exist under the command economy. These include governing stock markets and banks, regulating monopolies, collecting taxes and privatizing state-owned assets. In addition, some state agencies that were powerful under the command economy, such as the State Planning Agency, needed to be abolished to make way for economic liberalization (Frye et al. 2009).

During the privatization process of the early 1990s, the government's all-powerful control over the economy dissolved with the abandonment of the central planning system, including the dismantling of industrial ministries (Puffer & McCarthy 2011). Privatization was an attempt to introduce a new formal institution by legitimating private property, which was assumed to be supported by other market oriented institutions such as capital markets, regulations on business, and effective law enforcement mechanisms and judicial process, all under the umbrella of an effective government (Puffer & McCarthy 2011, p. 23). However, instead of leading to a fully-functional market economy, the privatization process in Russia brought with it a multitude of problems that even today can be distinguished as the main characteristics of the Russian market. What happened was asset stripping and outright criminality: managers, and eventually the oligarchs, took control of most enterprises in order to gain personal control over valuable assets (Puffer & McCarthy 2011). In summary, little positive has been written about Russia's privatization process, and studies have concluded that it has been the source of many of the country's enduring economic and governance problems (Puffer & McCarthy 2011), leading to many of the problems that can be seen in the current business environment.

Indeed, as a direct result, the Russian business environment, with its persistent weaknesses in the legitimacy of formal institutions and the resulting formal institutional void, perpetuates the reliance on cultural-cognitive informal institutions in making and implementing business decisions (Puffer & McCarthy 2011). The lack of a clear direction and instability has created a volatile environment for managers, as have the corrupt law enforcement and judicial systems, weak capital market institutions and poor protection of private property rights (Puffer & McCarthy 2011, p. 23), which are fundamental to a market economy. Indeed, in their survey of American companies, Puffer et al. (1998) found out that most firms encountered serious problems with government and legislative activities, as well as with financial policies and an inadequate financial infrastructure for doing business in Russia. The vast majority of the experienced issues seem to relate to weak formal institutions.

In Russia, the government and government agencies hold significant levels of arbitrary power that can help or hinder business based purely on how the officials feel that day. The phenomenon can be observed in both high and low parts of government: the local fire inspector can be as difficult as a federal minister (Fey & Shekshnia 2011). During the current times of constantly changing business infrastructures, companies are dependent on municipal, regional and federal officials to create a business environment that allows them to prosper (Frye et al. 2009). Unwantedly, the Russian government has more control over the locally operating manufacturing and service sector firms than it does for natural resource firms, since the latter operate in a global market with fluctuating prices that are largely beyond the control of the Kremlin (Frye et al. 2009).

In their review of the literature on business-state relations in Russia in the 1990s, Frye et al. (2009) have identified three models that emphasize the pathologies of the business-state relationship in Russia: the state capture model, and the grabbing hand versus the helping hand models. The state capture model claims that the 'bureaucrats turned businesspeople' managed to capture the Russian state, enrich themselves, and undermine economic development, and fits well for describing the oligarch-dominated firms in the privatization and transition efforts of the 1990s. In the Putin years, however, the state capture model was turned on its head by researchers claiming that the federal government has indeed captured business and can decide which firms will be favored (Frye et al. 2009). The grabbing hand model envisioned state officials who provided few public goods, failed to coordinate their governance strategies (leading to high corruption), remained beyond the reach of legal institutions and imposed heavy regulatory burdens on companies. In contrast, the helping hand model saw state officials as intimately involved in the promotion of economic activity, providing favorable policies to some firms, but not others, and having a coordinated governance strategy that led to lower overall corruption (Frye et al. 2009).

In their own study, Frye et al. (2009) concluded that while the fingerprints of the grabbing hand model were still present, there was evidence in support of some aspects of the helping hand model. Data from 2007 indicated that regional governments have biased the formal and informal institutions toward a specific group of companies that has indicated an intention to direct investment activities to the region. In return, these firms were more likely to provide aid and assistance to the regional governments than other firms (Frye et al. 2009). Thus, instead of business or state capturing the other, Russia seems to have taken small steps toward a model of mutuality between business and state – i.e. ‘if you scratch my back, I will scratch yours’. In short, these research results indicate a change in the business-state relations from 1990s, where strong evidence for the grabbing hand model and oligarch firms capturing the state existed.

However, the change in the business-state relations has not been a one-way street in which regional governments would have showered investor firms with benefits without receiving anything in return (Frye et al. 2009). In 2007, firms that had invested or had intentions to invest in Russia were significantly more likely to report that they had offered various forms of aid to the regional government than did non-investor firms (Frye et al. 2009). This indicates that corruption still runs deep in the country. Indeed, as Fey & Shekshnia (2011) point out, some estimates put the size of Russia’s corruption economy at 10 to 15 percent of GDP, which can be considered a conservative estimate since it only reflects traditional cash bribes. Frye et al. (2009) found similar issues in their survey, where they noted an increase in the perception of corruption and bribery as a problem between the years 2000 and 2007 at the municipal and regional levels. It is therefore possible and even probable that at least some parts of the improvements in business-state relations can be traced back to the increase of corruption as a problem. Fey & Shekshnia (2011) comment that Russia is a distinct market with a specific set of rules, and that these rules need to be taken into account when operating in Russia.

Because of the void created by the weak legitimacy of the country’s formal institutions, managers and businesses in Russia have had to rely excessively on informal institutions, including personal networks, to conduct business (Frye et al. 2009, Fey & Shekshnia 2011, Puffer & McCarthy 2011). Most of the informal practices focus on transactions done through social networks or *sviazi* (connections), including the use of favors known as *blat* (Puffer & McCarthy 2011). The use of *blat* and networks can be seen as one of the reasons for the high levels of corruption seen in the Russian business and society even today. Moreover, as a direct result of the use of personal networks and lack of formal institutions, trust and credibility have become important components of the Russian business culture, with the low level of generalized trust remaining a barrier to the growth of Russian business (Puffer & McCarthy 2011). A consequence of the low general level of trust is that foreign firms need to spend considerable time and effort building the particularized trust.

In the study of Russian culture through Hofstede's cultural dimensions, numerous Russian dimensions were found to differ from those of Western developed nations, with some, such as high power distance, creating obstacles to successful ventures and operations between Westerners and Russians (Fey & Shekshnia 2011, Puffer & McCarthy 2011). The contemporary Russian culture has been developed during and influenced strongly by the country's Soviet past, and still shows many cultural traits from those periods (Puffer & McCarthy 2011). These include collectivism, paternalism, admiration of strong leaders, fear of responsibility, mistrust of outsiders, and reliance on one's own networks; many of which are contrary to internationally accepted ways of doing business.

Knowledge management, which includes management education and knowledge transfer, is an important mechanism through which companies in Russia could move beyond ties to the traditional, informal cultural-cognitive institutions. The environment in Russian business has dramatically affected knowledge management, which was either considered unimportant or was managed inadequately so that relatively little new knowledge was introduced into companies (Puffer & McCarthy 2011). In the years following the start of privatization activities in Russia, the failure to develop effective corporate governance limited access to financing for most companies, and the potential knowledge for developing effective governance never emerged as a result. Additionally, with business strategies severely limited due to a focus on survival, new knowledge that might have improved competitiveness was generally ignored. The prevalence of knowledge hoarding and hostility toward knowledge sharing in Russian firms has been seen as reflecting the country's traditional attitudes toward external knowledge, the economics of knowledge sharing, and individual behavior, all of which impede the flow of knowledge (Puffer & McCarthy 2011). The analysis of Puffer & McCarthy (2011) showed that the weaknesses in knowledge management stem from one basic source: continuing distrust of formal institutions and reliance on informal institutions based in the country's traditional culture. Thus, the overwhelming influence of the current Russian institutional environment – both the legitimacy void of formal institutions and the following reliance on informal institutions – has continued to dominate business in Russia.

However, it is positive to see that while much of the existing work stresses the difficulty of changing the informal rules of the game, Frye et al. (2009) have found evidence of a considerable change in the informal institutions over a relatively short period of time. More generally, this change in informal institutions in a relatively short time would suggest that informal institutions are more mutable than many accounts suggest (Frye et al. 2009). This may, in fact, have a positive effect in the conditions for business in Russia and make the country a more attractive target market for foreign operations by effectively reducing the costs and risks of doing business. However, doing business in Russia will still remain a challenging venture for the foreseeable future, since some recent moves by the

Russian central government suggests that foreign companies may face new formal and informal hurdles such as restrictions on investing in certain industries without presidential approval (Fey & Shekshnia 2011). The economic growth potential of the Russian market, however, will continue to attract the interest and presence of international companies. Even though doing business in Russia creates a lot of challenges, there is also a positive aspect to them: the companies without specialized knowledge of how to do business in Russia are unlikely to succeed, which will provide a competitive advantage to those who have this knowledge.

2.3 Summary

As unaudited documents, the textual sections of annual reports are subject to the management's self-serving agenda and may contain a biased record of the past year's performance as well as the causal relations that led to it (Clatworthy & Jones 2003). Since companies need to justify their organizational performance and provide cues for interpreting accounting information in their annual report discourses, literature on studying annual reports suggests that these discourses usually contain a variety of impression management behaviors, self-serving attributions being only one behavior in the impression management repertoire (Staw et al. 1983).

Recent literature implies that organizational performance is a significant trigger for impression management behavior and self-serving attributions. Depending on the study, the main triggers for these behaviors were negative performance (Aerts 2001) – which gives the management the sense of vulnerability creating the need to justify the bad figures – as well as a general change in performance, for better or for worse. These cues should provide a good starting point for finding impression management behaviors in the letters to shareholders. In addition, Staw et al. (1983) concluded that organizational performance was not as important a determinant of causal attributions as the specific type of news conveyed – so the probability of self-serving attributions should be higher whenever negative news is presented.

The Russian market is bi-polar in nature in the sense that it has an endless amount of possibilities due to its vast size, fast growth rate (Puffer et al. 1998) and developing nature (Larimo & Huuhka 2007), while at the same time preventing companies from operating there due to the weak legitimacy and arbitrary power of formal institutions (Puffer & McCarthy 2011), reliance on personal networks and informal institutions as well as a lacking (financial) infrastructure for doing business (Frye et al. 2009). Considering this, managers have the pressure to portray their expansion activities to Russia in a favorable light and present them in the context of growth rather than in the context of risks – especially if the performance in the market has not been satisfactory before. However, regulators and shareholders alike expect companies to give a true and fair view of their operations in their

accounting discourses. Therefore, due to this balancing act that managers are faced with, the discourses in which companies touch the subject of 'growth in Russia' offer an extremely interesting studying point for examining the processes and communication choices made underlying these discourses. There is probably no methodology better suited for this kind of study than the critical discourse analysis methodology, which will be presented in more detail in the next chapter.

3 Critical discourse analysis

Chapter 2 illustrated how managers are inclined to engage in self-serving behavior in their accounting discourses – especially related to seeking growth in Russia. However, as stated before, companies in general tend to avoid explicit causal attributions (Clatworthy & Jones 2003) and, instead, favor implicit expressions. In order to shed light to both implicit and explicit self-serving behavior in the companies' letters to shareholders, I applied the methodology of critical discourse analysis in this thesis. The methodology offers a great tool for gaining an in-depth perspective of these behaviors due to its critical approach and view of discourses as a force capable of (re-) creating social reality.

3.1 Background

Critical discourse analysis (hereafter CDA) is a cross-disciplinary approach to the study of discourse, and is widely used for analyzing text and talk in organizational studies, humanities and social sciences (Vaara & Tienari 2004). In CDA, language is seen as a form of social practice, but there are two schools of thought regarding the role of language. The traditional school sees the role of language as descriptive, but the more modern school of social constructionism suggests that discourses have the capability to (re-)construct social reality (see Jokinen et al. 1993, Fairclough 2005). Indeed, according to Norman Fairclough (2005), the pioneer in the field of critical discourse analysis in organizational studies, social phenomena are socially constructed in discourses.

Critical discourse analysis differs from traditional discourse analysis in the sense that it implies adopting a critical perspective (Vaara & Tienari 2004). CDA may be generally seen as a branch of critical scholarship (Leitch & Palmer 2010), and as a methodology it allows us to examine the role discourses have in constituting the world we live in. Due to this constructive nature discourses, in fact, (re-)produce knowledge, culture, identities, subjectivities, and power relationships in social and societal settings (Vaara & Tienari 2004, p. 344). Therefore, discourses can be regarded as an important element of social practices, which are not, however, reducible to discourse, but rather articulations of discourse that contain also non-discursive elements (Fairclough 2005).

CDA researchers study discourse by placing texts in their context, rather than as isolated objects (Leitch & Palmer 2010). Context in this sense is an analytical construct that emerges from specific

research questions and seeks to define – in addition to being defined by – the articulation of moments that is relevant to the constitution of specific kinds of organizational texts (Chouliaraki & Fairclough 2010). Context itself is best conceptualized as an epistemic object dialectically arising out of the multitude of ways by which CDA problematizes discourse as an instrument of power (Chouliaraki & Fairclough 2010). Vaara & Tienari (2004) point out that this kind of context-related research demands the ability to make sense of both the links between specific textual characteristics and related discourses as well as the links between the discourses and the corresponding socio-cultural practices.

Therefore, CDA research tends to favor in-depth analysis of and holistic learning from specific texts rather than quantitative measures, such as content analysis (Vaara & Tienari 2004). The concern of CDA research is with the relationship and tensions between pre-constructed social structures, practices, identities, orders of discourse and organizations on the one hand, and processes, actions, events on the other (Fairclough 2005, p. 923). Critical discourse analysis is, thus, united by its critical lens, which is focused on the ways in which knowledge, subjects, and power relations are produced, reproduced, and transformed within discourse, and is operationalized through a variety of methods to analyze texts in context. (Leitch & Palmer 2010, p. 1195)

3.2 Main premises of critical discourse analysis

Jokinen et al. (1993, p. 17-18) propose a model of five main theoretical assumptions underlying the concept of discourse analysis, and Vaara & Tienari (2004, p. 244-245) present a list of four general characteristics of critical discourse analysis. Both lists have managed to capture essential parts of CDA, but have either repeated similar characteristics in several parts of the list or left out something essential. Therefore, I have formed a combination of the similarities and other important aspects of these two lists into what I call the six main premises of CDA. The following chapters illustrate these premises in more detail.

The six main premises of CDA:

- 1) CDA implies having a critical perspective
- 2) Language and discourse have a social constructionist nature
- 3) CDA aims at revealing taken-for-granted assumptions and examining power relationships
- 4) The researcher is not a neutral observer
- 5) Meaning can be determined only in its context
- 6) There are parallel systems of meaning that compete against each other

Adapted from Jokinen et al. (1993) and Vaara & Tienari (2004).

As stated by Vaara & Tienari (2004) and Leitch & Palmer (2010), CDA implies having a critical perspective. The critical perspective could be dubbed as the underlying principle of CDA, since it is one of the key differentiators between CDA and 'traditional' discourse analysis. Among other schools in critical scholarship, CDA examines and criticizes society and culture, drawing from knowledge across social sciences and humanities. Particular facets of critical interest for CDA revolve around reducing the entrapment in systems of domination or dependence, expanding the scope of autonomy and reducing the scope of domination in a social and societal setting. In practice, this means that language is not taken as a given but, instead, is seen as a constitutive force in (re-)creating social reality – and the motives behind the use of language in constructing this reality are, in this sense, of great importance in critical discourse analysis.

This critical perspective of CDA stems from a view that Fairclough (2005) calls critical realism. It is a particular version of realism that argues that the natural and social worlds differ in the sense that the latter is socially constructed, or put in simpler terms, dependent on human action for its existence. According to Fairclough (2005), critical realists assume a 'stratified ontology', in which structures and processes are seen as different strata of social reality with different properties. This ontology draws a distinction between the 'real', the 'actual', and the 'empirical': the 'real' being the domain of structures with the causal powers related to them; the 'actual' the domain of events and processes, and the 'empirical' the part of the real and the actual that is experienced by social actors (Fairclough 2005). Since these three aspects are separate from each other, mediating entities are needed in accounting for the relationship between existing structures and construction processes (Fairclough 2005). These mediating entities are social practices – one of which is discourse.

The main premise of the social constructionist nature of discourse noted by, among others, Jokinen et al. (1993), Vaara & Tienari (2004) and Fairclough (2005) is derived from the modern view of the role of language and discourse, in which language and discourse are not seen as descriptive, but rather as having a social constructionist nature. In this view, language and discourse are seen as social practices, which have the power to create, recreate and shape reality (Jokinen et al. 1993). An example of this phenomenon was quoted in Fairclough (2005), in which the authors suggested that organizations exist only in so far as their members create them through discourse. Indeed, organizational communication has the power to organize people and contribute to the change in and transformation of organizations.

Elements of the social sphere, in being socially constructed through discourse, come to incorporate particular discourses and discursive elements without being reducible to them (Fairclough 2005). Since discourses have a social constructionist quality to them, business organizations should be ana-

lyzed as partly discursive objects, but at the same time a constant analytical focus should also be kept on the relations between discursive and other social elements (Chouliaraki & Fairclough 2010). The key implication of the social constructionist nature of discourse for critical discourse analysis is that these social constructions imply a tension between the construction process and existing pre-structured objects (Fairclough 2005). This tension arises from the fact that discourse as a constructing force can be used both for reinforcing existing objects as well as a force of resistance for challenging taken-for-granted assumptions and revealing power relationships. These will be addressed in the next main premise of CDA.

The view of CDA as a resource for struggle, as presented in the end of the chapter above, has also been highlighted in Norman Fairclough's work. According to him (Fairclough 2000), CDA asks what kind of problems people are facing, what they are doing to respond to these problems, and how can these resistances be strengthened and coordinated into a viable alternative. Most interesting for CDA is the role of discourse in this struggle: how can discourse be recognized as a key entity without exaggerating it?

