'Looking behind the veil' - Invisible Corporate Intangibles, Stories, Structure and the Contextual Information Content Of Disclosure.

John Holland, University of Glasgow, West Quadrangle, Main Building, University Avenue, Glasgow, G12 8 QQ
J.B.Holland@accfin.gla.ac.uk, ph 00 44 (0) 141 330 4136

Abstract
This paper builds on grounded theory of disclosure content by Holland (2004, 2006b) through new findings and analysis on the function and structure of the corporate value creation story. New structure to content was based on common underlying value creation and narrative structures, and use of similar categories of corporate intangibles. It was also based on common change or response qualities of the value creation story as well as persistence in telling the core value creation story. This structure was critical in making 'invisible' intangibles in corporate value creation visible to markets. The disclosure was a source of information *per se* informing current stock prices. The paper also expands Holland (2005) to show how the structured company value creation narrative, other corporate knowledge, and changing external states were at the heart of a dynamic corporate disclosure response to change. Narrative disclosure content was also reflected in the 'mirror of the market' (Roberts et al 2006). It created an informed context for capital market participants to continuously interpret the meaning of new events and create new information in a more informed way. These insights into disclosure content differed from relevant information content implied in corporate reporting, in stock exchanges demands for price sensitive information, and from conventional market concepts of value relevance. This creates many new opportunities to use the grounded theory to search for and examine new literature relevant to understanding disclosure content. The paper also explores new ways of measuring the value relevance of this novel form of contextual information and associated benchmarks.These new insights into disclosure content could help improve disclosure guidance by regulators and be used in areas of CSR and environmental disclosure.

Key words: Invisibles, Private Disclosure; structure; intangibles; stories; information content; Value relevance; Grounded theory, New literature and theory.

Acknowledgements to participants and discussants at EIBA Freiburg December 2006, APIRA Auckland July 2007, BAA Blackpool April 2008.

1. INTRODUCTION

Section 2 outlines how major changes have occurred in the information asymmetry between companies and capital markets. This has created problems for corporate public disclosure by companies and policy makers. It has encouraged private disclosure of information on qualitative, difficult to measure value creation factors. Existing 'value relevance' research and field research work (Holland (2004, 2005, 2006b) only outline part of the nature of new disclosure content, and more research is required. Section 3 briefly discusses how the fieldwork research was conducted in 25 large UK companies. The initial results were published in Holland (2004, 2005, 2006b) and revealed how disclosure content was based on a case based concept of the 'value creation story'. New data processing and analysis generated a novel summary and integrated view of the 'grounded theory of disclosure content' (see appendix 2), and this is used to structure the paper and its contents. The grounded theory insights create many new opportunities for further exploring relevant literature (Locke, 2001) for improving understanding of disclosure content. Section 4 is the first detailed results section. It illustrates disclosure content 'actions/interactions', and selective and axial codes in the grounded theory. Private disclosure via narrative was used to reveal information about invisible, difficult to measure, aspects of corporate value creation (Holland, 2006b). This section expands on Holland (2004, 2006b) through new in-depth findings and analysis on the (disclosure content) function of the story, and by revealing how the story or narrative had an underlying structure. Additional processing of the same cases led to the breakdown of the 'value creation story' into key components including story elements, value creation elements, and qualities of the 'value creation story'. The grounded theory elements (actions/interactions, selective and axial codes) are linked to existing literature on narrative and value creation, and used to search for new literature (Locke, 2001) relevant to expanding explanations of both value creation and disclosure content. Section 5 is the second results section and further expands Holland (2005) to show how the company value creation narrative and other corporate knowledge were at the heart of a dynamic corporate disclosure response to changing events and to reporting cycles. The narrative also played a key role in creating understanding states in markets. The dynamic grounded theory elements (actions/interactions, intervening conditions, and their mediation of causal conditions) are linked to existing literature by Weick (1995) on sense making and Giddens (1984) on structuration and this places value creation disclosure content within deeper theoretical context and meaning. Section 6 further illustrates the potential for using literature in new ways. Literature on the nature of narrative is used to further analyse these grounded theory elements (in the form of the components and qualities of the story and of value creation) to reveal a novel idea of information content which differs from conventional concepts of (capital market) value relevance. This analysis creates new opportunities to define and measure the information content of contextual information in the value creation story. This section also explores how new measures of the information content of a wider set of subjective and objective benchmark measures can be constructed. These narrative and benchmark approaches are complementary in the new world of knowledge intensive companies and their valuation by stock markets. This novel analysis of the structure of the value creation narrative and of benchmark information is used to further develop the theoretical understanding of disclosure content derived from the grounded theory approach.

Section 7 briefly provides a critical analysis of the paper findings and suggest how they can be used to improve other forms of disclosure content for corporate social responsibility and environmental disclosures. Section 8 summarises the paper. The grounded theory search for new literature and for new value relevant studies creates means for further theory development concerning disclosure content. Such ideas of disclosure content reflect the needs of elite participants in capital markets. However, the paper also argues that the concept developed in the paper can act as a more general approach for how regulators can enhance corporate disclosure content, and for how other stakeholders can challenge privacy and improve visibility in disclosure.

2. THE POLICY DEBATE AND VALUE RELEVANCE

Literature is used in this section to illustrate the importance of researching disclosure content to improve understanding of disclosure content especially in the private domain. Companies have market incentives to disclose value relevant information. However, there have been major knowledge intensive changes in corporate value creation processes over the past decade (OECD, 1999). Many academic writers in the intellectual capital literature (Brooking,1997; Edvinsson and Malone, 1997; and Sveiby, 1997) have used ideas of human capital, organisational capital or internal structural capital, and customer or external structural capital as means to understand the phenomena. The changes have increased the information gap or asymmetry between users and suppliers of equity risk capital as well as changing the character or content of that information asymmetry. The widening information gap has increased investors needs for information on intangibles and these have added to corporate incentives to disclose value relevant information. This situation has created problems for public disclosure in financial statements. It has also stimulated public disclosure of price sensitive information on both tangibles and intangibles in corporate value creation. Public disclosure of information on proxy measures of intangibles is value relevant (eg Dayha et al, (1998), Dedman and Lin (2002). However, the remaining information asymmetry has remained high and this has encouraged private disclosure of information on qualitative, difficult to measure value creation factors. The literature indicates that existing 'value relevance' research and new field research on private work are only revealing part of the nature of new disclosure content, and more research is required.