Vaara & Tienari (2004, p. 345) continue the point by stating that CDA aims at revealing taken-for-granted assumptions in social, political and economic spheres, and at examining power relationships between various kinds of actors. In short, CDA has the power to make certain things visible, which otherwise would often pass unnoticed. Leitch & Palmer (2010) build on the same argument by stating that CDA as a branch of critical scholarship has a focus on social problems and the power dynamics associated with them, such as systems of domination and instances of resistance. Chouliaraki & Fairclough (2010) add that the epistemic interest in CDA research on explicating how these dialectical processes and relations are shaped by relations of power, how the dialectics of discourse figures in the constitution and consolidation of forms of social life which lead to and perpetuate injustices and inequalities and are detrimental to the well-being of many people, and how it figures and might figure in social movements and struggles for fairer, more democratic, ecologically sustainable forms of social life. The nature of these processes and relationships, including their consolidation and effects on social life, vary between institutions and organizations, and according to time and place, and it needs to be established through analysis (Chouliaraki & Fairclough 2010).

Research shows various examples of how seemingly 'neutral' and 'factual' discourses in fact reinforce and legitimize existing social objects (see Vaara & Tienari 2004). Fairclough (2000) provides an excellent example of this phenomenon from the neo-liberal global order discourse: "- - the 'globalized' world offers unprecedented opportunities for 'growth' through intensified 'competition', but requiring unfettered 'free trade' and the dismantling of 'state bureaucracy' and 'unaffordable' welfare pro-

grammes, 'flexibility' of labour, 'transparency', 'modernization', and so forth (Fairclough 2000, p. 148)". So, the power of CDA lies in its ability to detect and bring forward these practices and serve as a resource for struggle against them. Essentially, this ability may (and indeed will) be extended to impression management behaviors in annual reports.

The importance of researcher reflexivity within the research process is emphasized by all major CDA theorists (Leitch & Palmer 2010). Researcher's reflexivity implies having the understanding that the researcher is not a neutral observer, but that his role is to acknowledge a particular kind of critical perspective and be fully aware of its implications (Vaara & Tienari 2004).

In essence, acknowledging this role means at least two things for the CDA researcher. First, as Vaara & Tienari (2004) point out, the creation and formulation of research questions is vital. In that process, the researcher already acquires a certain perspective and is set to look at discourses in the research material through a specific lens. However, specific care needs to be taken in order to not end up with research results that only strengthen the researcher's existing ideas.

Alvesson & Kärreman note another issue that the CDA researcher needs to consider. When choosing how to limit the amount of text to be studied, researchers are confronted with the issue of rigor versus significance (Alvesson & Kärreman 2000). Leitch & Palmer (2010) conclude that fewer texts may be analyzed in greater detail, but a smaller body of texts means more difficulties in justifying the broader significance of the analysis. However, this issue does not relate only to quantity. In critical discourse analysis the quality of the studied discourse material is also crucial. If the material provides only few cues for critical discourse analysis, and is subject to a large extent to free individual interpretation, the researcher should notice this issue and express it explicitly.

An emphasis on context is the aspect that distinguishes CDA from traditional linguistics (Leitch & Palmer 2010). Context is crucial for CDA due to the fact that discourses and specific discursive practices are intertwined with other social practices. Therefore, in order to adequately understand discursive acts and processes, one should also understand the specific social and societal context of the situation (Vaara & Tienari 2004). For example, in studies of seeking growth in foreign markets – such as this study – the social practices that push the concept forward as well as their possibly problematic consequences should be analyzed carefully. Moreover, history plays a key role in understanding context, since specific texts cannot be properly studied without first understanding the history behind them. Chouliaraki & Fairclough (2010) point out that research questions are the main way of focusing down to the aspects of context that are seen relevant for each particular study.

As quoted before in this study, context is an analytical construct that emerges from specific research questions and seeks to define – in addition to being defined by – the articulation of moments that is relevant to the constitution of specific kinds of organizational texts (Chouliaraki & Fairclough 2010). Leitch & Palmer (2010) agree with Chouliaraki & Fairclough (2010) in that context problematizes discourse as an instrument of power as well as the taken-for-granted conceptual territories in CDA. In their model, Leitch & Palmer define context as consisting of discourse practices, including the production, distribution, and interpretation of texts, and social practices, including power and ideology (Leitch & Palmer 2010).

Context is not only crucial for understanding discursive processes but also the only way to determine their meaning. The same discourses may be associated with different meanings depending on the place, time and setting in which they occur. Building on this concept, Leitch & Palmer (2010) argue that these differences in meaning can be explained by looking at the ways context is defined and articulated. This variety in the definitions of context within critical discourse analysis research implies that researchers should explicitly express the definition of context in use in their research.

The assumption made by Jokinen et al. (1993, p. 17) of the existence of several parallel and competing systems of meaning implies that the social reality consists of a multiplicity of possible meanings. On one hand, a specific social object can be associated with several different meanings by various participants of discourse, and on the other hand one single participant of discourse may give various meanings to one social object. The simultaneous existence of at least two potential different meanings indicates that language cannot unambiguously describe reality (Jokinen et al. 1993).

Therefore, it is important to note that discourses take their final character based on the researcher's interpretations and that they can and should also be defined in relation to other discourses (Jokinen et al. 1993, Vaara & Tienari 2004). This phenomenon may be called intertextuality, meaning the links between different discourses and texts. As with context, understanding of specific texts cannot be achieved unless they can be linked with other texts and discourses. In CDA research, the researcher should place specific discursive elements and practices in the text in question in their wider context (Vaara & Tienari 2004). Leitch & Palmer (2010) argue that intertextuality, the analysis of both individual texts and the relationships between texts, is the attribute through which CDA offers insights into social phenomena. Fairclough (2005) touches upon the same issue but calls it the 'relational character of discourse analysis'. This means that CDA is concerned with relations between discourse and other social elements, and relations between texts as discursive elements of events and orders of discourse as discursive elements of networks of social practices – and, ultimately, languages and other semiotic systems as social structures (Fairclough 2005).

Different discourses also compete against each other, and the ones that hold the highest place in the discourse hierarchy may become obvious 'shared truths', thus suffocating weaker discourses (Jokinen et al. 1993). Indeed, the order of discourse of a particular organization will include discourses which are potentially conflicting alternatives, whose relations are defined in terms of dominance, resistance, marginalization, innovation, and so forth (Fairclough 2005). In the next chapter I will illustrate the emergence and competition of discourses in more detail.

3.3 Discourse lifecycle

Fairclough (2005, see also Chouliaraki & Fairclough 2010) has identified four broad sets of research issues in CDA which can be addressed specifically by discourse analysts in trans-disciplinary research on organizational change. I argue that in addition to being associated with organizational change, these four categories also form a so-called discourse lifecycle for specific organizations. The categories are the emergence, hegemony, recontextualization and operationalization of discourses.

The emergence of discourses relates to the principle that nothing comes out of nothing, that new discourses emerge through reweaving relations between existing discourses (Fairclough 2005). Chouliaraki & Fairclough (2010) continue to explain that discourses emerge as particular ways of construing particular aspects of the social process that simplify and condense complex realities become relatively recurrent and enduring, and in this process include and focalize certain aspects of these complex realities while marginalizing others. The effect of emergent phenomena in social processes and texts depend on whether they are incorporated into the strategies of social groups, and on the success or failure of competing strategies in hegemonic struggle (Fairclough 2005). Indeed, from these emergent discourses some endure longer than others, and are taken up by more people, thus achieving varying measures of dominance over others (Chouliaraki & Fairclough 2010). These enduring discourses, when gaining sufficient dominance, may become hegemonic. An example of a hegemonic discourse in the contemporary world would be the positive discourse around globalization from a capitalist point of view.

Recontextualization identifies the principles according to which external discourses (and practices) are internalized within particular organizations (Fairclough 2005). For example, schools, businesses and organizations from various fields have their own distinctive ways of constructing reality, as well as internalizing discourses that are 'external' to them. Certain discourses become more extensively recontextualized than others, for example by being shifted from organizations, institutions and fields to others (Chouliaraki & Fairclough 2010).

Achieving a significant measure of dominance may be a precondition for discourses to become recontextualized, but that is certainly the case for discourses to become operationalized (Chouliaraki & Fairclough 2010). From a theoretical point of view the operationalization of discourses is a matter of dialectical relations between discourse and material reality, and dialectical relations between discourses, genres and styles (Chouliaraki & Fairclough 2010). Operationalization means 'putting discourses into practice', dialectically transforming them into new ways of acting and interacting, new identities, and new material realities (Fairclough 2005, Chouliaraki & Fairclough 2010). For example, organizations may operationalize successful strategies, which are merely discourses to start with. Then, these strategies will cease to be imaginary and have an effect on material reality (organizational change), workplace genres (ways of interacting communicatively) and styles (discursive facets of the identities of employees).

The discourse lifecycle from a single organization's point of view consists of these five steps. First, a new discourse emerges from a combination of 'old and new' discourses, then in the competition of discourses some become to dominate others and a few will even reach a stage of hegemony. The dominant or hegemonic discourses will eventually be recontextualized, used in a different context, as well as put into practice, operationalized. Then, out of the operationalized discourses, something new will emerge as a combination of old and new – and we move back to the beginning of the cycle. To name an example, strategy discourse in a company could be said to follow this lifecycle. It starts out with competing ideas – strategy discourses –, and through competition some discourse(s) will become more popular and enduring. Eventually these discourses will be recontextualized to a different context, and finally, they will be operationalized and start to have an impact on actual work within the organization.

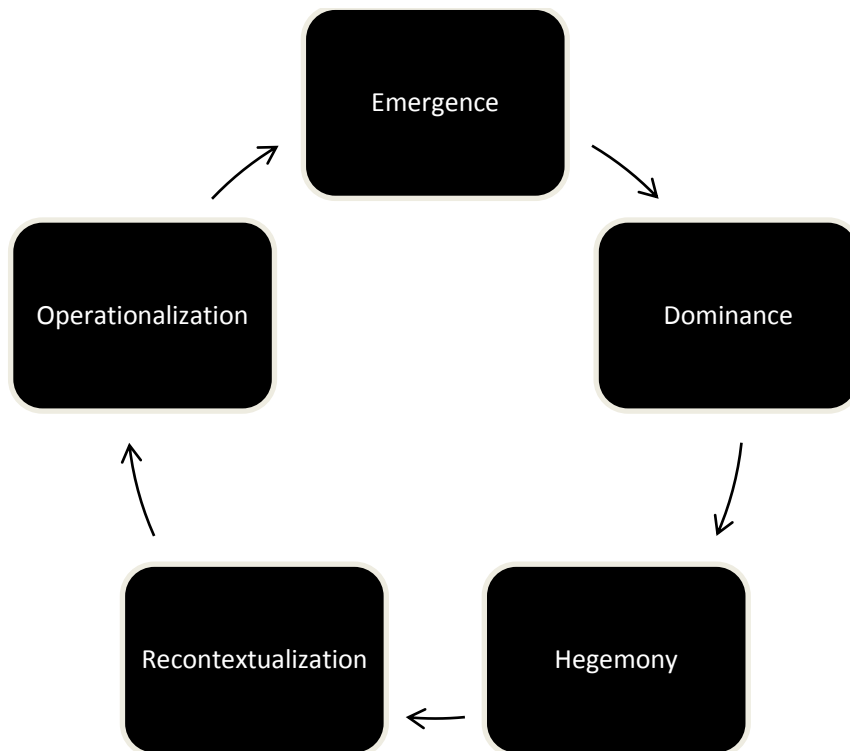


Figure 1: The discourse lifecycle from a single organization's point of view (adapted from Fairclough 2005 and Chouliaraki & Fairclough 2010)

4 Methodology

4.1 CDA in this study

Currently, the majority of discourse analysis studies as well as research regarding annual reports or letters to shareholders rely on content analysis and other quantitative measures with very little to none in-depth critical discourse analysis studies. This study aims to fill the void by taking an in-depth analytical and critical approach into the discursive practices taking place in the letters to shareholders with a focus on trying to understand how companies communicate their performance and future outlook for their Russian operations, and what kind of motives lay behind these means of communication. Acknowledging the nature of language as a (re-)creator of social reality, and the incentives for top management of a company to present themselves in the best possible light, this version of critical discourse analysis focuses, in particular, on bringing forward the underlying motives of using language for the 'justification and 'naturalization' of the companies' expansion activities to Russia. And perhaps the most suitable method as well as object for accomplishing this purpose is to conduct a critical discourse analysis on the letter to shareholders – the most read section of the most read external communications document issued by a company.

Pursuing growth in foreign markets is not an easy subject. It implies entering an unknown market with its own specific competitive forces and ways of doing business. Since these endeavors imply significant risk and uncertainty in the form of lacking market knowledge (Johanson & Vahlne 1977), and since management tends to show self-serving impression management behavior in their accounting discourses, it can be expected that their letters to shareholders contain elements that can be brought forward with critical discourse analysis – such as not disclosing negative news.

The CDA approach taken in this study follows the six main premises of CDA, which were explained in detail in chapter 3.2. First, I will apply the critical perspective of CDA and challenge the taken-for-granted assumption in Finnish growth discourse, where Russia is seen among the natural first choice for foreign market expansion. Furthermore, my CDA approach welcomes the school of social constructionism suggesting that discourses have the capability to (re-)construct social reality and, thus, I will shed light to the growth and Russia-related discourses of the top management which aim to construct a reality that differs from the ‘actual’ and ‘real’ causalities of events. In terms of intertextuality, I will reference other texts and events related to the discourses seen in the letters to shareholders wherever applicable. And in terms of researcher’s reflexivity, I will explain my position and presuppositions below as well as in Chapter 4.1.

The critical discourse analysis approach taken in this thesis should also be explained in terms of the position it assumes regarding its level of social interest. An adaptation of Alvesson & Kärreman’s (2000) four versions of discourse analysis framework will be used for this purpose.

Alvesson & Kärreman (2000) categorize discourse analysis approaches into four versions: the micro, meso-, Grand and Mega-Discourse approaches. The micro-discourse approach focuses on social texts, calling for the detailed study of language in a specific micro-context. The meso-discourse approach is relatively sensitive to language use in context, but seeks to find broader patterns and go beyond the details of the text as well as generalizing to similar local contexts. The Grand Discourse approach (note that discourse in these last two categories is spelled with a capital D) represents an assembly of discourses, ordered and presented as an integrated frame. A Grand Discourse may constitute organizational reality, for example dominating language use about corporate culture or ideology. The Mega-Discourse approach is an idea of a more or less universal connection of discourse material. Typically, this approach addresses more or less standardized ways of constituting a certain type of phenomenon, e.g. business re-engineering, diversity or globalization. (Alvesson & Kärreman 2000.)

Alvesson & Kärreman’s model offer’s a solid way for categorizing discourse analysis approaches, but I would argue that the categories are not mutually exclusive. Indeed, Leitch & Palmer (2010) have

come to the same conclusion and remark that CDA may be interested in macro notions such as power and domination, but the actual study takes place at the micro level of discourse and social practices. Therefore, to use the terminology of Alvesson & Kärreman, my thesis combines the micro- and meso-discourse approaches with Grand Discourses. The actual discourse analysis takes place in both of these close-range levels, but I will position and tie them to the dominating language use happening in the context of Grand Discourses. For a visual illustration, see the figure below.

In the visual illustration below, the vertical axis represents the discourse analysis approach taken, and the horizontal axis represents the view of discourse that the study adopts. This study is strongly positioned towards the 'discourse determination' end of the axis, which means that it sees discourses as having a dialectical character. Fairclough (2005) is a strong advocate for this position, which states that CDA is concerned with relations between texts as discursive elements of events and orders of discourse as discursive elements of networks of social practices – and, ultimately, languages and other semiotic systems as social structures. Simply put, in this view, discourses are seen to offer important clues to other kinds of social practices than pure language use, which stands in stark contrast to what 'discourse autonomy' advocates believe (Alvesson & Kärreman 2000). In the visual illustration, the two grey ovals and the arrow connecting them represent the position of this study. The upper grey oval represents the level, on which the actual discourse analysis takes place, and the lower grey oval represents the level of context, to which the research results are tied.

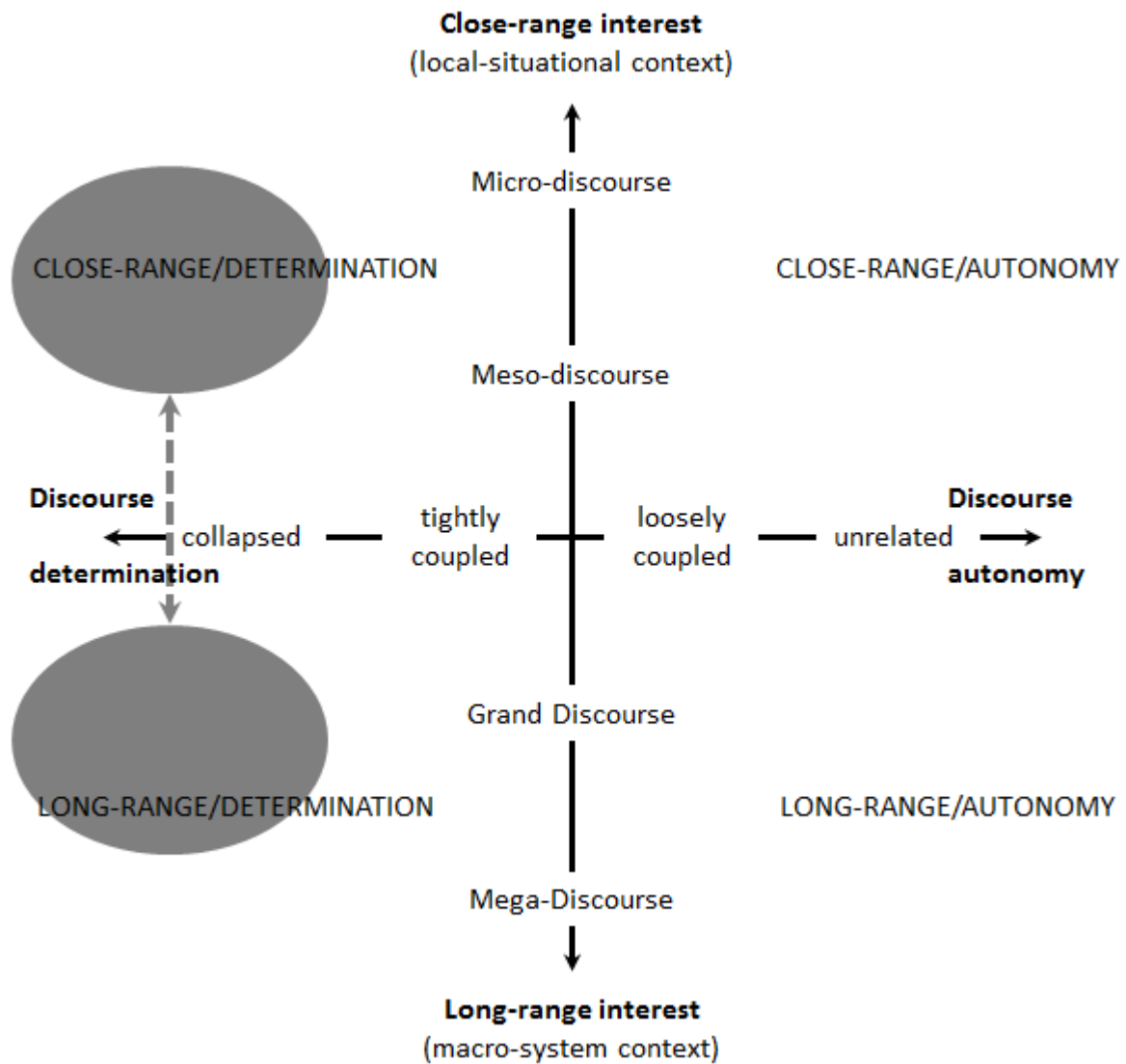


Figure 2: Positioning of this thesis in the discourse context (adapted from Alvesson & Kärreman 2000).

4.2 Research method and process

The research process of this thesis followed the inductive four-step model for critical discourse analysis developed by Vaara & Tienari (2004). The four steps are as follows (Vaara & Tienari 2004):

1. Defining/refining the research questions/interests
2. Overall analysis of the textual material
3. Close reading of specific texts
4. Refining the findings and generalizations

In this model, the research starts by defining the research questions that are of particular interest to the researcher. This first step – ‘constructing objects of research from research topics’, as Fairclough (2005) would call it – is crucial for critical discourse analysis, since it defines the lenses through which the researcher views the textual material, as well as charts the focal points for the analysis. However,

the research topic itself is not self-explanatory in the sense that it would automatically yield up coherent objects of research – instead, specific research questions are needed for this purpose. Indeed, the process of constructing them involves selecting theoretical frameworks, perspectives and categories that affect the very definition of the research topic (Fairclough 2005).

Then, the process moves on to conduct an overall analysis of the textual material. This overall analysis aims to scratch the surface of the material and see, what kind of discourses and interesting phenomena can be seen. In addition, the approach serves as the basis for selecting the interesting specific textual sections to be examined in more detail in step 3. Finally, based on the close reading of these specific texts, the findings from the study as well as generalizations that can be made are presented and discussed. These four steps are intertwined by two kinds of interpretation processes: a theoretical and an empirical interpretation process. In the theoretical interpretation process, underlying theories are used in formulating the empirical approach and pinpointing issues for further examination. In the empirical interpretation process, the findings are then linked to and contrasted with the underlying theories in order to find differences and similarities. For a visual illustration of this process, see the figure below.

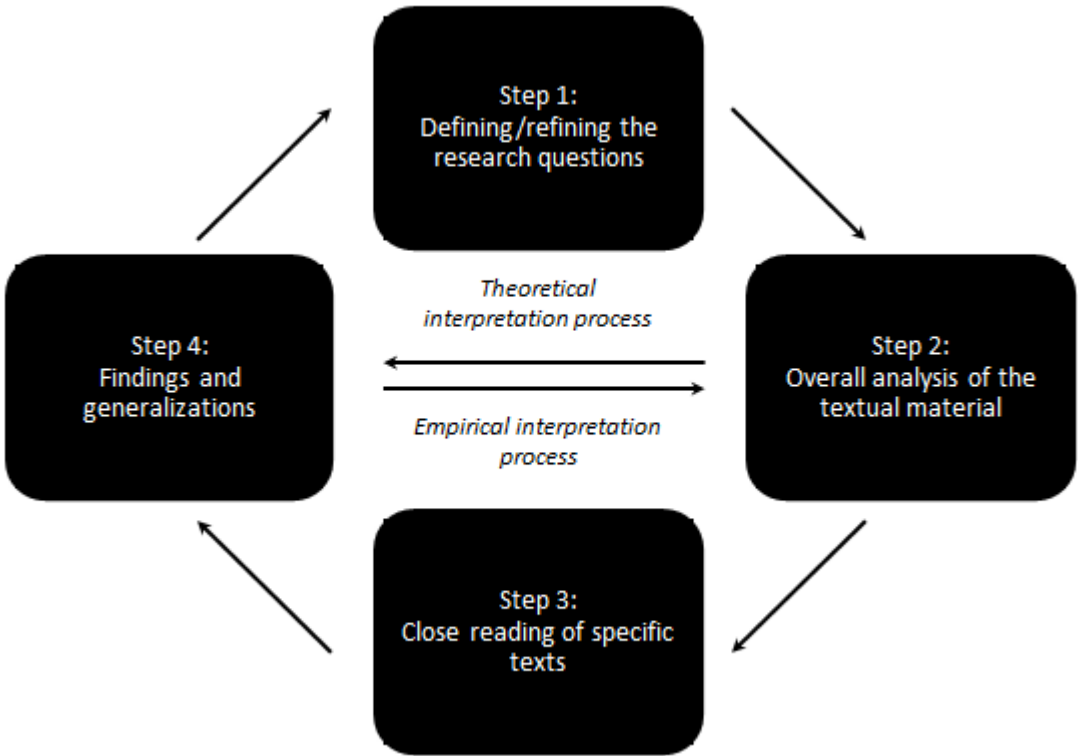


Figure 3: Research process in this thesis (adapted from Vaara & Tienari 2004)

4.3 Companies studied

In order to gain an in-depth understanding of the Russian operations of Finnish companies, a suitable group of companies needed to be hand-picked from all the possible candidates. As my target group, I chose companies that were well-known, large and established in Finland, and that had also been subjected to media coverage due to their activities in Russia – for good or for worse. The group was chosen from amongst Finnish large-cap companies that were listed in the OMX Helsinki stock exchange. Four main criteria were applied in selecting the target companies: (1) they had to be large enough from a turnover and market capitalization point of view, (2) they had to have experience of expanding to and doing business in Russia, (3) they needed to represent different industries, and (4) the target group in total needed to consist of success stories as well as poorer performance from operations in Russia. Based on these criteria, I ended up with the following five companies: Fortum, Kesko, Nokian Tyres, Stockmann and YIT.

Fortum, operating in the energy industry, is of significance since the Russian economy revolves around oil and other energy sources, and also since the Russian energy assets have recently been subjected to privatization activities. This provides an interesting starting point for finding out how the company itself sees this development, and how it is able to take part in it. Kesko, operating in the retail industry, is the most recent entrant to the Russian market and probably closest to the Russian consumers in their everyday choices. Since the company's main business is characterized by high volumes and low margins, and the company has just expanded its operations to Russia in 2005, it is interesting to see how they see the development of their possibilities and challenges in the Russian market coming from a standpoint of relatively little experience of business in Russia. In contrast, Nokian Tyres, Stockmann and YIT, represent companies that have operated in the Russian market for a relatively long period in time. Nokian Tyres has had an own production facility in Russia starting 2005 and the company generates a fourth of its revenues from this neighboring country. Stockmann and YIT have both operated in Russia for more than two decades (YIT already in the 1960s), but the real reason for including them in the target group lies in the fact that both have recently received negative publicity for their Russian operations. Stockmann ran into problems with one of its lessors, who cut the power to their department store in Russia forcing them to close down the store. And YIT was in the news for the excessive levels of ammonia found in one of their residential constructions in September 2011, causing complaints from 40 residents. It is interesting to see whether these activities have any effect in the way in which the companies communicate matters related to their expansion to Russia.

So, the target group of companies studied was selected in pursuit of a balanced and comprehensive mix in terms of operating industry, good and poor performance in Russia, media coverage, dependency on the Russian market for revenues and time of entry to the market. Having such variety in the group will help in underlining possible differences and similarities between the studied companies regarding the communication of their performance and future outlook in Russia. The table below summarizes the target companies (including the percentage of their revenues generated in Russia in 2011), and in the following chapters each company will be introduced in more detail.

Company	Description	Entry year	% of revenues from Russia
Fortum	Energy company focusing on sustainable energy production	1990s	15 %
Kesko	Retail conglomerate operating in the food, home and specialty goods, building and home improvement, and car and machinery trades	2005	3 %* * Russia and Belarus
Nokian Tyres	Tire manufacturer facilitating safe transportation in northern conditions	1998	26 %
Stockmann	Retailer with department stores and fashion outlets	1989	16 %
YIT	Building systems and construction service company	1961	7 %

Table 1: Summary of companies studied

4.3.1 Fortum

Fortum is a leading energy company in the Nordic countries, other parts of the Baltic Rim area and Russia. The company’s activities cover the generation, distribution and sale of electricity and heat as well as the operation and maintenance of power plants. Fortum has a strong focus on sustainable energy production: over 91 % of the electricity produced is CO₂ free. The company’s turnover in 2011 was 6.1 billion euros, of which roughly 15 % came from Russia. The predecessor of Fortum, Imatran Voima, was founded in 1932. The company currently known as Fortum was formed in 1998 in the merger of Imatran Voima and Neste Oy, the latter of which was later divested as a separate listed company.

4.3.2 Kesko Oyj

Kesko is a trading sector service provider operating in the food, home and specialty goods, building and home improvement, and car and machinery trades. Kesko has about 2,000 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, and Belarus. The turnover of the company in 2011 was 9.5 billion euros, of which a little over 3 % came from Russia

and Belarus. Kesko was formed when four regional wholesaling companies that had been founded by retailers were merged in October 1940. Kesko as the new company started operating in 1941.

4.3.3 Nokian Tyres

Nokian Tyres is a tire manufacturer focusing on products and services that facilitate safe transportation in northern conditions. The company's passenger car, truck and heavy-duty machinery tires are mainly marketed in areas that have snow, forest and changing seasons that make driving conditions demanding. The company has its own plants in Nokia, Finland, and in Vsevolozhsk, Russia. Nokian Tyres' turnover in 2011 totaled roughly 1.5 billion euros, of which about 26 % came from Russia and CIS countries.

The company traces its history to a groundwood pulp mill established in 1865. Car tyre production began in 1932 under Suomen Gummitehdas Oy (Finnish Rubber Works Ltd). A three-company merger formed the Nokia Corporation in 1967; Nokian Tyres Limited was established in 1988 as a joint venture company split from the conglomerate.

4.3.4 Stockmann

Stockmann, established in 1862, is a Finnish listed company engaged in the retail trade. It has approximately 45 000 shareholders. The company's revenue in 2011 was 2 billion euros, over 16 per cent of which came from Russia and Ukraine. Stockmann's three divisions are the Department Store Division and the Lindex and Seppälä fashion chains.

4.3.5 YIT

YIT Group is a European service company operating in building systems and construction. YIT builds, develops and maintains residential buildings, business premises, entire areas and the required infrastructure in the Nordic countries, Central Europe, Russia and the Baltic countries. In Russia, YIT is one of the most significant foreign housing construction companies. The YIT story extends back to 1912 when Yleinen Insinööritoimisto started out in Finland. The company's total turnover for 2011 was 4.4 billion euros with approximately 7 per cent coming from Russia.

4.4 Material and analysis

In critical discourse analysis, the researcher has an important role in constructing the objects of research based on specific research interests (see e.g. Fairclough 2005). For me, the process of searching for the research materials started when reading a negative profit warning issued by Stockmann due to problems in their activities in Russia. When reading the profit warning, I noticed a mismatch between the company's financial performance and the future outlook regarding their growth potential in Russia – and saw that this mismatch would make up for an interesting research topic. Digging a

little deeper, I noticed that other companies had had to issue negative profit warnings around the very same topic. At first, I thought about studying press releases as discursive texts, but due to the irregular publishing times of press releases as well as the differences between the format and content in the press releases of different companies – which results from varying communications practices and uses for the press releases –, I quickly abandoned the idea. Instead, I turned to another publication that was more standard in respect to both the publishing time as well as content: the annual report of the company, which is among the most important external communication documents of a company (Staw et al. 1983). Since annual reports can contain over 100 pages of text, the majority of which only loosely linked to the specific discourses of growth and Russia, I decided to focus my analysis to the CEO's letter to shareholders, which is the most read section of the corporate annual report (Tessarolo et al. 2010), and usually contains reflections on both of these discourses for companies operating in or thinking about expanding to Russia.

I decided to analyze the letter to shareholders as a discursive text for three specific reasons. First, there are only few documents that can be used for studying the communications of companies' performance and expansion activities to a foreign country – most of which would be internal to the company and, thus, classified. By selecting a publicly available text targeted towards the external audience, I was able to solve two potentially problematic questions: the questions access to and confidentiality of the studied texts. Both of these questions are important in critical studies, for which gaining access to specific companies is, for self-explanatory reasons, difficult (Vaara & Tienari 2004). Second, since the annual report is the primary external communications document of a company, and the letter to shareholders the most read segment of it, it could be expected that the utmost important issues for each company are discussed in the specific document. Third, since the text is called the 'CEO's letter to shareholders' and signed by the CEO, it could be expected to adopt a more personal approach to communications. Moreover, the fact that the CEO's letter is neither regulated nor audited (Clatworthy & Jones 2003), provided an interesting possibility to examine, first of all, how the top management communicates their expansion activities as well as their performance, and what kinds of reasons are given for successes and failures therein.

In order to see the effect of both favorable and challenging external conditions, I selected the CEO's letters to be studied from a relatively long period in time starting from 2007 and ending at 2011. This enabled the analysis of long-term trends and changes in discursive practices as well as annual fluctuations – or lack thereof – based on the company's past year's events as well as the external environment. Based on this relative longevity, I was able to observe trends in both the companies' future outlooks as well as in the way in which annual performance and the reasons leading to it were communicated. For a detailed list of the CEO's letters to shareholders studied, see the table in the ap-

pendix at the end of this thesis. So, in summary, I had a rather large number of texts as my starting target group (five letters to shareholders from five companies, making a total of 25 letters). This was a deliberate choice made in attempt to bring in the best of both options in the question Alvesson & Kärreman (2000) call the question of rigor versus significance: whether to study more texts with rigorous analysis or aim for a holistic in-depth analysis of a few texts. Essentially, I started out with a rather large body of texts (closer to the rigor side of the axis), which I then – with my two-part analysis process – narrowed down to specific key discourses and other interesting phenomena, ending up close to the significance extreme of the dichotomy. In the end, the majority of my analysis was conducted on the few key discourses, and constituted, in fact, an in-depth analysis of a handful of key discourses, as can be seen in Chapter 5. Thus, in the words of Alvesson & Kärreman (2000), I decided to go for significance, and do not aim to make any statistical analysis or mathematically valid generalizations.

As explained above, I adopted a two-part analysis process, the focus of which was on a few key discourses. First, I conducted an overall analysis on the whole textual material. The aim of this overall analysis was to identify the key discourses and other interesting phenomena to be studied in more detail as well as contrast the differences and similarities between the five companies studied. Based on this overall analysis, I then directed most of my efforts on the key discourses by analyzing them to the smallest levels of detail. This was the second part of my analysis, and at this point, I applied the critical discourse analysis methodology explained earlier to the textual passages identified in the overall analysis stage. This was done with a strict focus on the critical aspect, keeping in mind the constitutive nature of discourses to (re-)create social reality (see e.g. Fairclough 2005). Moreover, during this detailed analysis process I kept a constant focus on explaining the context in which the discourses take place, which is a key aspect of critical discourse analysis (Leitch & Palmer 2010). In accordance with the third main premise of critical discourse analysis explained in Chapter 3, I set out to reveal taken-for-granted assumptions such as the discourse of seeking ‘profitable growth’ in Russia.

4.5 Reliability and validity

In qualitative research, the research results are more or less dependent on the subjective choices made by the researcher – such as formulating the research questions. Therefore, evaluating the reliability relates mainly to evaluating the reliability of the research process. I have described my research process openly and transparently in order to make it clear for the reader to follow the research steps which resulted to the conclusions made from this study. To maximize the level of transparency and sharpen my analysis, I have presented the reader with direct quotes from my research

material. Moreover, my research is based on public material, which is accessible to all. Since the researcher's reflexivity and subjective role has been recognized as important in critical discourse analysis (Leitch & Palmer 2010), basing the research on public material will avoid the danger of bias in creating the materials – which is possible when, for example, conducting an interview and creating questions for it. Since this thesis is based on public material, readers have the possibility to compare their findings to my interpretations and, if needed, the whole research can be replicated. I believe that the results obtained by replicating this study (even at a later point in time) would not significantly differ from the ones presented in this thesis. In various phases of my research process, I have made important subjective choices, which I have strived to explain to the reader. The most important of these choices have been the selection of target companies and years for the study as well as the grouping of the topics found in my thesis into various themes.