Policy and value relevant research issues

As knowledge intensive assets such as R&D or brand management skills become an increasingly important part of corporate value then problems of managerial opportunism and of asset categorisation and measurement can become acute. Companies prefer to keep their competitive advantages in the form of intangibles under wraps and tend not to disclose public information on them until they have to. This exacerbates the accountant's problem of how to disclose the value of these assets on the balance sheet or when explaining how the profit numbers arise from such intangibles. The issue of the declining information content of financial statements has been addressed by researchers such as Lev and Zarowin (1999) and Francis and Schipper (1999). Lev and Zarowin (1999) have argued that informativeness of financial numbers in financial statements is at a historically low level and this decline appears to be continuing. Key national bodies such as the UK Accounting Standards Board, FASB, AASB (Alfredson, 2003), are coordinating their existing approach to intangibles with the International Accounting Standards Board (IASB) and its development of new international standards (IAS38) on the reporting of intangibles (IASB, 2004). Corporate flexibility on valuation of intangible assets and disclosure information of goodwill and internally generated brand values have been reduced by recent IASB standards. This has reduced opportunities for manipulation of financial statements. It has also reduced the scope for companies to voluntarily release information on intangibles, especially if measurement of asset values is involved. Wyatt's (2005) results suggest that limiting managements' choices to record intangible assets tends to reduce, rather than improve, the quality of the balance sheet and investors' information set. This highlights the importance of case company disclosure of intangibles information via private narrative and by benchmarks. The above policy issues have been associated with growing attention being devoted to disclosure content issues especially those arising in the knowledge intensive economy (Lev, 2001; and Ernst and Young,1999). Experiments in Sweden and Denmark have created intellectual capital statements for management, employees and shareholders (Mouritsen et al 2001). Regulators have sought to improve disclosure of textual and qualitative information. The Operating and Financial Review (OFR) as part of financial statements in the UK is one example (DTI, 2001,2002). Market based solutions have also emerged. Holland and Stoner (1996) showed how companies announced price sensitive information (PSI) concerning intangibles associated with human capital, innovation, brand management, and collaboration between companies. Capital market research has revealing the value relevance of such information on top management human capital (Dahya et al (1998), Dedman and Lin (2002)). Variables such as R&D expenses or marketing expenses (% net sales) have been used, in part, as proxies for information on intangibles such as corporate innovation skills or brand management skills (Connolly and Hirschey (1984),Lev and Sougiannis (1996)) and their stock price effects. Arviddson (2003) shows how R&D collaboration was an important strategy for companies to improve efficiency of their R&D by knowledge sharing and by avoiding of duplication.

Private disclosure and intangibles

Despite attempts by companies and regulators to disclose PSI on intangibles, to report qualitative information in financial reports, and to improve the measurement and valuation of intangible assets in reports, the remaining information asymmetry has remained high and this has encouraged private disclosure of information on qualitative, difficult to measure value creation factors. Holland (1998a), Marston (1996), Barker(1997), have revealed that private disclosure and private dialogue has been used to close the information gap concerning intangibles by releasing qualitative information on the less visible parts of corporate value creation. Research by authors such as Barker (1997), Holland (1998a) and Marston (1996) have provided new insights into the qualitative or intangibles content of the new disclosure agenda in the market for information, consisting of analysts and fund managers and others. For example, Holland (1998a) has shown how private disclosure to institutional shareholders was an important part of corporate disclosure activity. This disclosure covered a wide and informal agenda of qualitative information concerning company intangibles such as 'quality of management', strategy and its coherence, recent changes in these and in corporate succession and in management style. Holland (1998b, 2001, 2002, 2006a) and Holland and Johanson (2003), also showed how fund managers valued such private disclosure and emphasised the significance of intangible or qualitative factors in company valuation.

3. RESEARCH DESIGN

The aim of the field research in UK companies (see Appendix 1) was to probe disclosure content issues (Holland (2004, 2006b) to improve understanding of disclosure content. Such disclosure or ‘Financial communication’ has a strong emphasis on financial value, and unique stock market and information market setting with a special regulatory structure and controls. This creates major differences to corporate communications for marketing or public relations purposes. A policy oriented view of the nature of private disclosure content was discussed in detail in Holland (2004) and includes a much extended theoretical analysis of the structure and qualities of narrative, of ‘contextual’ information content and of benchmark measures. The research design and grounded theory research method employed in the field research are briefly summarised here. Full details are provided in Holland (2005, 2006b). New concepts in this paper and new grounded theory of disclosure content arise from additional 2nd stage processing (during 2005-2008) of the same case data concerning private disclosure content and processes as illustrated in Holland (2004, 2006b). These have shown how ‘content’ was itself based on the concept of the 'value creation story'. This paper puts a spotlight on this case concept. The data processing, the conference debates, subsequent publications, all identified new literature and theory (on story narratives, on corporate value creation, on value relevance) of significance to the phenomena. This revealed the interim state of 'theoretical saturation' reached in stage 1 of data processing. It stimulated a 2nd stage of data processing and also enhanced theoretical sensitivity. The case concepts were probed in more depth and led to the breakdown of the 'value creation story' into additional story elements, value creation elements, and qualities of the 'value creation story'. It expanded, developed, and provided new detailed insights into 'narrative' and 'value creation' concepts by showing how they both had their own unique structures, elements, and qualities. The second period of data processing was also used to generate a novel summary and integrated view of the 'grounded theory of disclosure content' using Strauss and Corbin's view of a 'paradigm' model (1998, p130). This contains the new insights about the structure and qualities of disclosure content as well as insights from Holland (2004). Appendix 2 includes a brief 'storyline' to summarise the grounded theory in narrative form. This is use to structure the paper in way that free of the grounded theory jargon. This allows each major section to discuss part of the GT interacting components in a way which is clearly focused on disclosure phenomena. This is a convenient way to break up the results but still maintain the coherence of the grounded. The grounded theory was also used for theoretical sensitivity purposes when searching for new literature and when using this literature to reflect on the new results.

Locke (2001, p120 Chapter 7) argues there is a problem of how to use the literature in the presentation of grounded theory. The presentation of literature in section 2 of the paper is designed to outline the broad area of the research. But presentation of literature in this way can 'mimic(s) the hypothetico-deductive approach in which theory is 'a priori'. She comments 'But what happens to how we write the literature when we begin with empirical data and hold existing knowledge in abeyance until our theoretical frameworks are well established?' She argues (p121) that 'the answer seems to be that the literature which establishes the phenomena to be investigated still appears at the beginning of the manuscript, even though it may be pre-empted by a sneak peak into the investigated scene'. And 'However, writing the literature in grounded theory differs from the traditional model in that literature is sometimes integrated into the presentation of the model in what is usually the "findings" section of the manuscript. …..Furthermore, the relationship between their grounded theoretical frame and a broader literature to which it makes a contribution is sometimes a problematic issue, because the research questions are not usually framed in terms of existing theory'. In section 2 literature is used to establish the phenomena and problem area to be investigated. Each major results section (4 and 5) contains a summary of the results of new data processing of the case results (post Holland 2004, 2005, 2006b) set within key grounded theory themes or elements. Sections 4 and 5 contains a new literature discussions arising from the grounded theory findings. Section 6 uses the findings to analyses new ways of looking at an established 'value relevant' disclosure literature. These uses of the literature with findings help provide broader explanations of corporate value creation and story disclosure content.

4. THE CENTRAL ROLE OF THE 'STORY OF VALUE CREATION' IN DISCLOSURE CONTENT ACTION / INTERACTION STRATEGIES

Section 4 is the first detailed results section. It illustrates disclosure content 'actions/interactions' and 'axial codes' in the grounded theory. Private disclosure action was used to reveal information about invisible, difficult to measure, aspects of corporate value creation. Holland (2004) has shown how the 'value creation story' was an oral and/or written narrative about how each company generated value through the use of intangibles and value creation process, and was a key means for companies to disclose qualitative information on these elements. Three value creation processes generated a common structure to disclosure content. Story narratives in the cases were organised around these broad value creation categories thus summarising much information. Subjective and objective benchmarks (intangibles) measures provided further information within the 'story' (Holland, 2006b). This section expands on Holland (2006b) through new in-depth findings and analysis on the (disclosure content) function of the story, and by revealing how the story or narrative had an underlying structure closely linked to existing literature on narrative. The grounded theory elements (actions/interactions, selective and axial codes) are linked to existing literature on value creation issues (eg Intellectual Capital, Strategic analysis), and is used to search for new literature (eg MNC theory) relevant to explaining both value creation and disclosure content and hence for further theory development. The subsequent 2nd stage data processing in this paper revealed how disclosure content in each case company's 'value creation story' was based on two key underlying structures, the nature of value creation processes, and the nature of stories. Story narratives were employed to disclose information about the value creation processes. Both structures conveyed contextual information. The broader disclosure function of these joint structured is analysed and expanded. The grounded theory elements (selective and axial codes) are linked to existing literature on narrative and on value creation, and is also used to search for new literature relevant to explaining both value creation disclosure content and hence for further theory development.