In critical discourse analysis, similarly to other streams of qualitative research, sample size is not a prerequisite for the success of the study. Rather, a smaller sample size enables more depth in the analysis. Therefore, instead of focusing on a large number of textual materials, I will aim my efforts towards a more profound analysis of the specific texts selected for this study. Although the target group of firms is relatively small (five companies, five texts per company), describing the whole research material in detail in this study is not possible. However, in order to be as transparent as possible regarding the material studied and my interpretations thereof, I have analyzed the textual material first as a whole, and then focused on the most interesting parts and perceptions in more detail. In this process, I have strived to capture all the parts that are relevant from the viewpoint of my research questions. However, this relevance is based purely on my own interpretation, and another researcher might understand the studied material in a slightly different light. This interpretative nature is built in to the methodology of critical discourse analysis, since the same texts can be understood in a different light (see e.g. Fairclough 2005, Leitch & Palmer 2010). Because the results of a critical discourse analysis are based on the interpretations of the researcher, it is important for the researcher to explicitly express their interpretations and the cues leading to them carefully. This is what I have aimed to do throughout my thesis.

Prior to this I have brought forward the literature related to foreign expansion activities and business in Russia as well as presented theories for conducting critical discourse analysis and studying annual reports as texts. Moreover, I have presented my research methodology and textual material, and evaluated the reliability of my research. In the next chapter I will move forward to analyze the research material from the viewpoint of my research questions.

5 Letter to shareholders as a means of external communication

The letter to shareholders is the most read section of a company's annual report (Tessarolo et al. 2010), in which the CEO provides general information to the company's external audience including, but not limited to, a summary of the company's last year's performance, main events of the year and a future outlook. The letter is fairly brief with only about 1-4 pages of text, and it is used as one of the primary communication documents targeted towards the external audience. As the name of the letter implies, the main target audience for the letter are the company's current shareholders. In addition, other external groups such as industry analysts, possible investors and other media representatives have significant interest in the information provided in the letters.

In this chapter, I will first focus on a general analysis of the textual material by assessing the tone and style of the letters to shareholders as well as presenting an overview of the key discourses found in the letters. Then, I will move on to a more detailed analysis by focusing on the key discourses that are most important for the research questions of this thesis. These discourses include performance (as the result of past efforts to seek growth), growth, Russia and the future. This detailed analysis revolves around how the studied companies communicate, justify and legitimize their financial performance, growth prospects, future outlook and expansion to Russia, and aims to answer the research questions posed in Chapter 1.1.

5.1 Style and tone of the letter

Most of the letters to shareholders followed a magazine-style letter-like text format consistent with the other textual sections of the annual reports. The Nokian Tyres' letters bore the most resemblance to traditional letters beginning with a 'Dear Reader,'-greeting and ending in a thank you and the CEO's signature. In addition, the Nokian Tyres and Stockmann letters were more personal also regarding their textual style with versatile, warm and colorful expressions and management's own comments and views, whereas Fortum, Kesko and YIT relied more on presenting facts in a 'neutral' manner. Thus, it would seem that the two smallest companies had the most personal communication styles in their letters. In contrast to the traditional letter-like format seen in the Nokian Tyres' letters, Fortum had 'interview with the CEO' starting in 2008. This presentational change did not, however, have any effect on the actual content of the letter – only the format changed. Similarly to the key discourses of the letter discussed in the previous chapter, the styles did also not change significantly over time, apart from Fortum's shift to an interview format.

Almost all of the letters to shareholders included a studio-quality picture of the CEO in a casual posture. Since the document is supposedly a letter from the CEO to the general audience, this can generally be expected. Adding a picture of the CEO could be an attempt at making the letter seem more

'personal' and at painting a picture of a more approachable and down-to-earth CEO, which would then bring the company closer to the 'common man' reading the document. However, the practice of including a casual picture of the CEO can also be questioned, since it is a well-known fact that companies have entire PR and communications departments working on these letters, rather than having the CEOs themselves doing all the writing. This is backed by the observation that a change in the company's CEO did not trigger a change in the style and content of the letter to shareholders (compare, for example, YIT years 2007 and 2008 as well as Fortum 2008 and 2009).

In terms of style, the letters to shareholders could roughly be divided into two categories. The first would be a 'seemingly neutral' description of past year's events, and the second comes closer to a marketing letter. The two style categories are at least to some extent linked with the key discourses in the letters to shareholders: whenever customer satisfaction, products & services, employees or corporate culture were included in the key discourses, the style drifted towards marketing. Excerpt (1) below illustrates the marketing-oriented style.

- (1) *In Kesko and K-stores, responsibility is part of our daily activities. Customers can rely on the fact that their responsible choices start when they enter a K-Group store. Responsible activities are concrete actions that, for example, improve energy efficiency, reduce the amount of waste, offer a safe product range and improve wellbeing at work and working conditions. Kesko's and K-stores' duties include helping customers make choices that are good for their wellbeing and for the environment. (Kesko 2011, p. 7).*

The content of the marketing-oriented segments of the letters to shareholders share several common traits: they are usually only loosely linked to the year's events of the company, and include a 'company presentation' from the capability or product and service point of view. In sharp contrast to this, the 'seemingly neutral' passages of the letters to shareholders usually revolve around company finances or regular events of the past year. Excerpt (2) below highlights an example of this style.

- (2) *In the Energy Package published in January 2007, the EU made a commitment to find a solution for combining European competitiveness with sustainability and security of supply. In practice the EU is now committed to cutting CO2 emissions by 20%, increasing the share of renewable resources by 20%, and increasing energy efficiency by 20% by the year 2020. It goes without saying that the challenge is huge, considering that during the same period up to 1,300 TWh of new production is needed. To reach these goals with the lowest cost, a well-functioning and efficient market is crucial. Since cooperation between Transmission System Operators (TSOs) is widely seen as a precondition for development of the integration, the Energy Package prompted a discussion around TSO unbundling. Finally, in September, the commission came out with the Internal Energy Market Pack-*

age. Key proposals were full ownership unbundling of TSOs or, alternatively, setting up Independent System Operators (ISOs); the establishment of bodies for cooperation for the regulators and the TSOs; and creation of regional retail markets. (Fortum 2007, p. 6-7).

Since the research sample covers a period of five years consisting of both good and bad years in terms of the economic situation, at least some fluctuation in the tone of the letter could be expected. It would seem intuitive that the tone would follow economic trends or last year's performance in the sense that a year of good or improving performance would be conveyed through a positive letter, whereas a year of poor or declining performance would imply a more serious (or, to some extent, negative) tone. However, the research observations did not back this assumption: the tone of the letter to shareholders was positive for all companies during all years – even in times of poor or declining performance.

The (sometimes overly) positive tone of the letters can be explained at least partially by the fact that the document is meant for investors, analysts and public media, and therefore should convey an image of the company as an attractive investment, service provider or employer. However, accounting practices state that companies should give a true and fair view of their operations in the annual reports – a guideline, which is not only limited to the numerical sections, but should also apply to the annual report discourses. As can be seen from the overly positive tone of the letters to shareholders, this does not hold true. From an investor's point of view, knowing when the company is not doing well – and will not be doing well in the future – is a key piece of information, which apparently cannot be obtained from the company itself. And, as a result, this missing piece of information can prove to be rather costly to investors, as can be seen from the case of Nokia (outside the scope of this thesis), who without exception has posted positive letters to shareholders since the year 2000, but whose share price has since dropped from 65 EUR per share to about 2.2 EUR in May 2012. Therefore, one would hope that even though the management has self-serving interests to show their company in the best possible light, they would still reflect their situation truthfully in the letters to shareholders.

Since the letters to shareholders are unaudited documents (Clatworthy & Jones 2003), they are easy targets for impression management activities – and such activities do, in fact, occur rather frequently. Next, I will present an overview of the key discourses that were found in the letters to shareholders and then move on to examine some of the arising discourses in more detail.

5.2 Key discourses

As could be expected, the letters to shareholders in the Finnish companies' annual reports revolved around the main events of the reporting year. The letters consisted of a relatively consistent set of recurring key discourses which were discussed almost every year over the five-year period studied. In addition, certain non-recurring events from each year were presented most likely to complement the 'standard' discourses with other topical issues. The key discourses across the companies studied were relatively similar, with some appearing in all of the studied letters for all companies, whereas others clearly reflected communication strategy choices of each company. A summary of the discourses found is presented in the table below, in which all the non-recurring events from the year fall into the category "Other year's events". A discourse was considered recurring if it was present in at least two of the five annual reports.

Company	Year	Recurring key discourse												
		Growth	Russia	Performance	Operating environment	Sustainability	Future	Customer satisfaction	Employees	Products & services	Streamlining operations	Corporate culture	Policy & legislation	Other year's events
Fortum	2007	x	x	x	x	x	x	x					x	x
	2008		x	x	x	x	x	x					x	x
	2009		x	x	x	x	x	x					x	x
	2010	x	x	x	x	x	x	x					x	x
	2011	x	x	x	x	x	x	x					x	x
Kesko	2007	x	x	x	x	x	x	x	x	x				x
	2008			x	x	x	x	x	x	x	x			x
	2009	x	x	x	x	x	x	x	x	x	x			x
	2010	x	x	x	x	x	x	x	x	x	x	x	x	x
	2011	x	x	x	x	x	x	x	x	x		x	x	x
Nokian Tyres	2007	x	x	x	x		x		x	x		x		x
	2008	x	x	x	x		x			x	x	x		x
	2009	x	x	x	x		x			x	x	x		x
	2010	x	x	x	x		x			x	x			x
	2011	x	x	x	x		x			x				x
Stockmann	2007	x	x	x	x		x	x				x	x	x
	2008	x	x	x	x		x	x			x		x	x
	2009	x	x	x	x		x				x		x	x
	2010	x	x	x	x		x							x
	2011	x	x	x	x		x							x
YIT	2007	x	x	x	x	x	x		x	x				x
	2008	x	x	x	x	x	x		x		x			x
	2009	x	x	x	x	x	x		x	x	x			x
	2010	x	x	x	x	x	x		x	x				x
	2011	x	x	x	x	x	x			x				x

Figure 4: Recurring key discourse matrix

Unsurprisingly, the company's financial performance, the external operating environment, future outlook for the next year and other non-recurring events from the current year were discussed in all letters to shareholders of all the companies studied. Sustainability seemed to be a main divider for the companies studied: it was either extremely important to a company and discussed in detail or it was not discussed at all – there was no middle ground. This seems to reflect the general trends and

attitudes toward sustainability in society, where companies and individuals alike tend to either focus strongly on sustainable behavior or abide to the bare minimum stated in the legislation.

As can be seen from the figure above, customer satisfaction was a key discourse for Kesko, but not so much for other studied companies. However, this does not imply that other companies would not care for the satisfaction and loyalty of their customers. Instead, they decided to discuss it elsewhere in their annual reports. Similarly to customer satisfaction, employees were discussed explicitly only at Kesko and YIT. However, this does not necessarily reflect the relative importance of employees in the studied companies. Since the letter to shareholders is probably one of the most read documents directed at the general external audience, including the employee discourse is more of a strategic choice of communication with the possible aim of presenting the company as an 'employee-friendly' enterprise in the hope that prospective future employees read the letter to shareholders.. As a curiosity it is worth mentioning that even though Nokian Tyres rarely discusses employees, in three out of five annual reports they mention the corporate culture – their internal 'Hakkapeliitta spirit' –, which can be seen as a rather similar strategic choice of discursive focus.

Moreover, strategic communication choices can be seen in the way, in which some companies discuss their own products and services. In a very clear attempt at marketing, Kesko highlights their own brands in all letters, YIT focuses on promoting their sustainable low-energy homes and high-technology monitoring services, and Nokian Tyres has always space for mentioning how their range of tires has once again placed first in car magazine tests. In sharp contrast, Stockmann never discusses their products or services, and Fortum does that to a rather small extent. Whether these marketing attempts are directed towards convincing investors and analysts of a superior service offering or towards getting the end consumers to spend more is, however, unclear.

Policies and legislation were only discussed when they were of extreme importance to the company. Fortum as a publicly listed, but partially state-owned, and highly regulated energy producer is due to its ownership structure and operating industry almost required to discuss energy politics and legislation. Other companies decided to discuss legislation only when it was causing them harm. Stockmann discussed the extensive bureaucracy, unlawful activities and low power of formal institutions to enforce court decisions, when these events caused delays in opening Russian department stores or even led to the closing down of the Smolenskaya department store (see Stockmann 2008). In a similar manner, Kesko discussed legislation around the Finnish VAT increase on 1st of July 2010.

The most important observations from the key discourses are highlighted in red color in the figure above. They revolve around two main findings. First, growth discourse was abandoned at Fortum during harder times, i.e. around the financial crisis in the 2008 and 2009 letters to shareholders, and

at Kesko in their 2008 letter. Intertwined with this phenomenon, Kesko also discarded any discourses revolving around Russia in 2008. Other companies still discussed their growth prospects during the financial crisis, but decided to note that the prospects have to be lowered. This may be due to the fact that companies do not like to disclose bad news or share negative prospects, which is why some companies may have decided not to talk about negative issues (lowering growth prospects) at all. However, a more likely explanation is one provided by Aerts (2005), in which he presented the concept of 'selective representation', meaning a strategic choice of communication, in which the companies either emphasize positive aspects in conjunction with negative news, or decide not to include negative discourses in their communication at all. It would seem that leaving out growth and Russia discourses during more difficult times is a sign of the latter, in which the companies deliberately abandon the 'growth in Russia' discourse when there is nothing positive to report about it. Somewhat related to the phenomenon of not disclosing negative information, during tougher years (2008, 2009) all other companies discussed streamlining their operations except for Fortum. This may be either due to the company being in such a good condition that it did not have to streamline their operations, or due to the strategic choice of not including negative-toned discourses in order to present the company in a more positive light.

The non-recurring events of the year included topical internal and external issues for each company such as the company turning 70 years old (see Kesko 2010), and the Fukushima nuclear accident and preparation for other natural phenomena such as storms (see Fortum 2011).

In summary, the key discourses seemed to stay relatively consistent from year to year, reflecting on the most important parts of business that are of significance to the companies and their external audiences: performance, growth, external environment and other non-recurring events of the year. Therefore, from a thematic point of view, the letters to shareholders will seem rather credible, since nothing crucial is missing. However, some of the discourses do not reflect issues of significance, but rather have been included in the letters to shareholders as a choice of communication strategy – perhaps based on a self-serving agenda. These include discourses such as company presentations, describing the products and services of the company, discussing the company's employees and customer satisfaction. From the external audience's point of view, these discourses seem to be included to fill blank space and may have been added to the letters to shareholders merely to say something positive – in case the company's performance or future outlook does not give enough grounds to do so.

Essentially, these additional pieces of information can be regarded as 'background noise' making it difficult for the readers of the letter to shareholders to identify essential information from between

this noise. Therefore, the external audience would, in fact, be better off if this information was placed elsewhere in the annual report. An astonishing fact is, that that is the case: the company presentations as well as descriptions of employees and products can be found elsewhere in the annual report, usually even before the letter to shareholders. Thus, it would seem like a deliberate choice of communication strategy and like one behavioral pattern in the impression management repertoire, which will be discussed in more detail in the following chapter.

5.3 Performance

The company's (financial) performance constitutes one of the main key discourses in the letter to shareholders, and is also the one, which is presented in the most versatile ways. The importance of the presentation and justification of the company's performance and any aspects that may have influenced it is understandable considering the interests of the target audience of the letter. It also represents the result of past growth investments, and therefore is directly linked to the discourses of growth and Russia.

The communication of financial performance consists of two components: the first is numerical accounting data, which presents the performance in terms of absolute numbers and differences to previous years or quarters. On the surface, the accounting data seems rather self-evident: after all, numbers are audited and subject to a set of regulations. However, since accounting practices, business models and industries vary across companies, there is more than meets the eye behind the numbers. For that purpose, companies back the accounting data with performance discourses – the explanation and justification of their financial performance – which aim at explaining how the company has ended up with the presented numbers and in which context they should be interpreted. Even though the performance discourses relate to audited accounting figures, they are unaudited and thus subject to the management's efforts to manage the interpretation of the accounting figures in a self-serving manner. Unsurprisingly, as will be presented later in this chapter, these self-serving practices were rather common in the performance discourses of the letters to shareholders, and would seem to represent the management's deliberate attempts to manage

Basic performance discourses explain corporate financial performance in a 'neutral' and 'factual' way without implying any causal relations or correlations behind the figures and corporate activities. A textbook example can be seen in the excerpt (3) below, in which the CEO presents last year's sales figures as well as gives additional information concerning the breakdown and growth factors of these figures.

- (3) *The Stockmann Group posted sales of EUR 1 668 million, with sales from continuing operations up 13 per cent on the previous year. Sales in Finland rose by 4 per cent and sales*

abroad by 40 per cent. Sales by the units abroad rose to 30 per cent of sales from continuing operations. (Stockmann 2007, p. 10).

Most of the performance discourses seem to follow one basic structure (as can be observed in the excerpt above): they highlight parts of the company's annual accounting information (sales) and then give additional cues for interpreting them (breakdown and growth rates). As the accounting information is audited, the cues for interpreting this information were, therefore, an easy target for the management's deliberate attempts at impression management through their discursive practices.

5.3.1 Impression management

As defined earlier in this thesis, impression management stands for a diverse set of strategic behaviors aimed at controlling others' perception of oneself (Tessarolo et al. 2010). One of the key components of impression management behavior observed in the letters to shareholders was selective financial representation meaning the presentation of specific financial figures, which help in creating a positive image of the company's performance. The phenomenon of selective financial representation is difficult to observe on the micro level without analyzing the content of the whole annual report. However, I developed a simple rule for assessing the existence of the phenomenon. In order for there to be no or minimal selective representation, content related to declining sales, profits and a more negative future outlook as well as a negative overall tone of the letter to shareholders should be seen to a larger extent in times of poor or declining performance – which could be expected to be during the financial crisis of 2008 and 2009 for most of the studied companies. As stated earlier in this thesis, the tone of the letter was positive every year for all companies and only rare records of negative performance were found. Therefore, it can be stated that management does engage in selective financial representation and, thus, impression management practices do take place in the letters to shareholders.