4.1. Interactions and the story of value creation.

In the cases, private disclosure of information concerning intangibles was primarily conducted with core FMs and influential sell-side analysts. Such private one to one presentations were normally conducted just after the quarterly, half-year, or annual results announcements (Holland, 1998a). Information was released within a dynamic process (Holland (2005) where case companies faced disclosure choices between public and private disclosure, and secrecy, and altered disclosure according to managerial optimism and opportunism. The private one to one presentations focussed in part, on objective and visible measures of financial performance and of strategic achievement. These private meetings were also the primary medium for the case companies to disclose qualitative information about corporate value creation processes. Private disclosure was used to reveal information about invisible, difficult to measure, aspects of three major corporate value creation processes.

4.2 Value creation processes - hierarchical ,'horizontal', and network

The three value creation processes used for disclosure in the cases were hierarchical or top management value creation, 'horizontal' or operational value creation, and alliance or network value creation. Many types of intangibles were common to the hierarchical process, whilst much cross sector variety was observed in other value creation processes (Holland, 2004, 2006b). This common underlying structure to value creation revealed a common structure to disclosure content.

The **hierarchical** aspect of the corporate value creation story concerned common structures and categories of strategic drivers across companies. The hierarchical narrative concerned the story of the board, its directors, and board committees as the primary internal corporate governance mechanisms. This narrative explained how the board chose top-management and incentives schemes, how top-management in turn developed and implemented a coherent strategy and how this was monitored by the board.

Case – Bank : 'When I am asked what are the key drivers to value, especially the qualitative drivers to value, then I give the following list… one, what is strategy seeking to do? Two, do we have competent management? If you have a poor strategy with a competent management then you don't produce value. If you have competent management with a poor strategy then I am afraid there is no silk purse to be made out of pigs ears here….The key to value … is a combination of these two intangibles… about the connections between them, the way one drives or influences the other.'

The hierarchical narrative revealed top-down drivers of the value creation process. These primary drivers included top management qualities, coherence and credibility of strategy, management remuneration schemes, and corporate performance systems based on shareholder value.

Case - Household branded or consumer goods: 'You can argue that there is a close alignment…between four items. There is the human capital of the top management and their skills and abilities. There is the strategy of the company and what management are actually doing. The human qualities of management are aligned with the top management incentive schemes. All three of these are aligned with shareholder aims. ….we have established a contract between the company management and the fund managers about the strategy and how it is aligned with shareholder wealth creation'.

Each case company also articulated a concept or idea of its **'horizontal' or operational** value creation process consisting of input sourcing decisions, transformation decisions and processes, and output decisions. This value creation process was normally conducted at middle management and employee operational levels. It was often the critical part of the corporate value creation story showing how a case company differentiated its economic transformation processes from those of its competitors in the same sector.

Case - pharmaceutical company: 'Our value creation process starts with raw discovery through a process of clinical development and regulatory approval through a process to chemical and pharmaceutical development for new products, and then to manufacture and supply and then sales and marketing of the products. As they go down this long pipeline.. obviously there is much human knowledge involved'

The **network** value creation narrative sought to explain how the company sought to create many shared knowledge intensive competences at the boundary of the company. This normally involved the sharing both of tangible and intangible value drivers via supply, production and marketing alliances at various points in the corporate horizontal value creation process. It often involved sharing of unique or otherwise unobtainable intangibles.

Case - utility service provider: 'We do not get involved in the production of gas or electricity. We leave this to companies who are specialist in terms of physical production and delivery. We leave them to invest in the infrastructure and we exploit the systems they set up. There are also people providing telephone lines and telephone services. We try to develop a partnership with these infrastructure specialists. Essentially, we say to them, we can provide you with access to eighteen million customers and they provide us with the physical delivery of the gas or the electricity or the telephone services'.

The strategic story normally **connected** many of the key elements in the value creation process. This was communicated externally to FMs and analysts via a narrative connecting hierarchical, horizontal, and network value creation processes. Intangibles that were invisible to outside monitors were connected via the story to more visible intangibles and tangibles and to output and performance measures. Track record was then observed (made visible) by regular checks of the story against reality in the form of long-term corporate actions (increased R&D expenditure, new patents, innovation) and financial performance (earnings, eps, cash flow, and actual growth in these), consistent with the value creation story. The case companies argued that **benchmarked** intangibles set within the story were important sources of information. Some intangibles such as the effectiveness of R&D could be inferred from **absolute** (objective and visible) measures such as the absolute R&D spend, and by the number of observed innovations for this expenditure. These absolute numbers were ranked objectively, by case companies, analysts and FMs, against competitors to get a comparative ranking. However, the contribution to value of many knowledge based competences or intangibles was difficult to measure. In these cases the key intangibles critical to a sector could be identified, and their effectiveness could be ranked on the basis of FMs or analysts subjective judgements, relative to competitors or the sector. Examples include the relative quality of top management, or the relative coherence of strategy. This **relative, subjective** benchmarking was the closest the case companies, analysts and FMs, came to formal or explicit 'measurement' of many knowledge intensive competences or intangibles.

Case - oil company: '..if you can fully understand management quality or the nature of the brand, this in itself may not be what is in the share price. The game is really all about getting 'on the lists' or rankings and trying to stay on top of the rankings. There are rankings or surveys, of a whole series of intangibles. For example, brands, there are a specialist companies doing this. ..There are also surveys about our environmental impact . So, these are all lists that we are on and we will be ranked and measured against other companies. The critical thing here is our relative position not the absolute information about this. The question is, are we in the top quartile? What is our position relative to competitors?. It is this relative position that has an impact on value. A change in the ranking or listing is news which can affect value’.

The concept of an intangible, and its relative ranking, was given additional **meaning** by being **placed and linked** within the larger value creation story during the private question and answer sessions. This provided **evidence** and gave **credibility** to both the story and the relative ranking of the unobservable intangible factor. The **combination** of the narrative about the three value creation processes, the use of benchmark indicators or measures, their placing and linking within the story, all helped case companies provide the required **‘full story’ or ‘big picture’** to FMs and analysts.

4.3 The disclosure content function of the value creation story

During private disclosure both ‘story’ and ‘value creation’ structures were **combined** in a ‘**value creation story’**. These narrative and disclosure structures provided the joint means to release coherent information about many qualitative variables in corporate value creation. The main elements of story content consisted of an oral or written narrative about how each case company created value through its three value creation processes. This combined information package provided the means to identify, explain, and communicate new information about hidden and difficult to measure, ‘invisibles’ in ‘upstream’ corporate value creation. It provided unique means to disclose information on intangible value drivers that were difficult to conceptualise and to report in more conventional disclosure mechanisms. It was used to reveal new information about previously invisible, difficult to measure, aspects of corporate value creation processes and to link these to measurable inputs and outputs of value creation**.** More specifically, narrative information was used to release information about many qualitative variables such as the quality of top management, the coherence of strategy, the nature of corporate economic transformation processes, key intangibles, and relationships with external parties. In terms of ‘horizontal’ or operational value creation, information was released about the nature of corporate economic transformation processes, key invisible intangibles (such as ‘upstream’ R&D management skills), and relationships with external parties. The narrative was also the means to release additional information on major intangibles, that had a more measurable, visible dimension. This could focus on areas of brand management and customer relations where the analysts would have access to their own independent data. The value creation *story* was also a key means to connect much of this qualitative and quantitative information. Benchmarks measures *within* the value creation process provided further visible linking information. The story and benchmarks were interpreted as creating an important informed context or precursor to explain how invisibles and more objective, measurable and visible intangibles together played a role in generating financial performance. The more objective intangibles measures and financial performance measures provided evidence for the more subjective story and benchmarks. Thus the story connected key tangible and intangible factors in each value creation process in a succinct way. It contained much information about strategic purposes, experience and change over time, the meaning of benchmarks, and about the central role of key intangibles in value creation. It provided a narrative through time, through key episodes or events, and it provided an informed context for understanding corporate promises, forecasts, and for benchmarked value creation intangibles. Diagrams, flowcharts, pictures and numbers were used to support the storyline. The story was a flexible, two way, cumulative, means to communicate. It was rooted in the memory of participants and, in some cases, stored as text. It was also used as an important means to vary disclosure according to company circumstances, and to tailor disclosure to the current value relevant criteria or fashion in security markets. The story connected together many fragmented pieces of information that were already in the public domain, as well as adding unique insights derived from the private dialogue. It appeared to reflect a shared form of 'bounded rationality' (Simon, 1955) as both parties recognised their information processing limits and constructed a satisfactory communication means between the corporate story-teller and core FM and analyst audience. The high usage and presence of narrative implied that it was recognised as a superior form of communication to the disclosure of static, unconnected information in various value creation or intangibles categories. For example,

Case bank : 'Getting our story over to the analysts and fund managers is far more difficult than showing them concrete products and processes, but it vastly more important for our share price'

4.4 Searching for new 'sources of value' literature and theory.

The grounded theory, once established, can also be used to identify the significance of other literature (Locke, 2001) for understanding disclosure content. The following sub sections illustrate examples of how the grounded theory of disclosure content can point to new relevant literature and theory sources in a world of many potential theory and literature sources. This is turn can help both companies and researchers think more theoretically and strategically about disclosure content. Literature on the structure of narrative, intellectual capital, strategic analysis, and theory of multinationals, are used to illustrate how new insights can be created for disclosure content. This is an example of enhanced 'theoretical sensitivity' in grounded theory terms (Strauss and Corbin, 1998)

The structure of narrative and relevant literature:

The corporate story-telling outlined in this paper is not restricted to financial communications. There is an emerging literature on story-telling and its' uses in internal and external corporate communications research (Boje, 2001) where research involves the interpretation of 'stories' in some form. For example, (Boyce, 1996; Boje, 2001) discuss the role of stories within internal corporate communications. In this literature story telling is used as a vehicle for 'collective centering and collective sense making' within organisations, (Boyce,1996) but management can exploit story telling in their interests. If we conceive '**the market for information'** as a boundary network **organisation** between the company and the stock market then the concepts in this literature are useful to interpret the role of the story in the same collective sense making way in this different context.

The story form adopted in the cases also had a repeatable structure across the cases including elements such as sequences, events, consequences, role and responsibility of individuals, and development of understanding and meaning. These case constructs on the nature of narrative are similar to those proposed by Kellas and Manusov (2003). For example in the cases, the narrative broke up the value creation processes by explaining ***sequences*** in each sub process, by discussing major ***events*** in companies and markets, and by explaining how these and corporate actions created cost, income and value **consequences**. The value creation narrative also explored leadership and competence roles of management in this story and attributed ***responsibility to key individuals*** for specific actions and consequences. Quotes and case narratives about top management or ***'hierarchical' value creation process*** illustrate these features of narrative**.** In the cases the narrative also created opportunities to make and hear promises, and to observe some aspects of management qualities during corporate story telling. It allowed both the teller and listener to derive ***meaning, understanding*** and explanations from observed events that occurred, were occurring, and had been discussed in the narrative.

Other concepts in the wider 'story' literature are useful for analysing the components of the case company value creation narratives *perceived to have information content for FMs and analysts.* For example, many general types of story plot can be identified from the literature. Identifiable plots could include, specific value creation stories about 'beginnings, protagonists, and culminating events' such as the arrival of a new Chairman, CEO and board changes, and changes in strategic action in hierarchical value creation (Reissman (1993). It could also include specific stories about (value relevant) events told in linear order (Labov, 1972) such as the recent changes in the sequence (and its strengths and weaknesses) in drug research, development, licensing, sales (as in horizontal value creation). The previous section on story connections in the narrative also illustrated these points. Other story genres are also possible such as habitual narrative (repetitive event with no peak in action (Reissman, 1993). In the cases this was seen as stories about perceived current value creation process or key intangibles which became 'myth'. Reissman (1993) also mentioned hypothetical narrative about events that did not happen. These could include case company narrative about perceived potential value relevant strategic actions and options. However, the case companies showed some caution in this respect because they felt this kind of narrative could exacerbate their stock price volatility.

The structure of corporate value creation and relevant literature:

This section has shown how the case companies used a narrative to describe how knowledge intensive intangibles were employed within their value creation processes. The individual intangibles narrative varied by sector and by case firms. However in total, the variety observed in the cases matched wider categories of knowledge intensive intangibles identified in the intellectual capital (IC) literature by writers such as Brooking (1997), Edvinsson and Malone (1997) and Sveiby (1997). These include ideas of human capital, organisational capital or internal structural capital, and customer or external structural capital as the three main components of corporate IC. Mouritsen et al (2001) reveal the role of the story in the writing of intellectual capital statements by Danish companies, and this shows many similarities to the IC intensive 'value creation' and intangibles disclosure content released by the UK case companies. The UK case data can be interpreted within the Mouritsen et al (2001) theoretical frame. Thus when telling their value creation story the case companies explained how their intellectual capital assets and processes (top management. employees, customers, value creation processes and technologies) were directed toward shareholder (normally professional fund manager(FM)) wealth needs. The story, once articulated 'dis-located' some proportion of top management control over knowledge intensive intangibles and their role in value creation. Part of this control was passed over to FMs and analysts. They used their active probing dialogue with companies (on corporate value creation) to ensure that companies pursued a shareholder wealth creation agenda (with corporate IC) that reflected the prevailing capital market agenda or received wisdom (Holland, 2006b).