One manifestation of this selective financial representation was the focus on positive content, in which certain positive aspects were emphasized in conjunction with presenting negative figures in an attempt to direct the reader's attention to the positive aspect instead of the negative. Excerpts (4), (5), (6) and (7) below illustrate this phenomenon.

(4) *The Nordic market slipped slightly, **but** we gained market share and were the clear market leader. (Nokian Tyres 2008, p. 10, emphasis added).*

In this example the CEO of Nokian Tyres clearly states a fact which had a negative effect on performance: the Nordic market went down. However, he then adds a positive component to the statement in order to draw the attention away from the negative fact. The end result is a performance statement which does not tell the reader what the end result was: did Nokian Tyres make more

money in the Nordic market than before by compensating the drop in sales by the gain in market share? This example of an emphasis on positive content can also be linked with the selective financial representation presented earlier in this chapter, since both imply a similar kind of impression management practice.

- (5) *Hobby Hall, however, suffering from a sharp drop in consumer electronics sales in particular, saw its earnings fall by more than the other divisions, **though** it too remained profitable. (Stockmann 2008, p. 10, emphasis added).*

The excerpt from the Stockmann 2008 letter is fairly similar to the one presented before it. A negative statement is made, after which the attention is turned to a somewhat related positive phenomenon: even though the earnings fell quite drastically, the division still managed to make a profit.

- (6) *Thanks to the crisis prevention measures, the Group's earnings as a whole were reasonable given the circumstances, although they were clearly below the previous year's figure. As a result of a decrease in the deferred tax liability, earnings per share actually increased. (Stockmann 2009, p. 10).*

The Stockmann 2009 excerpt differs from the other statements in the sense that it consists of several different components, and is perhaps a best example of impression management practices. First, the negative component is that the company's earnings were significantly lower than last year. This component is drowned under the positive statement that the company's earnings were reasonable 'given the circumstances', and thanks to their crisis prevention activities. In the end, the focus is directed towards the 'positive' fact that as a result of accounting gimmicks regarding tax liabilities, the company's EPS actually increased. In short, the negative fact that the company's earnings were clearly lower than in the previous year is put aside by the 'positive' statement that their earnings per share actually increased due to deferrals.

- (7) *The year 2009 was an exceptional one in the history of our Group. Revenue declined and operating profit was clearly lower than the year before. **However**, during the course of the year we developed our operations successfully and managed to take advantage of opportunities offered by the market conditions. (YIT 2009, p. 6, emphasis added).*

The excerpt from the YIT 2009 annual report is straight-forward: revenues and profits declined, but the company developed their operations and acted opportunistically in the financial crisis. The positive statement placed in order to shift focus from the negative revenue development is, however, somewhat vague. Neither the development of operations nor the opportunities of the market conditions are explained further in the letter, so this vagueness can be seen to represent the management's attempt to create a 'positive reality' for the company's previous fiscal year with their discour-

sive practices. This discursive practice is a different alternative to the selective representation seen earlier, in which companies left out any negative information, and is closer to selective *financial* representation with a focus on positive content – except that the positive aspect has been constructed by management’s use of language. The ‘successful development of operations’ and ‘taking advantage of opportunities offered by market conditions’ are ingeniously vague in the sense that they cannot be backed (or disproved) by any empirical evidence, except for the fact that the company’s performance did not suggest such developments. Therefore, it can be concluded that, particularly in the case of YIT, the management used language blatantly to construct a significantly more positive reality than the ‘actual’ world, as Fairclough (2005) put it, would suggest.

All of the excerpts above illustrate how accompanying negative performance statements with (sometimes rather irrelevant) positive components functions as a part of the impression management repertoire used in the company’s discourses. These impression management practices seem to be triggered in times of declining or changing performance and, as a result, the tone of the letter to shareholders becomes more positive than it should be considering the performance of the company. This, in turn, portrays the company in a more positive light than would be justified, and may cause the readers of the letter to falsely overestimate the current (and future) performance of the company – which might potentially lead to bad investment decisions.

A third part of the impression management repertoire consists of the use of attributions in an impression management mode, i.e. to fill a self-serving role. Even though the use of self-serving attributions is linked to impression management practices, it was extremely frequent and took so many different forms that the phenomenon is best discussed under its own chapter.

5.3.2 Self-serving attributions

As stated earlier, self-serving attributions are a particular instance of causal reasoning (Tessarolo et al. 2010), in which good news are associated with internal causes and bad news with external causes (Aerts 2001). In the studied letters to shareholders, self-serving attributions (along with other impression management practices) were very common, as could be expected based on previous research. In sum, there are two kinds of self-serving attributions: positive internal attributions, where positive outcomes are attributed to internal activities; and negative external attributions, where negative outcomes are attributed to external conditions. In addition, a few positive external attributions were identified, in which the company associates positive outcomes to favorable external conditions, but these cannot be considered self-serving.

Positive internal attributions are a form of self-serving attributions, in which the management takes credit for positive outcomes by presenting them as a cause of internal activities, even though that

may not be the reality. In the letters to shareholders studied, positive internal attributions were the most common type of attributions. The following excerpts all reflect on the company's performance and contain positive internal attributions.

- (8) *Fortum's full-year earnings per share as well as operating profit developed favourably. This is partially due to the non-recurring revenue from the divestment of operations outside the scope of our strategy. Fortum's operating profit was also positively affected by IFRS accounting treatment of derivatives mainly used for hedging Fortum's power production. Our profitability is still at a good level and the structure of our balance sheet and our liquidity are strong. Because of these factors, Fortum is well positioned for the future. (Fortum 2011, no page number in the online annual report).*
- (9) *The Kesko Group's nine per cent sales increase in 2007 and our record profit level show that the strategy we have chosen is soundly based and that its implementation is progressing well. (Kesko 2007, p. 6).*

Excerpts (8) and (9) above represent the basic kind of positive internal attributions, in which the management attributes positive development in performance to the management's strategy and its implementation. Fortum does this somewhat implicitly by attributing success to the divestment of non-core operations and the management's hedging activities. Nevertheless, these two are essentially direct operative results of the corporate strategy. Fortum even goes as far as to imply that such development may also occur in the future due to a more stringent focus on the company's strategy. Kesko takes a more explicit approach and states that the increase in sales and record level of profits achieved is directly attributable to their strategy and its implementation. However, the premises of this argument can be challenged by the fact that no such attributions were made in 2008 or 2009, when the company's profitability declined. As could be suspected, the decline in profitability was not communicated as the result of a bad strategy or faulty implementation thereof – but instead due to a challenging external environment, as will be demonstrated later in this chapter. Excerpts (10), (11), and (12) below illustrate a second group of positive internal attributions, in which the management attributes success to daily operations instead of the top-level corporate strategy.

- (10) *In 2007 Nokian Tyres experienced steep growth, especially in Russia and Eastern Europe, and expanded its distribution network in strategically important market areas. The big investments of recent years began to show as concrete benefits in our business. (Nokian Tyres 2007, p. 10).*
- (11) *The Stockmann Group's revenue increased during 2011, in particular as a result of significant capital expenditure projects that were completed at the end of 2010. The opening of the Nevsky Centre shopping centre and its Stockmann department store in St Petersburg increased revenue in Russia. (Stockmann 2011, p. 6).*

- (12) *We succeeded well in infrastructure and in business premises operations in Finland. Underlying the increase in operating profit were our successful measures to improve profitability in Central Europe and favourable residential sales in Russia. (YIT 2011, p. 6).*

On the operative side, the most attributions were towards the company's investment and sales activities, as can be seen in the excerpts above. All in all, smaller companies in terms of revenues (Stockmann and Nokian Tyres) had more positive internal attributions in their letters to shareholders than the larger enterprises (Fortum and Kesko).

The second kind of self-serving attributions, negative external attributions, were also observed rather frequently in the letters to shareholders. In these patterns of causal reasoning, the management tries to avoid blame for bad outcomes by associating them to unfavorable external conditions. In the text samples studied, negative external attributions were the second-most common type of attributions, and the majority of them were directed toward the external business environment. In the companies' performance discourses, negative outcomes were communicated to happen as the result of a difficult business environment, which was attributed to the financial crisis starting from 2008 – as can be seen in excerpts (13), (14), (15) and (16) below.

- (13) *In 2008, the growth of the Group's net sales slowed down as a result of the more difficult business environment. (Kesko 2008, p. 5).*
- (14) *The economic crisis had a significant impact on the Group's earnings trend in the first nine months of the year. (Stockmann 2009, p. 10).*
- (15) *The finance problems facing the tyre business, as well as the increasing uncertainty among consumers, contributed to the rapid decline in tyre demand last autumn. (Nokian Tyres 2008, p. 10).*
- (16) *A shift of production towards rental housing production was initiated, but a rapid decrease in the demand for owner-occupied housing impaired the profitability of Construction Services Finland on the whole. Residential sales went well in the Baltic countries, but International Construction Services' profitability remained at a modest level due to the soft construction market of the area and the rapid slackening of residential sales in Russia. (YIT 2008, p. 8).*

In summary, the companies attributed their hard times and declining bottom lines to the slowing demand and uncertainty caused by the financial crisis. The financial crisis is an easy target in the companies' discourses. In public discourses about the financial crisis, it has been accredited to greedy human behavior of people working in financial institutions as well as a failure to audit these actors, and the general sentiment among the public towards the claimed activities resulting in the crisis is extremely negative. Therefore, the entity of the 'financial crisis' is an easy target, since the public

feels strongly against the crisis and, at the same time, acknowledges that the crisis did in fact cause a more difficult and uncertain external environment.

Considering this, it is no surprise that most of the negative external attributions were observed in the 2008 and 2009 letters to shareholders. There is no point in denying that the financial crisis had its impact on the performance and future outlook for companies all around the world, which is why these attributions can, with a quick glance, be considered credible and somewhat unbiased from the external audience's point of view. However, the fact remains that not all companies had negative external attributions in their 2008 and 2009 letters – even in the five companies studied in this thesis. As the excerpt (17) below shows, some companies survived the crisis without blaming the external environment:

(17) *Our overall results were good and, operationally, it was the best year ever, even though the operating environment was very challenging. (Fortum 2008, p. 16).*

In addition to self-serving attributional content, two cases for non-self-serving attributions could be identified: positive external attributions and negative internal attributions. Positive external attributions were a very rare kind of attribution, in which the management attributes positive outcomes to favorable external factors instead of internal activities. Only a handful of these were observed in the letters to shareholders. As could be predicted, negative internal attributions, in which the management would take blame for negative outcomes, were not seen at all. An example of positive external attributions can be found in excerpt (18) below.

(18) *The sharp decline of the Swedish krona caused by the financial crisis has also decreased the amount of krona-denominated debt taken to finance the acquisition, which in turn has had a positive impact on the balance sheet. (Stockmann 2008, p. 10).*

It is worth mentioning that positive internal attributions were the most common kind of attributions in general, but especially in times of good performance. On the other hand, in times of poor or declining performance, negative external attributions were the most common – and overall they were the second-most common kind of attributions. Most interesting is that the majority of attributions and impression management related statements were found in the communication of performance, with only a few related to the discourses of growth, Russia and products and services. This could be due to the fact that performance is a result of hundreds of large and small factors – both internal and external –, which makes it nearly impossible to attribute it to specific internal or external causes. Therefore, in evaluating these performance discourses, it is difficult for the external audience to prove or disprove the causal relations presented by management – except by using the methodology of critical discourse analysis and examining the underlying motives that managers have for a specific

use of language. For a visual illustration of the attributions described in this chapter, see the outcome-cause matrix below.

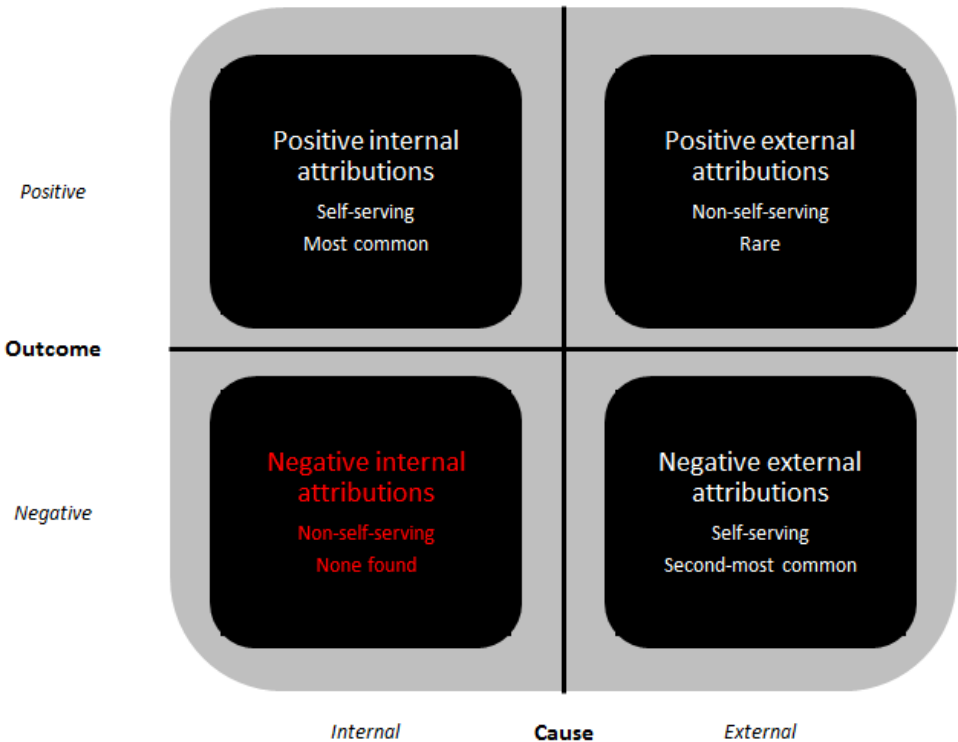


Figure 5: Outcome-cause matrix of attributions

Essentially, the finding that both kinds of self-serving attributions were the most common, was striking but unsurprising. On the other hand, surprising was the fact that self-serving attributional behavior was as common as it was: records of self-serving attributions, both internal and external, were found in each letter to shareholders of each company. As a result, it would therefore seem that management does indeed engage in various self-serving discursive practices which aim at creating a more generous social reality – a more positive view of the company. In essence, fulfilling this self-serving agenda results in not only an overly positive letter to shareholders, but also ‘wrong’ causal reasoning patterns in explaining how the company ended up with their results – which in the end will amount to the company communicating something else than a ‘true and fair view’ of their company. Then again, this is essentially the power as well as the curse of the constitutive nature of discourse (Fairclough 2005), in the sense that discourses – as a power capable of (re-)creating social reality – can be used in this kind of behavior. And indeed, the management would seem to have incentives to do so. To protect investors from these deliberate discursive practices of the company’s top management, a more formal code of conduct or even an audit process should be set up for the accounting discourses in annual reports.

In addition to the company's previous year's financial performance, which is the result of previous growth investments, the main audience of the letter to shareholders is interested in the company's capability to generate increasing profits also in the future. For this purpose, the growth discourse has a key role in the letters to shareholders.

5.4 Growth

After the company's financial performance, growth sources and prospects were the second-most frequent discourse in the letter to shareholders. Growth is extremely important for the external audience, since they generally have a financial interest towards the company – usually from owning shares or thinking about purchasing them. To businesses (or at least their shareholders), growth has for long had an intrinsic value, and over-the-market growth means over-the-market intrinsic value. In order to meet or even exceed shareholders' expectations and seem like an attractive target for investments, companies need to be able to present firm plans, targets and achievements for growth. Therefore, the external audience wants to understand how much the company has grown from the previous year, how this growth has been achieved and how much the company expects to grow in the future.

In the letters to shareholders, two specific growth-related discourses were dominant: the question of how the growth has been or will be achieved, and the question of where to pursue further growth opportunities. Of these two key discourses, the latter was the most dominant, and the most common answer to that question was unsurprisingly Russia. Indeed, the growth discourse was very rarely (if at all) seen without a mention of Russia. The growth discourses, in which Russia was not mentioned, revolved around growth methods, as can be seen in the following excerpts (19) and (20).

(19) *Over the past twenty years or so, Stockmann's expansion has been driven by organic growth. Last year, the company added significantly to this underlying growth by acquiring, through a public tender offer, the Lindex fashion chain of Sweden, which became a new Stockmann division. -- As a consequence of the deal, the Group's sales will increase by about a third. (Stockmann 2007, p. 10).*

(20) *We are seeking growth through organic business expansion and through acquisitions. We acquire companies that strengthen and complement our services and our geographic network of local offices. (YIT 2009, p. 7).*

In excerpt (19) Stockmann discusses the 'how' of their growth strategy, and the recent change therein. In essence, they have shifted from an organic-driven growth strategy to one consisting of acquisitions with the recent purchase of the Lindex fashion chain, which in the financial crisis came to form the majority of the group's operating profits. In excerpt (20) YIT gives a brief overview on their

growth strategy. All in all this growth method discourse (organic growth versus acquisitions) was the only growth-related discourse, in which Russia was not extensively referred to. The ‘common’ way for the five studied companies to discuss growth in conjunction with Russia in their letter to shareholders can be seen in excerpts (20), (21) and (22) below:

- (21) *Growth will remain our key target, with European and Russian market development as the main drivers. - - We will continue to seek new opportunities in our current market areas, and beyond, to ensure future growth. (Fortum 2007, p. 8).*
- (22) *We advanced in Russia according to our target level of 50 per cent annual growth and expanded our residential production to yet another metropolis. (YIT 2007, p. 8).*
- (23) *With regard to residential construction, the focus of our growth is on Russia. (YIT 2011, p. 7).*

In summary, all companies discussed growth in all of their letters to shareholders, the only exceptions being Fortum in 2008 and 2009, and Kesko in 2008. The high frequency of growth discourses seems intuitive, since growth is one of the key goals of any company. The term ‘profitable growth’ seemed to appear in the majority of growth discourses as the company’s main growth strategy. It is worth noting, that companies tend to fall short of this ideal: top-level revenue growth can in most cases be achieved but, surprisingly, bottom-line profits do not grow in the same proportions – or at all. A five-year period should be long enough for showing some results with a ‘profitable growth’ strategy even in Russia, but none of the companies have seemed to achieve this goal – and have resorted to impression management behaviors to cover up for it. This is a finding, which is aligned with the research by among others Staw et al. (1983) and Clatworthy & Jones (2003). It would seem that the combination of strict shareholder expectations of growing profits and falling short of these targets puts pressure on top management to use growth discourses in constructing a ‘reality’, in which the company is portrayed as an actor pursuing significant growth, and in that light several investment programs are presented. However, the fact remains that these investment programs have lately not been able to produce anything else except top-line growth, with profits declining with each investment. Therefore, the concept of ‘profitable growth’, and not least in the context of Russia, can and should be challenged. It would seem that, in the context of the companies studied, the term is an oxymoron with the appearance of one of the terms (either profitability or growth) overriding the possibility for the other to exist. Therefore, whenever the discourse of ‘profitable growth’ appears in a company’s external communications, readers should exercise caution in reading the textual passages surrounding it.