Each case company's strategic story about its value creation was unique. Nevertheless, the case data also broadly reflected the major elements of the **strategic analysis** literature. For example the idea of the horizontal value creation process corresponded to a well established academic and managerial debate on competitive strategy and value creation in the enterprise. This included Porter's (1980, 1985) environmental analysis and corporate value chain, as well as resource based strategies developed in the 1990s by writers such as Barney (1991). Barney's view (1991) focussed on the enterprise, and the internal capability of firms to accumulate resources and skills. These were turned into unique firm specific advantages for value creation that were rare, non-substitutable and difficult to imitate. In this view, knowledge was regarded as a critical, if not the critical component in competitive advantage. Effective management of knowledge was seen as the main source of competitive advantage (Prahalad and Hamel, 1990). Companies that protected their unique knowledge from imitation or expropriation, that expanded, disseminated and exploited it internally, could both create and exploit a unique competitive advantage and resource. Holland (2006b) interprets the company value creation process and story as a flexible process of generating, waiting, exercising, and implementing a continuous stream of knowledge intensive strategic options. Thus both the elements of the grounded theory and literature suggest that a deeper structure exists for corporate value creation and for the associated information agenda.

Grounded theory of content and theory of multinationals (MNC):

The narratives on value creation also suggest that existing literature and theory of direct foreign investment (DFI) and of multinationals (MNC) is relevant. For example, corporate disclosure content based on the three value creation processes observed in the cases can be further understood by using the 'Ownership, location, and internalisation' (OLI) theory of corporate advantages when investing overseas (Dunning, Lundan, 2006). This theory explains how and why companies decide to locate each value creation process or specific parts of each value chain and process in specific locations to maximise value. Hierarchical value creation processes may be located in jurisdictions such as Switzerland to minimise personal tax for top management and corporate tax for the company group. Alternatively the company may decide to keep its HQ at home because of a perceived need to 'stay' at home in a supportive national institutional context (ie political support, legal system consistent with business, can co-ordinate firm in one language, can exploit key top management intangibles best in one culture etc). In the case of of horizontal value creation, the company may seek low cost overseas production sites for low knowledge intensive or difficulty to imitate production elements, or locate where low cost shortage skills are in abundance (eg Czech republic for car assembly skills). At the same time they may decide to keep important knowledge intensive assets and processes in their home location locations where there are good property and patent rights and where clusters of excellence exist eg Brand and R&D management and processes, or Product design skills. For alliance value creation they may seek new overseas alliances where they need market access or new forms of product or process knowledge. This link between OLI theory and disclosure content is rarely made in the disclosure literature where the nature of disclosure content is poorly understood.

5. HOW STORY CONTENT CHANGED WITH REAL AND FINANCIAL MARKET CHANGES – INTERVENING CONDITIONS AND CAUSAL CONDITIONS

Section 5 is the second results section and further develops Holland (2005) to show how the company value creation narrative, corporate knowledge, and user knowledge were all linked in a dynamic corporate disclosure response to changing events and to reporting cycles. In grounded theory terms the section focuses on 'intervening conditions' and 'actions/interactions'. The external intervening conditions consisted of many external interacting environments experienced by the case companies. The key context in the cases was the nature of real (competitive and product) markets and financial markets and ongoing and unexpected change here. Corporate disclosure over time was designed to create understanding (knowledge) and confidence states in information and stock markets concerning the company (Holland, 2005). The corporate narrative was perceived to be reflected in (common patterns of) understanding and confidence states in external networks and markets and contributed to stability in these states. The quality of disclosure was intended to contribute to external reputation and credibility states and to the stock price. The internal intervening conditions as corporate knowledge (about value creation, about disclosure, and about nature of exposure, risk and valuation in the external environment) arose from company learning during disclosure content interactions with these environments. Corporate knowledge included ideas of how to be adaptive and persistent in disclosure, and how to correct errors by external observers and how to build and maintain credibility in disclosure. Corporate knowledge also included some understanding of how corporate disclosure was interpreted and understood by information market participants as market valuation 'fashions' changed. These areas of knowledge or intellectual capital correspond to ideas of human capital, organisational capital or internal structural capital, and customer or external structural capital as noted in the previous section. The external and internal intervening conditions, especially prior knowledge, mediated causal conditions (as new external demands for information, reporting cycle, ad hoc events) as they influenced corporate disclosure content and actions and as they influenced market understanding states and stock prices through time. The 'value creation story' reflected both internal and external intervening conditions. Thus internal knowledge contributed to the content of the value creation narrative, especially in such areas as exposure and risk and to the adaptive and persistence qualities of narrative. The narrative was the core case company means to develop both adaptiveness in communicating new details of the message and of persistence in promoting the core message during real (competitive and product) market and financial market change (unexpected as causal conditions, gradual as external intervening conditions). Adaptiveness, persistence, error correction, and credibility (as learnt internal intervening conditions) were important ‘response’ or change qualities of the value creation story and formed novel information content in their own right. Such change was often the means to disclose novel content, to allow observers to infer story content, and learn more about the story. The value creation story and its change response qualities were novel means for making ‘invisible’ intangibles in corporate value creation visible. They were also the ongoing means to influence the stability of external understanding, confidence, reputation and credibility states.

The dynamic role of narrative in this external context is analysed using relevant literature and theory. The grounded theory elements (actions/interactions, intervening conditions, and their mediation of causal conditions) are linked to existing literature by Weick (1995) on sense making and Giddens (1984) on structuration and this places value creation disclosure content within a deeper theoretical context and meaning.

5.1 Company knowledge of the environment

Corporate knowledge (about value creation, about disclosure, and about nature of exposure, risk and valuation in the external environment) arose from company learning during disclosure content interactions with many external environments. This section focuses on knowledge about changes (gradual and unexpected) in financial market and in real markets during the case interviews. These environments were important because of their ‘closeness’ and because they were the primary source of change and means to mediate change.

The case companies were able to exploit additional learnt concepts concerning their ‘exposure’, ‘sources of risk and uncertainty’, ‘impact on value’, and ‘reponses’, when thinking about how to change the content of disclosure in a structured way. The structure of ‘exposure’ was based on the three value creation processes and of narrative concerning these. The case firms also identified a broad structure to sources of risk and uncertainty. This consisted of many interacting environments including, inter alia, the institutional, social and political setting, the regulatory setting, macro environment, competitive context, and the financial market context. The stable and gradual change dimensions of these environments were external ‘intervening conditions’ in the grounded theory. Changes in market valuation ‘fashions’ and market processing sophistication were important. Unexpected change in these environments (causal conditions) was the perceived sources of much risk and uncertainty relative to corporate value creation ‘exposure’ and narrative ‘exposure’. They were also important drivers of change in the larger ‘information environment’ surrounding the case companies. Collins and Kothari (1989) identify this as including all sources of information relevant to assessing firm value such as government reports on macroeconomic conditions, industry reports, firm-specific news in the financial press and reports issued by analysts. Company financial reports and other disclosures contribute to the ‘information environment’. Changes in this complex environment generated various real (value creation) and disclosure responses in the cases. The key knowledge and understanding questions for the case companies were – What is our exposure ? What specific risk and uncertainty is arising for us in these environments? (and what are key variables for our company eg $/euro, oil price, US treasury bond long rates etc), What is the impact on our company value creation processes, growth and value ? How does this effect our real response ? How does this effect our disclosure content response?

The case companies dynamically exploited their knowledge of value creation, risk, and value in this change context. Change in real markets and financial markets was often the means to disclose content, to allow observers to infer story content, to check the match between story and track record, and to learn more about the story. Cumulative learning occurred through many company-market interactions over time. This fashioned and refashioned the narrative such that it provided a stable but up-to-date context to interpret new fragments of information as they arose in real markets and financial markets. The case companies also learnt how to correct perceived error and bias in story content as it arose. Maintaining credibility in story content over time and avoiding problems with the subjective nature of the story were means to enhance core messages and to boost market controls over corporate bias and opportunism. Thus adaptiveness, persistence, error correction, and credibility (as learnt internal intervening conditions) were important ‘response’ or change qualities of the value creation story and formed novel information content in their own right.