Unsurprisingly, most space was dedicated to growth discourses in times of economic stability, years 2007, 2010 and 2011. The three most discussed areas regarding growth were growth methods, geo-

graphic growth areas and the future outlook of growth, which will be discussed in more detail in chapter 5.6. Of these three areas, geographic growth areas were emphasized the most, and of all the possible locations, Russia was mentioned most often in conjunction with growth discourses. From the point-of-view of the growth discourses of Finnish companies, Russia and growth seem to be inseparable. This will be discussed in more detail in the following chapter.

5.5 Russia

Since growth was one of the key discourses present in all the letters to shareholders, it comes as no surprise that Russia was the most referenced foreign market across all years and companies studied. As explained in the previous chapter, Russia was mostly discussed in conjunction with the growth discourse, and as a result, the tone in which Russia was mentioned, was mostly positive. Similarly, since Russia was mostly present next to growth discourses; the frequency of Russia discourses was highest during times of economic stability and growth: years 2007, 2010 and 2011 in the scope of this study.

The country was mentioned in almost all of the letters to shareholders, and a trend could be perceived in which companies that gained a larger share of their revenues from Russian operations (Nokian Tyres and Stockmann) also correspondingly devoted more space to Russia-related discourses and communicated specifics of the target market more thoroughly in their letters to shareholders. However, the differences in the amount of Russia-related discourses were rather small across the five companies studied – more striking was the comparison between Russia and other foreign countries: Russia was the only foreign country, which was referenced to by all of the companies in almost all of the letters to shareholders. The excerpts below illustrate the rationale that companies gave for their expansion activities to Russia.

- (24) *Russia is a very interesting market area for us and one in which we have also decades of experience. The Russian electricity market is in the midst of **sweeping reforms** that will unlock the world's fourth-largest electricity market to new players. We felt that there are good growth opportunities and demand for Fortum's expertise and know-how in Russia. (Fortum 2008, p. 16, emphasis added).*
- (25) *Russia's heat markets are of interest to Fortum because of the **huge potential for energy-efficiency improvements** in the country's heat sector. (Fortum 2011, no page numbering in online report, emphasis added).*
- (26) *The direction for growth is, above all, the **large and fast growing market in Russia**, where Kesko is continuing to further strengthen the network of building and home improvement stores. We are also investigating opportunities for expanding the food trade,*

the car and machinery trade, and the sports trade into Russia. (Kesko 2010, p. 6, emphasis added).

(27) ***The cost and tax advantages of manufacture in Russia*** boosted significantly the profitability of our business. (Nokian Tyres 2007, p. 10, emphasis added).

(28) ***We have operated in Russia continuously since 1961 in various economic conditions and we know the market and the customer base.*** (YIT 2008, p. 8, emphasis added).

As can be seen in the excerpts above, various reasons for investing in Russia were given, and all of them related to the attractiveness of the target market. Besides the obvious market size, fast growth potential and emerging nature of the market seen in excerpts (26) and (24), companies also listed reasons related to their core competences (excerpt (25)). In addition, a more opportunistic approach was presented by Nokian Tyres in the 2007 letter to shareholders, excerpt (27), in which the cost and tax advantages for manufacturing operations in Russia were mentioned. And, finally, in conjunction with Johanson and Vahlne (1977), market knowledge was presented by YIT in their 2008 letter, as can be seen in excerpt (28). All in all, discourses revolving around the justification for the expansion activities to Russia were rare, and very generic in nature. The potential growth opportunities were not quantified or backed up by numerical data. Nevertheless, Russia was presented as a lucrative target market and discussed mainly in a positive light.

However, as illustrated in chapter 2, operating in Russia also creates various challenges due to cultural, environmental and political differences. Keeping that in mind, it was surprising to find that only a handful of the many problems commonly associated with the Russian business environment were discussed in the letters to shareholders – or, rather, companies' Russia-discourses mentioned a few challenges and even fewer direct problems in their Russian operations. In discourse, challenges can be considered a lighter pre-stage to a problem – i.e. when a challenge gets worse, it becomes a problem. In the letters to shareholders, only two kinds of challenges were mentioned. They can be roughly categorized to external market challenges and internal strategy challenges. The main market challenge was the dependency of the Russian economy on the price of oil, which is illustrated in excerpts (29) and (30).

(29) *In Russia, the trend in the economy is to a great extent dependent on the price of energy. (Stockmann 2008, p. 11).*

(30) *In Russia, the oil price has an effect on consumer behaviour; the current level of USD 100 per barrel supports favourable development in residential sales. (YIT 2010, p. 7).*

In short, the excerpts above relate to the point that more than any of the neighboring economies, the Russian economy is heavily dependent on the price of oil. According to the letters to shareholders, low oil price correlates with poor GDP development and leads to decreased purchasing power

and changed consumer behavior. The main internal challenge was the relatively low level of sustainability in Russia illustrated in excerpt (31) below.

(31) *Operating in Russia creates a new challenge to [Fortum's strategy of sustainable energy production], because fossil fuels are an integral part of Russia's energy system. However, Fortum has only one operating model under which it operates everywhere, including in Russia. We are going to be a forerunner in sustainability also there. (Fortum 2008, p. 18).*

Literature on foreign operations suggests that the best results in foreign markets are achieved when adapting the operating model to match local conditions (Larimo & Huuhka 2007). However, Fortum has decided to stick to their strategy and keep the same operating model of sustainable energy production also in Russia. Even though this is discussed as a challenge in the letter to shareholders, just two pages earlier Fortum has mentioned the demand for Fortum's expertise and the emerging energy market of Russia as a possibility for utilizing their competences. Therefore, the 'challenge' mentioned by Fortum is, in fact, an attempt to disguise one of their opportunities and key strengths as a disguise and mask the fact that the discourse is not about challenges, but rather a marketing-oriented statement about the company's internal capabilities.

As can be seen from the excerpts above, Russia-related discourses had a mostly positive sentiment to them, and were presented in conjunction with possibilities for growth and profitability improvements. Challenges in pursuing the foreign market were also identified, but left to a very small role in the letters to shareholders. When a challenge escalates to a situation, where damage control is the only viable option, companies may start talking about a problem. However, the management's self-serving interests contradict the discourse of actual problems, which is why such discourses are hardly ever published outside the company – or even internally. The only exception to this rule was Stockmann with their open discussion of acute problems in the Russian business environment in three of their letters to shareholders: 2007, 2008 and 2009. These problems, as illustrated in excerpts (32), (33) and (34) below, relate to the unreliability of formal institutions in the Russian business environment.

(32) *Stockmann Nevsky Centre shopping centre project that is under construction in the centre of St Petersburg will reach completion more slowly than expected **due to the red tape connected with obtaining permits.** (Stockmann 2007, p. 11, emphasis added).*

(33) *The largest non-recurring item was a considerable loss as a result of the closure of the Smolenskaya department store in Moscow. **The department store had to be closed because of the unlawful activities of the lessors,** which were in breach of the lease agreement. The legal proceedings, through which Stockmann is claiming damages from the*

lessors, are still pending in the International Commercial Arbitration Court (ICAC) in Moscow. (Stockmann 2008, p. 10, emphasis added).

- (34) *Stockmann was forced to close its department store in the Smolensky Passage shopping centre in Moscow in 2008 because its lessor acted illegally and in breach of contract. The International Commercial Arbitration Court of Moscow (ICAC) ruled in favour of Stockmann in the dispute and ordered the lessor to pay the company significant damages. In Russia, however, rulings by the International Commercial Arbitration Court have to be affirmed by a court belonging to the Russian judicial system. Contrary to earlier practice, the Russian courts, including the Highest Arbitration Court, have overturned rulings of the International Commercial Arbitration Court. The proceedings to affirm the damages awarded are still pending at the Highest Arbitration Court. **From the perspective of the rule of law and international investment in Russia, I consider it very unfortunate that Russia's judicial system, against international conventions, refuses to ratify the rulings of the international arbitration court that has legal jurisdiction.** (Stockmann 2009, p. 10-11, emphasis added).*

The problematic stories of Stockmann highlight the issues identified in existing literature, which were presented in Chapter 2.2.3. Essentially, Stockmann's operations in Russia were severely harmed by the weakness of the formal institutions. In the first case, excerpt (31), bureaucracy hindered Stockmann from completing their shopping center project in St Petersburg on time causing increased costs and lost revenues. As the previous literature in Chapter 2.2.3 explained, bureaucrats in Russia may arbitrarily decide to either help or sabotage the entry of a foreign company. The following two excerpts relate to the same case, but illustrate two different viewpoints to the weak legitimacy of formal institutions in Russia. Excerpt (32) describes the issue: Stockmann posted a considerable non-recurring loss from having to close one of their department stores due unlawful activities of the lessors. What was not explained in the letter to shareholders, however, was that these unlawful activities essentially meant arbitrarily cutting the power from the whole department store. Following this description, excerpt (33), from the following year continues illustrating the case by explaining that the ICAC agreed in favor of Stockmann in the case, but the Russian courts have not affirmed the case. From the point of view of a company doing business in Russia, not being able to count on the local authorities to enforce the law is a rather large show-stopper.

However, since no other company mentioned problems with the Russian business environment in their letters to shareholders, and since mentioning problems explicitly in otherwise positive discourses is not self-serving but self-defeating, one has to wonder the motives that Stockmann had for communicating these issues. It could be that their aim was to ignite the flame of change in the Russian business environment; to sway the local court to ratify the verdict given by ICAC, or just to warn

other companies of the unpredictable circumstances in which business takes place in Russia. In any case, I find it hard to believe that Stockmann would have communicated these problems in a self-defeating way just to engage in more transparent discourses towards external stakeholders. However, if that was the case, I welcome the initiative and hope that the phenomenon of open discourse becomes more common.

Since the Russia-discourses seem to coexist with growth discourses, and are mostly positive, one has to wonder whether there is more than meets the eye behind them. Indeed, when looking at the studied companies' financial performance in Russia, operations there have revolved below the break-even point, and sometimes even significantly lower (Stockmann had yet to make a profit in Russia before 2011). Only few companies (YIT and Nokian Tyres) were able to make a constant profit in their neighboring market. The following excerpt (35) from Fortum illustrates this in more detail.

(35) This creates the confidence that our Russia Division's results will be at a clearly positive level in 2010, as we have stated earlier. (Fortum 2009, p. 17).

When looking at actual results of the studied companies in Russia, it is shocking to find that the majority of companies consistently showing a loss in their Russian operations. Therefore, there seems to be a contradiction between the 'growth in Russia' discourses of companies and their rationale for expanding to Russia. Indeed, when looking at the 'growth in Russia' discourse in the light of actual performance in the market, there is a rather large gap to be explained between the reality constructed by discourse and the reality experienced by companies in the market. The explanation to this may be the one I touched upon in the previous chapter's growth discourses. Since companies are pressurized by shareholder expectations to show constantly growing profits, and actually falling short of these expectations in their operations, managers feel the need to compensate for this shortcoming by using language in constructing a 'reality', in which the management is actively seeking growth by expanding to Russia, which is essentially aligned with the results of Staw et al. (1983). This overcompensation can be seen in two ways in the Russia-related discourses: first, in the discursive practice of undermining or not discussing obvious problems in the Russian market and, second, in the practice of discussing Russia only in conjunction with growth discourses. Essentially, what results is the management's attempt to legitimize their expansion to the foreign market – especially when the achieved results are not promising. In fact, expansion to Russia may not be driven by a genuine pursuit of 'profitable growth' in the target market, but rather manifest itself as a response to shareholders' expectations.

Since growth is one of the shareholders' main expectations, and the management has been seen to react to this expectation by using a variety of self-serving discursive practices, another interesting discourse to look at is the future outlook given by these companies. Keeping in mind the contradiction between actual and communicated performance and growth (especially in Russia), the statements companies issue about their potential future profits should be interesting to read.

5.6 Future outlook

Indeed, the external target audience for the letter to shareholders is extremely interested in how the company communicates their future outlook, i.e. how they see the growth potential and the future development of their company's performance. After all, it is the future capability of the company to generate constantly growing profits that provides shareholders and potential investors a sufficient yield for their investment. Since future outlook discourses are one of the key expectations for the target audience, it was striking to find that in some cases, companies did not give any explicit outlook for their future performance. This trend was mostly observed during times of uncertainty – in 2008 and 2009 (see Figure 7 below), and is consistent with the management's discursive practice of selective representation seen in other key discourses.

The ways future outlooks are discussed in the letter to shareholders vary significantly across companies. Of the five studied companies, Stockmann and Nokian Tyres were the leaders in future outlook discourses in both the quality and quantity of the information. Stockmann and Nokian Tyres had a whole chapter dedicated to the future outlook with rich and detailed descriptions of the management's future forecasts and expectations, whereas other companies tended to sprinkle future-related information all over the letter to shareholders – or hardly discuss it at all. Fortum, Kesko and YIT mainly concentrated on presenting 'facts' related to their current and potential performance, and left out any management views or forecasts. A more detailed table of the future outlooks for each company in each of the letters to shareholders can be seen in Figure 7 below.

Annual report	Company	Future outlook for the next year(s)			
		Overall sentiment for the future	Russia discussed in the context of	Performance	Key points for the future
2007	Fortum	Positive	Growing importance	Similar to 2007 or better	Sustainability, energy asset privatization in Russia
	Kesko	Positive	Growth	Improving	Social responsibility, investments, opening hundreds of new stores
	Nokian Tyres	Very positive	Growth	Better than in 2007	Growth, internal capability and process development
	Stockmann	Positive	Growth	Improved operating profit	Favorable trend in operating environment, slower growth than before
	YIT	Positive	Growth	Revenue & pre-tax profit increase	Strong order backlog, balanced business structure
2008	Fortum	Positive	Profitability	Fortum will weather the downturn	No new projects except Russia and possible 3rd nuclear plant in Loviisa
	Kesko	Neutral	Not discussed	Strong position, no outlook given	Work productivity, cost effectiveness, maintaining financial position
	Nokian Tyres	Neutral	Market share growth	Strong position, no outlook given	Downsizing activities, market share growth, preparing for low growth
	Stockmann	Negative	Economic trends	Focus on maintaining a good level	Measures for adapting to lower demand, forecasting is difficult
	YIT	Neutral	Temporary slow-down	No outlook given	Long-term approach in Russia, rental housing and infra in Finland stronger
2009	Fortum	Neutral	Positive results	No outlook given	Focus on strategic issues with the new organization
	Kesko	Neutral	Growth & expansion	Strong position, no outlook given	Profitable growth, investments, sustainability, employees
	Nokian Tyres	Positive	Positive expectations	Strong potential for growth	Positive development in Russia, market and price leadership
	Stockmann	Positive	Growth	Growth, better operating profit	Two large investment projects completing in 2010
	YIT	Positive	Growth	Revenue & pre-tax profit increase	Profitable growth, growth through acquisitions
2010	Fortum	Positive	Growth	No explicit outlook given	Earnings growth in Russia, attracting investors, integrating energy market
	Kesko	Positive	Growth & expansion	Competitiveness will be enhanced	Profitable growth in Finland and nearby areas, sustainability
	Nokian Tyres	Very positive	Growth & investments	Better than in 2010	Product success in car magazine tests, Russia investments, high order intake
	Stockmann	Positive	Growth	Growth, better operating profit	GDP growth in key markets, growth from finished investment projects
	YIT	Very positive	Growth	Growth of over 10 % annually	Growth targets raised, residential sales outlook promising
2011	Fortum	Positive	Growth	Improving, strong position	Integrating European energy markets, growth in Russia and Asia
	Kesko	Positive	Growth, new stores	Improving, strong position	Profitable growth, capital expenditure, sustainability, politics
	Nokian Tyres	Very positive	Growth, investments	Good prospects for growth	New plant in Russia, investments in process and IT development
	Stockmann	Positive	Growth, performance	Growth, good earnings performance	Gaining benefits from completed capex projects, cost structure checks
	YIT	Positive	Growth	Revenues at par, profits increased	Investing in sustainability, residential sales outlook good

Figure 6: Annual future outlook for studied companies

As Figure 7 above shows, the future outlook sentiments tended to correlate across the companies for each year, with some individual fluctuation. In general, all companies gave a positive outlook for the following year except for 2009 (in the 2008 letter to shareholders), for which the majority of outlooks were negative. Exceptions were provided by Fortum, whose defensive business enabled picturing a positive future, and Stockmann, which due to declining demand issued the only negative future outlook during the five-year research period. Nokian Tyres also sticks out with its trend of issuing a very positive outlook whenever the general economic conditions were improving and/or stabilizing. In addition to Stockmann's negative future outlook, other striking observations were marked in red in Figure 7 above.