5.2 **Changes in real markets and in corporate circumstance**

Ongoing economic change and company performance provided considerable public evidence of how the company story was played out over time as the company made strategic decisions, and responded to macro and competitive change. This market based learning and knowledge creation was perceived as the primary means by which FMs and analysts understood how the value creation story actually functioned and changed over time. However in a few cases, the historic story had almost become a untested myth with FMs and analysts. When surprise change occurred in real markets there was often a dramatic collapse in confidence in the story. Thus problems were identified with the high subjective content of stories and the subjective nature of qualitative benchmarks.

Dynamic stories: Corporate perception of learning and knowledge creation in market.

In the cases, a regular reinforcement of the story over time through consistent evidence via actions or outcomes consistent with promised strategy or performance was perceived by companies as meaning that external observers (such as FMs, analysts, or competitors) could infer the existence of invisible intangibles such as good quality R&D research and research management skills. Recent corporate actions in the previous six months or so and last period earnings were critical to maintaining current confidence in the story, and in the credibility of management. They were also critical in maintaining the belief of FMs in the presence of high quality but invisible intangibles and their continuing contribution to future value creation. Value, as perceived and understood in the cases, was therefore based on some idea of continuing connections between the invisible and visible fundamentals of the company value creation story, company responsiveness to changing macro and competitive conditions, reality checks using corporate actions against promises, and financial performance track record. The value of the company was normally conceived as the current output of a complex combination of these connected fundamentals in the form of current earnings, growth prospects based on a track record, and confidence factors. Thus the FMs and analysts were perceived as (normally) betting against changes in an established value creation story in a competitive context and corroborating this by events as they unfolded. This reinforced confidence in the story. They were betting that the company story and its match to macro and competitive changes would generate superior or inferior performance in companies that had some kind of credible track record.

Case - Software and automatic controls company; 'Fund managers can put two and two together. They can observe management when they are beginning to implement strategy. They can assess their qualities and abilities to drive value creation. They can hear their promises. They can listen to the strategic story, and assess its internal coherence, and compare it relative to competitors. Some time later they can then observe company actions consistent or inconsistent with the story, they can interpret events relative to the story, they can see if the company is keeping its promises, they can see financial performance, and they can assess if the management team have been competent in executing the strategy'

Problems with Stories

The use of the story had its problems and these often emerged during periods of change. The following case reveals how senior case company managers perceived that poor quality of storytelling was the main factor adversely affecting the share price. In contrast, the FMs, media and analysts made differing inferences about invisibles. Their subsequent response suggest that poor story execution was the main problem.

Case - transport company: ' Last year, our Chief Executive was sacked despite having a good following in the City. We also lost our senior US executive under difficult personal conditions. Some parts of the City…took the view that our chairman was treating the company as a private company and not as a plc. An important executive director, also resigned. ….the share price dropped quite a bit. All of these changes led to many interpretations of events behind the scenes here in this business…We didn't quite get this story across and the focus was on some supposed dissension in the management team and the board.

The case company stories could, despite technological change, be stable over a long period of time especially if they were supported by consistent performance and delivered promises. In some cases the story had descended to mythical status and remained unchallenged until major corporate problems or crisis emerged. Marks and Spencer, and Sainsbury (two UK retailers) were such cases identified by the case companies. The market for information did not check out the corporate value creation story rigorously enough over time. In part this was because the myth was a convenient short cut which saved research resources. It was only challenged when an event occurred which focused the attention of a large section of the market for information on the 'star' company. Both companies have since returned to the retailing success factors and top management skills and reputations that underpinned their historical story. These problems appear to have also been implicated in the disclosure and valuation problems crises to be observed in financial markets post 2000. US examples of corporate failure, such as Enron and WorldCom, reveal the opportunities for extreme corporate opportunism and bias, via such subjectively based disclosure vehicles. Bank failure in 2008-09 reflected ignorance, self delusion and opportunism in emphasising ‘growth’ dimensions to bank value creation and to disclosure, with risk management being much downplayed. Thus major failures can occur in the supply and demand side of the market for information, leading to demands for greater transparency and more stringent reality checks for such stories.

5.3 External change drivers in information markets and stock markets

Information market changes often led to disclosure content changes. Corporate perceptions of information market change drivers were placed in three major categories. Firstly, managers faced major problems in understanding how company supplied narrative and information on corporate intangibles was used in stock and portfolio decisions by fund managers and analysts (see Holland and Johanson, 2003); secondly contextual changes, such as changes in fashion in what was perceived to be value relevant information, were problematic; and thirdly, changes in processing sophistication and in structure in the global market for information and global stock markets were ongoing (see Holland, 2004, for details). The latter two demand side change factors were perceived as contributing to problems faced by

FMs and analysts in processing corporate information on intangibles, and to associated problems of bias and error as well as creating conflicts of interests (UK Financial Services Authority (FSA), 2002). All three factors interacted in some unknown way for company managers to produce a changing set of user questions and hence changing user information needs during the private interactions.

The intangibles disclosure problems caused by changing market fashions are illustrated by a case bank during the 1997-2000 'dot.com' period:

'There is an element of fashion in the stock market and it could be argued that the high volatility at present is not justified. The fashion for Internet and technology stocks was very active up until January and then collapsed in March 2000…this kind of change in the stock market is not justified by changes in our real business and cash flows. This must make it very difficult for savers …The valuation of intangibles and qualitative factors is subject to this larger volatility in the market and fashion. It just makes you wonder what kind of information has been employed in valuations if such volatility can be so effective in dropping our share price when there has been no substantial change in the fundamentals of this business'

Shiller (2000) argued that there were similar 'fashion' processes at work in the US stock market in the same period and this produced similar valuation behaviour.

5.4 Change qualities of disclosure content – persistence, adaption, error correction

These major market changes and problems were transmitted to companies via their regular private one and one meetings with FMs and analysts, and were manifest as a changing set of new questions posed by analyst and FMs about corporate value creation capabilities and prospects. This showed a strong contingent and transient character to such demands. These questions influenced how companies perceived value relevant information as disclosed in their value creation story and in benchmarks. More specifically, the case companies learnt much, over time, about disclosure content qualities such as *adaptiveness* and *persistence* as result of engaging in the above interactions. They also learnt how to *correct* perceived error and bias as it arose. Firstly, the case companies learnt that they had to build in a high degree of flexibility and content responsiveness to the story and benchmarks. For example, during the 1997-2000 'dot.com' episode, case companies altered their strategy and disclosure to include more explicit technology and internet elements, and to therefore match the current market story or fashion for value creation.

In case Utility; 'In the period January to August 2000, ..the equity market continued to be influenced by fashionable technology sectors. A small number of these stocks displayed phenomenal returns driving the market forward at an astonishing rate. As a result the more traditional old economy type stocks like us have.. to keep up. …..We show them how our electricity network can be used for new telephone and internet services. What the fund managers really want is, are there any positive cash flow from ...the new options … and the likelihood of success'.