The trend perceived earlier in this study, in which the discourses of Russia and growth seemed to coexist, also persisted in regards to the companies' future outlook for business in Russia: Russia was mainly noted as a source for growth, and especially higher growth than in the domestic European market. The trend was disrupted by two single exceptions (marked in red in the figure above): the Kesko 2008 letter, in which Russia was not mentioned at all, and the YIT 2008 letter, in which the company states to have a 'long-term approach' in Russia, which makes the apparent 'temporary slow-down' of sales in Russia 'more acceptable'. Admitting to a decline in sales one year in advance can be seen as a bold move from YIT, but using a 'long-term approach' in Russia as a method for justifying the decline sends an alarming message to the careful reader: in all other letters to sharehold-

ers, YIT tracks yearly growth in Russia and posts ambitious goals for it without mentioning any long-term approach.

The performance outlooks for the companies were rather similar across all companies on a yearly basis. During stable economic conditions, companies anticipated to show growth for the next year, with the operative profit being similar or better than in the previous year. On the other hand, in a more challenging external environment, companies opted not to give any performance outlook at all (60 % of studied companies in 2008), and those which gave a performance outlook, kept it at a very vague level such as 'Fortum will weather the downturn' (Fortum 2008). Moreover, in difficult times, companies tended to emphasize their current 'strong financial position' instead of stating anything explicit about their future financial position. This would seem to confirm the self-serving behavior observed earlier in this thesis, in which companies tend to avoid blame for negative outcomes by focusing on the positive and leaving anything negative unsaid – selective (financial) representation.

The key points for the future showed several similarities between the five companies studied. 'Profitable growth' was the standard term for performance outlooks in a favorable operating environment. Besides profitable growth, other standard terms such as 'sustainability', 'capital expenditure' and 'investment programs' were observed frequently in the future outlooks. This could be due to the fact that the external audience is expecting to see evidence of the management's activities for securing future growth, and the management wants to keep up an image of a competent, active management, in which the shareholders can trust. All of these activities were, in fact, ongoing in the companies, but explicitly mentioning even the smallest investments could be seen as an impression management behavior pattern.

In order to see the high-level trend in the future outlooks shaped by the external environment, in which the companies operate, it is essential to take a look at the key excerpts from each company's future outlook for each year. With a quick glance it is easy to see, how abruptly the external conditions changed, and how the companies' future outlooks changed from overly positive statements for the future to neutral statements defending the current strong financial position of the companies – or focusing on other positive aspects of their business. Thus, the actual 'future' part of the outlook was almost completely left out in 2008 and 2009, as can be seen in the excerpts below.

(36) *In 2007, Fortum achieved its all-time best result. -- I believe we are well positioned to repeat this success in 2008. (Fortum 2007, p. 8).*

(37) *The growth prospects in and after 2008 are good. We are operating in a tyre market that is characterised by continued strong growth, and our position as market leader is stronger than ever. -- We have met our challenges boldly and start the new year full of confi-*

dence. Our future prospects are positive, and we have every reason to believe that we will remain on a strong growth track in line with our strategy. (Nokian Tyres 2007, p. 10).

- (38) *The outlook for 2008 is also positive. Our order backlog at the beginning of the year was at an all-time high, corresponding to the workload of 11 months. We estimate that the Group's revenue and profit before taxes for 2008 will increase compared to the previous year. (YIT 2007, p. 8).*

The year 2007 was characterized by an almost overheated economic cycle, in which companies posted record profits and were doing well in every aspect of their business. As can be seen in excerpts (36) to (38) above, the future outlooks given by each company were extremely positive. Fortum was expecting to meet their all-time high result of 2007 in the following year, Nokian Tyres anticipated continued strong growth and strong market leadership and YIT had an all-time high order backlog at the beginning of the year. When forecasting without any visibility to the future, the best estimate is always your current performance. Clearly, companies were expecting to repeat their current success, and even exceed it (in the case of YIT). However, as the following excerpts (39) to (43) will show, the abrupt change in economic conditions following the fall of Lehman Brothers and start of the financial crisis changed the way companies viewed their future.

- (39) *Fortum has a good organisation and, consequently, we are in a good position to weather also the downturn in the economy. (Fortum 2008, p. 18).*
- (40) *The cost-effectiveness of investments is assessed more carefully and they are postponed, if necessary. Our aim is to maintain the good financial position and benefit from lower construction costs when building new store sites. (Kesko 2008, p. 4).*
- (41) *I believe the global recession will be deep and relatively long. Growth is likely to remain weak for at least the next two years. Nokian Tyres heads into the years of low growth from a good position. We have a strong balance sheet and good profitability. Our finances can endure the forecasted temporary drop in profitability. (Nokian Tyres 2008, p. 10).*
- (42) *In the current environment, making forecasts for 2009 is extremely difficult. It is likely that all of Stockmann's market areas will experience an economic slowdown and negative growth. (Stockmann 2008, p. 11)*
- (43) *It is still too early to predict the duration of the recession, but the operating environment will be more challenging this year than the last one. We will intensify our sales efforts, decrease working capital, ensure our competitiveness with an extensive development programme and leverage the opportunities offered by the change in the market conditions. History has shown that companies with a solid corporate culture and sustainable demand based on real needs remain as the top companies in their fields both during and after economic downturns. We intend to continue being one of those companies. (YIT 2008, p. 8).*

The change from overly positive statements to the fairly neutral descriptions of the company's current financial position (40, 41) or even negative views for the future (42) is dramatic and illustrates that all the companies were taken by surprise by the events of 2008. Even though the economic situation started to improve gradually in the latter part of 2009, the effects of the downturn can still be seen in the future outlooks given for 2010. Most of the companies still emphasized their current strong financial position or other aspects of their business, such as Fortum's 'focus on strategic issues' (44).

- (44) *We have initiated goal-oriented development work in conjunction with the new organisation, and we will focus on strategic issues at great length during the year. (Fortum 2009, p. 18).*
- (45) *Kesko's solvency, cash flow and liquidity are at an excellent level. A strong balance sheet and good financial standing provide Kesko with opportunities for making investments during recession, too. - - We will continue to investigate opportunities for expanding the food trade into international markets, particularly in Russia. (Kesko 2009, p. 4).*
- (46) *We anticipate a gradual recovery of demand in 2010. The number of tyres in the distribution channel is now clearly lower than a year earlier, which means there is potential for sales growth. Our new and improved product range is in top form, and we have the industry's most effective distribution channel in our core markets. We expect our market and price leadership in our core markets together with our new industrial structure to support our cash flow and profitability this year. We are in a good position and ready to expand operations as soon as the market growth accelerates. (Nokian Tyres 2009, p. 3).*
- (47) *Trends in the world economy indicate that slight growth can be expected in 2010. There are many uncertainties at play, however, and equity markets, in particular, are reacting nervously to even the slightest piece of bad news. It seems that, even in the best case, we have to prepare ourselves for a long period of slow economic growth. - - [T]he company is aiming for a moderate growth in sales in 2010. Our objective is to also achieve a better operating profit than last year, despite the high investments. (Stockmann 2009, p. 11).*
- (48) *Our starting position for 2010 is a strong one. We estimate that the Group's revenue will increase and profit before taxes will increase significantly in 2010 compared to 2009. (YIT 2009, p. 7).*

As can be seen from the future outlooks given in 2009, some companies weathered the downturn better than others, and showed that in their outlooks for the following year. For example, Nokian Tyres based the positive future outlook on the empty inventories of their customers and their good product range (46). However, others were still uncertain about their future, and opted not to give any performance outlook at all, and instead discuss only their current financial standing (45). But as

the year went by and the economic situation clearly improved, companies started once again including growth and emerging markets into their future outlooks.

- (49) *In line with our strategy, our goal is to develop three key areas in our business: leverage our strong Nordic core, create solid earnings growth in Russia, and build a platform for future growth. We are researching opportunities in the integrating European power market and also in Asia's growth markets, particularly in terms of CHP. (Fortum 2010, p. 15).*
- (50) *In addition to the Finnish market, Kesko aims at profitable growth in nearby areas. - - Competitiveness will be improved by continuing the strong development of the store network. (Kesko 2010, p. 6).*
- (51) *One of the main achievements, in terms of our future, was yet again the excellent success of our products in car magazine tests. Independent reviews testifying to the superiority of our tyres in northern conditions put us in a good position to continue as a market and price leader in the future. (Nokian Tyres 2010, p. 5).*
- (52) *The global economy will continue to grow in 2011, driven by the world's emerging economies. The economic situation in Europe and the euro zone will depend to a significant extent on whether confidence in the functioning of the financial markets can be preserved. Growth in Europe will in any event be slower than in the emerging economies. (Stockmann 2010, p. 11).*
- (53) *Our view is that residential sales will continue at a favourable level both in Finland and in Russia. We actively started new residential projects in 2010, which will offer us a solid starting point for 2011. - - Our aim is to grow our business at a faster rate in the next few years - by more than 10% per year on average. Our growth is spearheaded by service and maintenance operations, residential construction and energy solutions. Focusing on these will allow us to lead the way. (YIT 2010, p. 7).*

Clearly the financial crisis and harder years of 2008 and 2009 had taken companies by surprise, and even though their financial performance as well as the visibility to the external environment improved every year, the future outlooks given in 2010 for the following year were still careful. However, most notable is that companies were now anticipating growth in their key markets, and some, such as YIT, even raised their annual growth target significantly (53). Even though some companies were posting almost record-level profits, the impact of the financial crisis on their future outlooks is fairly visible. If companies would communicate their future outlooks based on previous performance in a similar manner than in 2007, the future outlooks for 2011 should be significantly more positive than they actually were. Therefore, in terms of future outlook discourses, companies currently seem to choose their words more carefully and avoid giving overly optimistic estimations. This carefulness can also be observed in the most recent future outlooks highlighted in excerpts (54) to (58) below.

- (54) *Fortum's strong balance sheet and productive capital structure enable us to be well prepared also for a more uncertain outlook. In the future, the relative share of electricity in total energy consumption will grow, offering Fortum more business opportunities. I believe that we have good potential to grow in line with our mission and strategy. (Fortum 2011, no page numbering in online annual report).*
- (55) *This year, development in the trading sector will also depend on the trends in employment and consumers' disposable income. The sector's ability to employ and produce services directly or indirectly is significant for the Finnish national economy and the welfare society. If implemented, equal taxes and a rise in the tax rate will cut households' consumption, resulting in a decline in sales in the trading sector, and lowering employment in Finland. An increase in the number of regulations that erode the competitive basis of the trading sector in Finland and the European Union also limits the opportunities to serve customers and operate efficiently. (Kesko 2011, p. 7).*
- (56) *As we move into 2012, our prospects for growth are good despite various uncertainty factors. Our finances are strong and the company is debt-free, which makes it possible to invest in growth. Our position is strong in our key markets and will strengthen further. Our product range is competitive, our productivity one of the best in the business, and our distribution network is expanding fast. (Nokian Tyres 2011, p. 3).*
- (57) *The unstable state of the world economy creates a challenging basis for assessing the future performance of the Stockmann Group. Visibility in the market conditions, especially in the Nordic countries, has never been this weak during my term as Chief Executive Officer. If a solution to restore market confidence can be found for the European sovereign debt crisis, recovery could even start during the current year. Continuing uncertainty means that we must all prepare for harder times and through this an automatic downward slide in the economy. (Stockmann 2011, p. 6).*
- (58) *The high degree of uncertainty about the general macroeconomic development may have a negative effect also on decision-making by our customers and thereby the development and performance of YIT's business operations. Nevertheless, we believe that we can make our operations more efficient and improve the profitability of our business. We estimate that in 2012, the combined revenue of the business segments will remain at the level of 2011 and that operating profit will increase compared to 2011. (YIT 2011, p. 7).*

While it is true that the economic cycles have shortened and times turned more turbulent, the effect of the surprisingly strong downturn in 2008 can still be seen in the future outlooks of companies. In 2011, all companies included an element of uncertainty in their future outlook. However, at the same time the majority of companies posted a more positive outlook than for the previous year. Since a more positive outlook and a negative external environment are, to some extent, in contradiction with each other, it could be stated that companies now seem to use 'economic uncertainty' as a

disclaimer to safeguard the management in the case of lower than forecasted performance. This explanation would be in line with self-serving behavioral patterns observed frequently in other parts of the letter to shareholders as well. The trend of increasing carefulness in the future outlooks of companies is simultaneously very welcome, but also alarming in the sense that virtually all failures or other negative aspects can now be categorized under 'economic uncertainty', even when the root cause for them is clearly the management of the company instead of the external environment.

In these subchapters of Chapter 5 I have gone through the overall style and tone of the letter to shareholders as well as the key discourses observed in them. In Chapter 5.7 I will summarize my main findings, discuss their significance and tie them to the theoretical frameworks presented in Chapters 2 and 3.

5.7 Summary

In summary, the tone of the letters to shareholders was without exception positive, even throughout challenging economic cycles and changes in the CEO. There were roughly two categories of styles used in the letters: 1) 'seemingly neutral' and 2) marketing-oriented. The two style categories seemed to some extent be linked with the key discourses in the letters to shareholders in the sense that letters promoting the company's services, customer satisfaction or corporate culture could be seen as more marketing-oriented, whereas letters presenting facts such as performance figures and market conditions could be characterized as 'seemingly neutral', even though they, too, consisted of several implicit, non-neutral messages. An interesting note was that during harder times (in 2008 and 2009), the letters to shareholders were in general shorter than in better times. The tone was always positive as the result of the management's discursive practice of creating a 'reality' in which the company is seen in a more positive light.

In terms of the style of the letter, smaller companies (Stockmann, Nokian Tyres) had a more personal style with more colorful expressions and management's own views about current and future performance. This could be due to the phenomenon that smaller companies have lower hierarchies in their organizational structure, and the CEO is closer to the 'ordinary people' than in large international enterprises – which could reflect also on the style of the letter to shareholders. The style-tone matrix below summarizes the styles and tones of the companies studied, with a star marking a more personal style of communicating.

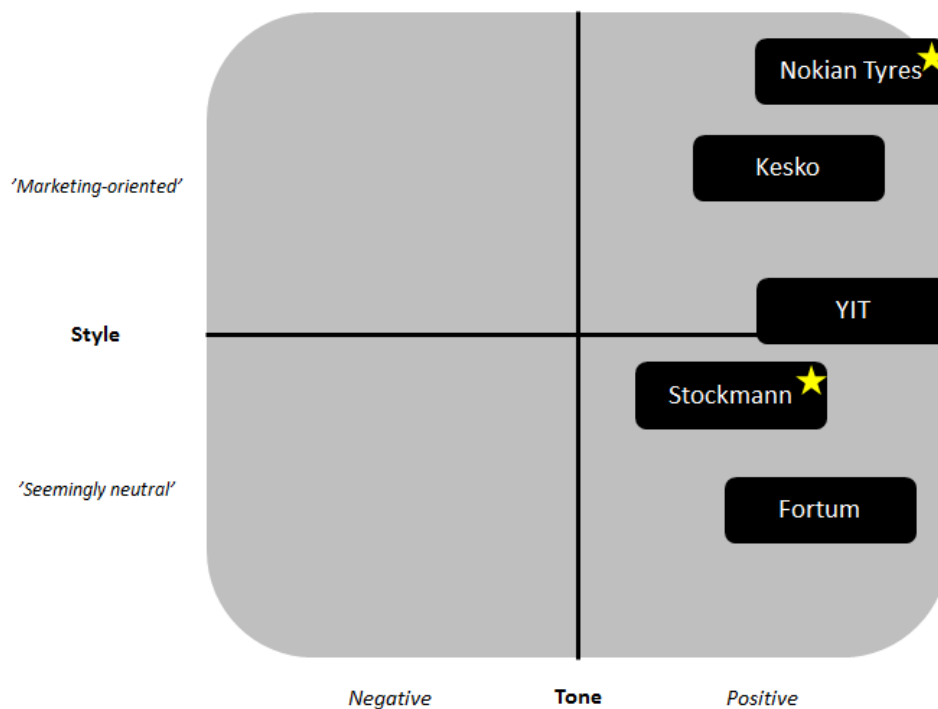


Figure 7: Style-tone matrix of companies studied

Unsurprisingly, the letters to shareholders always contained the key discourses that are of significance to the external audience: the company's financial performance, the external operating environment, future outlook for the next year and other non-recurring events from the current year. However, the thematic content of the studied letters to shareholders also contained some surprises. First of all, during the recession years of 2008 and 2009, Fortum dropped the growth discourse from their letters to shareholders, and in 2008 Kesko left out both growth and Russia, which were once again included in the following year. Fortum also provided the positive surprise regarding discourses in the letters to shareholders: in contrast to all other companies, they did not discuss streamlining their operations at all during the financial crisis.

Once again, these phenomena may be tied to self-serving behavior in the sense that instead of disclosing negative news, companies opt for disclosing nothing at all. Judging purely by the thematic content, style and tone of the letters to shareholders, they may seem credible to the reader, but a closer (critical) analysis shows that their credibility is mostly only a discursive construct. Consistent with the style and tone of the letters, the discursive content, meaning leaving out negative discourses and focusing strictly on positive content can be seen as a manifestation of one key discursive practice – selective financial representation – in which the management seems to engage very often.

Financial performance (and especially change therein) was the primary trigger as well as the main area in which the whole repertoire of impression management behavior – including self-serving at-

tributions – was observed. The majority of the attributions observed were self-serving: with positive internal attributions taking first place and negative external attributions following suit. From non-self-serving attributions, only positive external attributions were observed. The most attributional content (both self-serving and non-self-serving) as well as performance justification activities were shown by smaller companies with Nokian Tyres in the lead and Stockmann following second. One possible explanation is that smaller companies feel the need to justify their actions in more detail, whereas old, established and larger companies may regard their activities as ‘business as usual’, instead focusing on new developments and external economic trends in their letters to shareholders. It could also be that larger companies are more subtle in their discourses (perhaps due to more experience in external communications), whereas smaller companies tend to express attributions more explicitly.