Thus disclosure content, although normally based around a core narrative concerning corporate 'fundamentals' information, was also perceived as transient, subject to fashion especially the market story on intangibles in value, and subject to changes in processing sophistication and structure in the market for information. The subjectivity of the story was seen as central means to achieve flexibility. Benchmark measures were less adaptable but interpretation of their role in a value creation story could change with circumstances.

Secondly**,** the case companies learnt that they had to build in persistence in their communications to analysts and FMs. This involved persistence in telling the core value creation story, in providing constant (benchmarked) information flows on key intangibles, and in disclosing a set of stable internal links in the value creation narrative linking intangibles in value creation. These were all important corporate means to overcome the transient or fashion elements of market demands, and in correcting error and perceived bias in individual (analyst or FM) and market (consensus) views of stories or of benchmark information. The following case provides some insight into the way in which persistence in the fundamentals story was important after the dot.com period:

Case – retailer: 'There was considerable hype about the new economy and a new paradigm for business… reality is now biting in. Real business principles now have to apply to these 'dot.com' businesses. Can they grow the business? Can they manage the cash flows when they are generated? Do they have the management skills to maintain the business and keep creating value? ….Of course, if you ask the same questions here you get very positive answers. ….Every time our story has been checked out by reality, it has worked'.

Thirdly**,** companies also sought to use their persistency and adaptiveness in disclosure to correct error and bias, as it arose**,** in the market for information in terms of story content, significance of benchmark information and forecasts. For example:

Case - telecommunication and internet provider; '... there is a very wide range of brokers' analysts' estimates of our price with the current price being somewhere in the middle. ..... terminal values are based upon a high growth factor. I talk with brokers' analysts about their models and the content of their models and I try to give them some comfort and credibility to these models…we are trying to be prudent with them but are not too downbeat in terms of the realism in the models. We also prefer to surprise them on the upside not on the downside.'

The interpretations in this section bear important similarities to seminal grounded theory work by Gibbins et al (1990). Both the present study and Gibbins et al (1990) study identify how disclosure policy or predisposition became more responsive to change. In the case companies, prior knowledge led to the use of flexible, broad information categories in the value creation process, and an ability to respond to changing definitions of value relevant information in the market for information. In addition, the use of a core story plus adaptive story telling, persistence in disclosure, and the correction of error and misunderstanding, all reflect forms of learning, knowledge, and adaptive predisposition in the case companies.

5.5 Changes in the real and information agenda since 2000

Ketels (2006) notes many changes in the past decade concerning globalisation and sources of value. Globalisation trends have become very dominant in world economy, especially the globalisation of markets – real and financial, globalisation of value chains (ie the three corporate value creation processes being distributed across the world), and the globalisation of knowledge both scientific and management best practice. Innovation is still increasing as % value added in knowledge intensive industries in the OECD countries with low cost production going to China and India. These changes are having a further influence on key questions for companies - Where does value come from? How is value changing? Where is it best to locate part of our value chain? and **on the question, What should be the content of our corporate disclosure?** Dunning (2006) has argued that the information environment surrounding international companies has become much richer with a 'shift in the information paradigm'. By 2006 these changes, inter alia, included the growing adoption of IFRS international accounting standards, improved competence of company (sell side) analysts, Basle 2 has encouraged risk disclosure by international banks, value based management (VBM) techniques have forced companies to explain how their strategic actions effect value, and Stock Exchanges have demanded more information from companies about their vulnerability to risk. Roth (2006) has also argued that there is now much higher government and government body disclosure of key macro information such as inflation rates, interest rates, exchange rate policy. The world financial and economic crisis in 2009 onwards increased demands for disclosure from banks and financial institutions with respect to the full nature of strategy and its consistency with risk management. There have been increased demands for corporate governance disclosure concerning skills of executives and board effectiveness. Hence further changes have arisen in the information content agenda since the case interviews. These are consistent with the change observed in the cases. They suggest a continuing and increasing need for company management to carefully monitor these changes and to manage their disclosure information content in a structured and dynamic way (as outlined in the cases in sections 4 and 5) to reflect and match these changes as their contribution to change in their information environment (Collins and Kothari (1989). This structured and dynamic response is important for company valuation and for top management disclosure credibility when using narrative and intangibles benchmarks.

5.6 The dynamic nature of corporate disclosure and relevant literature

In section 5 we have seen how corporate knowledge arose from company learning during disclosure interactions with these environments. Corporate disclosure over time was also designed to create understanding (knowledge) and confidence states in information and stock markets concerning the company (Holland, 2005). The corporate value creation narrative was a key part of this external understanding by market participants. The corporate narrative 'was reflected in the *mirror of the market'* (Roberts et al, 2006), as well as being incorporated within corporate life. In Weick's terms (1995) case company organizing (internally, and externally in market networks and states) and understanding of own disclosure content narrative was a means to make sense of equivocal (received and sent) messages, or messages with a multitude of possible meanings, in this complex disclosure environment in the business and financial worlds. The informed context of an established narrative content, within the firm, and within stable external networks and markets states, were used (by companies, and by market participants) to interpret the meaning of new information or messages sent and received by the case companies (and by FMs and analysts). They were the means to interpret new information and events as they arose, and to establish the meaning of external messages sent to the company. They were also a means to infer what corporate disclosure could potentially mean to recipients in markets. This capability created the potential for companies to manipulate the meaning of messages sent to others (Mumby 1987) and to influence part of the external processes of meaning creation about corporate information, value creation, and valuation. In the cases a recursive process arose within larger (financial market) institutional order and the communication processes. Institutional order and values correspond to Giddens (1984, p377) view of 'structure' as "the rules and resources, recursively implicated in the reproduction of social systems". Corporate management's (agent's) knowledge of their external society in their institutional setting and the shareholder wealth values arising from this source, and from their more immediate information and stock markets, informed their disclosure content actions, which reproduced social structures (external networks, disclosure channels, shareholder values, stable market states).

6. VALUE RELEVANCE OF QUALITATIVE DISCLOSURE

The research results create many new opportunities for developing research on public disclosure content. This section explores new ways of measuring the value relevance of the novel form of contextual or narrative information and associated benchmarks. This connects value creation narrative (context) to a conventional (event) value relevance view and could stimulate new types of market based studies. More specifically this section discusses how the analysis of the components and qualities of the story and of value creation reveal a novel idea of information content which is different to conventional concepts of value relevance. The new concept concerns the relatively stable external information context, based on external understanding of the corporate value creation narrative, within which continuous information flows or 'news' and events are interpreted in information and stock markets. The use of the value creation story reveals its information relevance to producers and users and its central role in that external setting. Perceived contextual information content arose from stable 'story' and 'value creation' structures, from stable benchmark measures, from repeated confirmation of these, from disclosure 'response' qualities, from changes in all of these contextual information sources and their elements, and from use of the contextual information to interpret new events. This idea of of 'package' of qualitative narrative and benchmark information is unusual relative to market based ideas of value relevance, or to conventional public disclosure. However, such a 'package' was intended by the companies, FMs (Holland, 2006a) and analysts to be value relevant. This novel analysis of the structure of the value creation narrative and of benchmark information is used to further develop the theoretical understanding of disclosure content arising from the grounded theory. This analysis may also open the way to research connecting conventional value relevant studies to new studies testing for the information content of qualitative, subjective disclosure by companies with particular emphasis on the less visible aspects of the upstream value creation process.