As literature on self-serving attributions (see e.g. Staw et al. 1983, Aerts 2001 and Clatworthy & Jones 2003) states, successes were mostly attributed to a good corporate strategy and its implementation, investments or other management activities. Failures and performance declines, on the other hand, were mostly attributed to a difficult external environment. Respectively, in times of good performance, positive internal attributions were the most common attributions; and in times of poor or declining performance, negative external attributions were the most common. Therefore, positive internal attributions were dominant in the 2007, 2010 and 2011 letters to shareholders, and negative external attributions in 2008 and 2009. Overall, positive internal attributions were more common than negative external attributions, which contributed to the positive overall tone of the letters.

The growth and Russia discourses existed in conjunction with each other, and the pursuit of growth was never challenged: growth – and especially ‘profitable growth’ – seems to be an intrinsic value toward which companies should strive. Overall, the growth discourses seen in the letters to shareholders aimed at answering two questions: the question of how the growth has been or will be achieved, and the question of where to pursue further growth opportunities. The answer to the latter question was more often than not Russia. The first question, on the other hand, was mostly answered by organic growth and foreign direct investments into other countries, but a rising trend was to include acquisitions into the mix as well. The excessive amount of growth discourses as well as the interlinking of growth and Russia seems to be a self-serving discursive practice resulting from the management’s reaction to falling short of shareholder expectations.

The most single discussed geographic market (apart from the companies’ domestic market) was Russia, which was presented mostly in a positive light and always in conjunction with current or future growth. Nokian Tyres had the largest number of Russia-related statements, which correlates with the

importance of Russia to the company's sales: 26 % of revenues come from Russia – the highest number among the companies studied. Larimo & Huuhka (2007) found out that a long-term strategy was the most successful in terms of the Finnish companies' activities in Russia, and the companies studied confirmed having such an approach. One problem is that even though growth discourses have revolved around Russia, actual bottom-line profits accrued in the market have been slim or even negative for most of the companies. Therefore, the common 'profitable growth' discourse shown in conjunction with Russia and growth discourses is problematic, since it is discussed virtually every year, but the profitability part never actualizes. A change in any other discourse, for example a negative change in performance or future outlook, instantly has an effect on other discourses in the sense that a negative change in performance usually triggers a change in future outlook, growth and Russia discourses. However, changes in profitability – for better or for worse – do not seem to affect any of the other discourses. Therefore, it is likely that the taken-for-granted pursuit for 'profitable growth' is merely a social construct, with companies pursuing the latter and ignoring the former.

Only few mentions of challenges in Russia were found in the letters to shareholders, and most of them revolved around the fact that development in the Russian economy is highly dependent on the price of oil. Contrary to my expectations, only one company, Stockmann, mentioned actual problems in Russia. Engaging in self-defeating discourses, in which problems in a target market are explicitly communicated, was not consistent with the discursive practices of any other company, and also contradicted previous research. Therefore, the motives for this kind of discursive practice have to lie elsewhere. It is likely that Stockmann, mentioning the problems experienced with the rule of law in Russia, was trying to influence at least the atmosphere in Russia – if not even the verdict of the Russian court.

The future outlook discourses of companies varied in the sense that smaller companies (Nokian Tyres and Stockmann) were clear leaders in terms of quality and quantity, by providing rich descriptions of their future outlooks complete with the management's own views, and larger companies sticking to a more 'factual' description current figures or even opting not to give any outlook – which was seen especially in times of uncertainty, in 2008 and 2009. Future outlooks given were mostly positive even across economic cycles – and neutral at minimum, with the exception of Stockmann issuing a negative future outlook in 2008. The future outlooks of the companies showed, how quickly the financial crisis started and how top managers did not see it coming: in 2007 all companies were anticipating to break their current year's record performance, but starting from 2008 the future outlooks given were neutral and more careful. As a result, the future outlooks of companies after 2008 have become less informative from the reader's point of view with their careful and vague statements.

I have captured my perception of relations between the key discourses found in the letters to shareholders for both the past year as well as the future in the model below, which I call the diamond model of growth discourse. The model shows the interdependency of the 'growth' discourse with the discourses of Russia, financial performance and the future outlook in the sense that change in one of the discourses will trigger a change in the others to at least a small degree. In addition, the model also illustrates how profitability is only loosely, if all, linked to all the other discourses, meaning that despite frequent observations of 'profitable growth' in the companies' discourses, profitability does not, in fact, seem to have a role to play in growth discourse. Changes in profitability, for better or for worse, did not trigger any changes in other discourses – and, as a result, the 'profitability' component in growth discourse would seem to be only cosmetic. This result contradicts Penrose's (1959) theory, in which 'growth' and 'profits' as the goal of the company's investment programs can be used synonymously. However, I find it highly unlikely that the contradiction would exist in the actual level, since companies will not deliberately engage in investments that will generate negative profits. Therefore, the contradiction needs to exist on the discursive level in the sense that the companies' discourses reflect a more positive view of the company's actions than the 'reality' shows. Therefore, the 'profitable growth' strategy and discourses related to it seen very often in the letters to shareholders can and should be challenged.

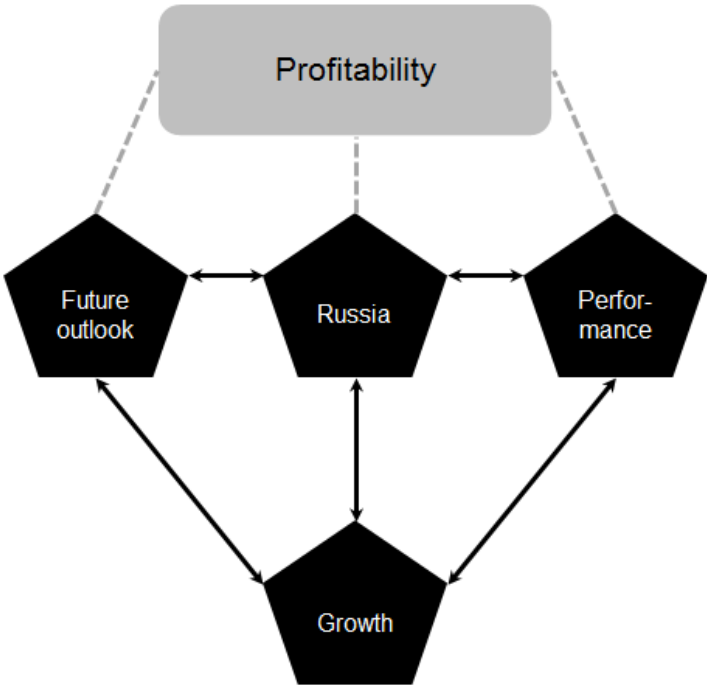


Figure 8: Diamond model of growth discourse

6 Conclusion

In this thesis, I set out to study the question of how Finnish companies justified and legitimized seeking growth in Russia, and how they then communicated their performance and future outlook therein. In order to find the answer to this key question, I applied a critical discourse analysis methodology to five CEO's letters to shareholders (2007 to 2011) of five large Finnish companies that have established operations in Russia. In essence, I was able to find answers to the main research question and contrast the discursive practices seen in companies' letters to shareholders with the theories of such behavior.

The main research question was divided into three sub-questions, which helped to form the overall answer to the main interest of this thesis. Similarly to the main question, I was able to find satisfying answers to all of the three sub-questions, which have been listed below.

1. How is the expansion to Russia explained and legitimized?
2. How do companies justify their performance in their annual report?
3. How do companies reflect on their future outlook?

To set the theoretical context for my research, I have presented the theories for studying corporate texts as well as the specific example of seeking growth in Russia from both a theoretical and discursive point of view, underlining the characteristics of the Russian business environment. Since my research consisted of a critical discourse analysis of CEO's letters to shareholders as corporate texts, I dedicated Chapter 3 to the critical discourse analysis framework in general. Then, I presented the methodology adopted in this thesis and continued to the findings from my research. In this chapter, I will conclude as well as contrast them with the literature presented in earlier chapters. In the end, I will present directions for further research.

According to the theory of impression management presented in Chapter 2.1.3, top management has incentives to represent their company in the best possible light (Clatworthy & Jones 2003), which may manifest itself as selective financial representation (Aerts 2005), self-serving attributions (Tessarolo et al. 2010), an emphasis on positive over negative content (Staw et al. 1983) or using more positive than negative expressions (Rutherford 2005). The impression management view suggests that company management monitors the environment for cues that may trigger a change in the way in which the external audience views their company (Aerts 2001), and then reacts to this using various methods of impression management behavior. This thesis also took into account attributions as a method in the 'impression management toolkit', and analyzed the functioning of attributions in an impression management mode – as fulfilling the management's self-serving agenda.

As said, the overly positive tone of the letters results from the management's use of language in a self-serving manner to create a more 'positive discursive reality' surrounding the company, which manifests itself as a large amount of impression management behavior, such as attributions, found in the letters to shareholders – a finding which would be consistent with previous literature on letters to shareholders (see e.g. Aerts 2001, Clatworthy & Jones 2003). It was interesting to see that during harder times (in 2008 and 2009) the letters to shareholders were in general shorter than in better economic conditions, which is consistent with the findings of Staw et al. (1983), in which positive content is emphasized over negative as well as the theory of selective representation brought forward by Aerts (2005). Indeed, in most cases, if the management had nothing positive to say, they opted to say nothing at all – a phenomenon, which was also observed in Tassarolo et al. (2010). Aligned with this kind of self-serving behavior, companies also left out the discourses of growth and Russia in times of challenging economic conditions.

In line with the conclusion of Aerts (2001), the company's financial performance was the main trigger as well as the area in which the whole repertoire of impression management behavior was observed. However, contrary to Aerts' (2001) results, negative performance was not the primary trigger for self-serving attributional behavior – instead, a change in the company's performance (both positive and negative) served as the primary cue, with positive changes in performance contributing to the majority. Only YIT seemed to conform to the results of Aerts (2001) in their attributional statements.

All in all the findings from this thesis in regards to performance discourses were aligned with previous research on the accounting discourses in annual reports (such as the CEO's letter to shareholders) in the sense that the self-serving tendency to take credit for positive results and avoid blame for negative effects was observed in the vast majority of the analyzed material, as was the case in Staw et al. (1983), Aerts (2001, 2005), Clatworthy & Jones (2003) and Tassarolo et al. (2010). The self-serving attributional content of the letter to shareholders also showed that positive internal attributions were significantly more common than negative external attributions, which was among the main findings in Staw et al. (1983), Aerts (2001, 2005), Clatworthy & Jones (2003) and Tassarolo et al. (2010).

Even though Clatworthy & Jones (2003) noted that companies in general tend to avoid explicit causal attributions, more explicit than implicit causal attributions were observed in the letters to shareholders studied, with positive internal attributions accounting for the majority and negative external attributions following second. Based especially on the performance-related discourses, it would seem that the management's self-serving agenda is visible for anyone to see – even without studying the texts through a critical lens. Considering the alarmingly large amount of self-serving attributional

content in the letters to shareholders, I will have to side with Clatworthy & Jones (2003) in their request for a more formal code of conduct or even an auditing process for the accounting discourses in annual reports. It would seem that top management, feeling the pressure of shareholders' expectations and having the incentives to do so, will without hesitation engage in self-serving behavior – as was suggested by Core (2001). In essence, this finding is aligned with previous research regarding the motives behind self-serving behavior (see e.g. Staw et al. 1983, Aerts 2005) by providing strong evidence for the motivational explanation.

However, a rational explanation would suggest that both positive and negative outcomes occur as a sum of hundreds of small and large factors, which is why attributing them to a single event or activity is dangerous. Whether or not these attributions arise due to a cognitive bias in recalling past events or a deliberate attempt to construct a more positive corporate image (as Staw et al. 1983, Clatworthy & Jones 2003 and Aerts 2005 concluded) remains unclear and could be a possible topic for further research. But, in the spirit of critical discourse analysis, a more credible explanation for the abundance of self-serving behavior observed in the letters to shareholders is the management's tension in which they feel the pressure of shareholders' expectations and, at the same time, fall short of these expectations in their actual performance. Therefore, in order to protect the readers of the letters to shareholders, I would propose that accounting discourses would in the future be regulated with an official code of conduct or auditing process. After such regulation, the discourses would not provide such an interesting research topic, but they would be more transparent and reliable.

The excessive amount of growth discourses in general as well as presenting Russia-discourses constantly in conjunction with growth discourses seems to be a self-serving discursive practice resulting from the management's reaction to falling short of shareholders' expectations of growth, as was suggested by Staw et al. (1983). Indeed, when looking at the companies' actual performance in Russia, it is striking to find that companies indeed tend to fall short of their growth targets. Therefore, there seems to be a contradiction between the growth in Russia discourses of companies and their actual performance as well as their strategies for 'profitable growth', and the whole pursuit of growth in Russia should be challenged.

In a similar manner, it would seem that, for the companies studied, the term of 'profitable growth' is an oxymoron in the sense that the appearance of one of the words overrides the possibility for the other to exist. A five-year period should be long enough for showing positive results with a 'profitable growth' strategy – even in Russia –, but none of the companies have seemed to achieve this goal – and as a result resorted to impression management behaviors to cover up for it. Essentially, this contradicts Penrose's (1959) theory, in which she argues that both 'profits' and 'growth' can be used

interchangeably when discussing the goals of a company's investments. Evidence shows, that this holds true on the discursive level, but in the 'real' actions of companies, especially in Russia, these two seem to be mutually exclusive.

In line with the generally positive tone of the letters to shareholders, also the future outlooks given were in general positive. However, consistently with the theory of selective financial representation (Aerts 2005), some companies decided not to issue an outlook at all in 2008 instead of issuing a negative future outlook. This is also aligned with the self-serving behavior of focusing on positive content over negative discussed by Staw et al. (1983) and found earlier in this thesis in conjunction with performance discourses. An interesting finding in regards to the future outlooks was the finding of how abruptly the financial crisis came, and how it took top managers by surprise. In 2007 all companies were predicting for another record year in terms of performance, but starting from 2008 their future outlooks were more neutral and careful. In essence, companies started to avoid giving too optimistic future outlooks, by expressing the careful outlook as the result of 'economic uncertainty'. This behavioral pattern can also be considered self-serving in the sense that giving an overly positive future outlook and falling significantly behind it would cause blame towards the management, which they avoid by posting a more cautious future outlook – and if the actual performance would exceed the careful future outlook given, the 'success' can then be attributed to the management's own actions.

While it is true that the economic cycles have shortened and times turned more turbulent, the effect of the surprisingly strong downturn in 2008 can still be seen in the future outlooks of companies. In 2011, all companies included an element of uncertainty in their future outlook. However, at the same time the majority of companies posted a more positive outlook than for the previous year. Since a more positive outlook and a negative external environment are, to some extent, in contradiction with each other, it would seem that companies now seem to use 'economic uncertainty' as a disclaimer to safeguard the management in the case of lower than forecasted performance. This explanation would be in line with self-serving behavioral patterns observed frequently in other parts of the letter to shareholders as well. The trend of increasing carefulness in the future outlooks of companies is simultaneously very welcome, but also alarming in the sense that virtually all failures or other negative aspects can now be categorized under 'economic uncertainty' – or attributed to the financial crisis as was the case in the letters studied, even if the root cause for them were clearly the management of the company instead of the external environment.

In this thesis, I was able find interesting results to the main research the question of how companies seeking growth in Russia justified and legitimized seeking growth in Russia, and how they then com-

municated their performance and future outlook therein. Nevertheless, further research into the topic is still needed for digging deeper into the reasons and causalities behind these observations. First, one possible direction to which this study can easily be extended would be backing the study up with a quantitative analysis on the financial figures reported by the companies in the years studied. This would help in forming a more in-depth understanding on whether and when a contradiction exists between the accounting figures reported by the company and the letters to shareholders in which these figures are explained, and which factors in the figures usually trigger the management to form such a contradiction. Another direction, to which this study could be extended, is complementing the critical discourse analysis conducted in this thesis with qualitative open-ended interviews with the CEOs of the studied companies in order to find out how they ended up communicating in the ways seen in this study, and how they see the possible contradiction between their actual financial results and discourses about them. The two directions for extending this study – and other similar endeavors – are not mutually exclusive, but to conduct all three in the same paper requires a significant amount of time and effort, and would probably be more suitable for a doctoral thesis or a series of research papers than one single master's thesis.

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Appendix

Table of letters to shareholders read for the empirical research

Company	Annual report	Letter to shareholders	CEO
Fortum	2007	President and CEO's Review	Mikael Lilius
	2008	Interview with the President and CEO	Mikael Lilius
	2009	Interview with the President and CEO	Tapio Kuula
	2010	Interview with the President and CEO	Tapio Kuula
	2011	Interview with the President and CEO	Tapio Kuula
Kesko	2007	Review by the President and CEO	Matti Halmesmäki
	2008	Review by the President and CEO	Matti Halmesmäki
	2009	Review by the President and CEO	Matti Halmesmäki
	2010	Review by the President and CEO	Matti Halmesmäki
	2011	Review by the President and CEO	Matti Halmesmäki
Nokian Tyres	2007	Letter from the President	Kim Gran
	2008	Letter from the President	Kim Gran
	2009	Letter from the President and CEO	Kim Gran
	2010	Letter from the President and CEO	Kim Gran
	2011	Letter from the President and CEO	Kim Gran
Stockmann	2007	CEO's review	Hannu Penttilä
	2008	CEO's review	Hannu Penttilä
	2009	CEO's review	Hannu Penttilä
	2010	CEO's review	Hannu Penttilä
	2011	CEO's review	Hannu Penttilä
YIT	2007	President and CEO's Review	Hannu Leinonen
	2008	President and CEO's Review	Juhani Pitkääkoski
	2009	President and CEO's Review	Juhani Pitkääkoski
	2010	President and CEO's Review	Juhani Pitkääkoski
	2011	President and CEO's Review	Juhani Pitkääkoski

Table 2: List of letters to shareholders studied