6.1. 'Value relevant' information in information markets

Conventional market based tests of value relevance (such as Market based Accounting Research (MBAR) concepts) employ a precise, unchanging, definition of value relevance. For example this refers to information on observable historic events or specific disclosures which affected prices. This approach is used to identify (ex post) value relevant information in a cumulative, systematic manner focussing on the information content of specific event categories, and on the informativeness of disclosure mechanisms such as financial reporting.

In the case companies many kinds of objective (and visible) measures and information were disclosed and perceived to be in the stock price. Such information included key financial numbers and text in the financial report, and other public disclosures through the stock exchange. These were thought to contribute to each case company's stock price information set. The latter are the focus of much conventional value relevance research.

However, other case concepts of information content and relevance appeared different to those employed in conventional 'value relevance' research. The observation that company managers, fund managers and analysts jointly used the story form and various benchmark measures, indicated that these mechanisms had perceived information content for users. The policy of persistence illustrated a shared producer and user need for stable core information in the face of transient fashions. The observation that the story and benchmark content were readily adapted to new circumstances revealed the transient and subjective nature of the information and hence its changing perceived 'relevance'. These joint constructs indicate that information market participants considered these disclosure means to be potentially useful for their user purposes. They were critical means to explore new ex ante sources of information not currently available in the public domain. They also created an informed context to interpret more objective and observable events in the public domain as they arose.

However in this world, such corporate disclosure content was never adequate for users who sought a special information advantage over other users and the market. Corporate disclosure was only deemed adequate ex post in a relative sense if a company could earn a reputation for credibility and develop a track record for informativeness and for delivered performance (promises) relative to information market benchmarks and competitors. Market scepticism about stories alone meant that case companies had to earn a track record for this information to be perceived as useful in current circumstances and in the future. Fund managers and analysts could check corporate promises and disclosure against observed reality, against competitors views, and during many repeat meetings with a company and competitors. The case companies were aware that unless their disclosure was consistently informed and useful over time then the credibility of their current and future disclosure behaviour and content was at threat. They were also aware that an unexpected change in performance could undermine an established track record and this and the performance change were likely to have a joint price effect.

This information content may not appear at first sight to be value relevant in a market price reaction sense. The case companies already stripped out price sensitive information (PSI) in a structured way (Holland and Stoner 1996) and announced it quickly in public. The novel (perceived) contextual information content arose from stable 'story' and 'value creation' structures, from repeated confirmation of these, from disclosure 'response' qualities, from changes in all of these contextual information sources and their elements, and from use of the contextual information to interpret new events. The case companies therefore focussed on disclosure which was about a deeper understanding of corporate value creation and which connected fragmented, elusive information sources. The growing intensity of the shareholder wealth maximisation (SWM) atmosphere in the private interactions and the emphasis on SWM oriented information, suggested that much of this relatively stable contextual information and associated transient and topical information (interpreted with the contextual information) was intended by both parties to be value relevant in the immediate, medium and long term. Hence it was close to market based accounting research (MBAR) concepts in terms of shareholder wealth aims but was more focussed on ex ante information value relevance whereas MBAR (based on historic price reaction or movements) was ex post value relevant. It differed in its emphasis on explanatory context rather than actionable 'news'. The above suggests that such disclosures should also be value relevant in the conventional market based sense if robust measures of information content of stories and benchmarks can be constructed. The next two subsections seek to explore these possibilities.

6.2 Benchmark measures of hierarchical, horizontal and network intangibles and new opportunities for research on value relevant information.

Table 1 provides examples from the case companies of important categories of intangibles and associated measures that were perceived to be important to each case company's share price. **Table 1**

Many of these measures are not used in current value relevance research but do create new opportunities for such research. Some data is already available in the public domain. In the case of **Hierarchical value creation,** UK survey companies such as MORI question fund managers and others to rank companies across sectors on key factors. Top management quality is broken down into many components such as leaderships skills, financial communication skills, personal and team track record, succession policy and many other elements. In the case of **horizontal value creation**, various opinion surveys on R&D effectiveness, quality of brand management, brand strength, customer satisfaction rankings, were also conducted by UK polling specialists such as MORI. The survey companies use informed groups such as fund managers and others to rank companies across sectors on these factors. These are sold to companies and to FMs and analysts. Professional bodies such as the UK Investor Relations Society (2003) also rank companies on disclosure quality. These sources therefore provide subjectively assessed, sector specific, relative benchmarking of key intangibles. Amber et al. (2001) provide an example of how marketing intangibles are being measured and UK commercial survey sources such as Interbrand go into considerable detail on individual intangibles such as brand strength and value.

Value relevant research work on value creation intangibles could be expanded by using such sources to test for new kinds of 'intangibles' events. In the case of hierarchical intangibles, new event studies could be based on disclosure of changes in relative (subjective) benchmarked factors such as changes in quality of management, or coherence of strategy, or strategic (promise, action, performance) track record. In the case of horizontal and network intangibles new event studies could be based on disclosure of changes in relative (subjective) benchmarked factors such as changes in R&D effectiveness, quality of brand management, brand strength, customer satisfaction rankings. These types of study would allow each company to highlight the unique characteristics and strengths of its dominant intangibles in its each value creation sub process (hierarchical, horizontal, network) using measures based on subjective ranking benchmarks of say top management quality or quality of brand management as well using more objective and visible measures such as top management change or brand management costs. It would also allow academics to test more generally for the significance of intangibles in driving stock prices. Some studies have already emerged to show how various measures of horizontal and network intangibles can be used in empirical tests (Dahya et al (1998), Arviddson (2003) Thomas (2001)).

6.3 Proposed new measures for contextual information content of 'Value Creation Story'.

The concepts about disclosure content developed in this paper provide a new way of thinking about contextual information in disclosure. Holland (2006a) in similar case work with fund managers has revealed that company contextual information about the value creation story was also considered to be relevant by information market users. This concerned the relatively stable external information context, based on external understanding of the corporate value creation narrative, within which continuous information flows or 'news' and events were interpreted in information and stock markets. If we wish to investigate if this information has value relevance in the conventional market sense then new measures and new approaches to market tests are required. These should reflect the fact that much of this contextual information and its qualities will be anticipated by markets, it will be supported and perhaps contradicted by a stream of simultaneous and sequential events, it will exist in a context of private and public flows of information, and it may primarily have a **confirmatory** impact on stock prices over long periods. These are different to the conditions required for many conventional market studies. New studies may require long term studies of the price effects of contextual information using unique measures designed to capture information content. This section proposes a simple measure of contextual information content as a start to such a research process. We should note that contextual information content may also behave like conventional 'news' content. This may arise from **changes** in all of these contextual information sources and their elements, and from use of the contextual information to interpret new events

Organisational literature such as (Boyce, 1996; Boje, 2001) help us understand the broad role of story telling in organisations. Reissman (1993) and (Labov, 1972) also provide insights into general types of story plot such as 'beginnings, protagonists, and culminating events' (Reissman (1993). It could also include specific stories about events told in linear order (Labov, 1972). As seen in section 4 this literature is useful for matching the case narrative plots to more general plots. They thus reveal more about the general structure to the value creation narrative. However, the aim here is to relate the idea of the value creation narrative to more conventional market based views of value relevance. This requires the development of criteria to score the information content of the narrative as seen by participants in the market for information, and to use such measures to test for value relevance in stock markets. We therefore turn to literature on psychology for support in these aims.

Kellas and Manusov (2003) in the context of narrative about personal relationships, conceptualise a complete narrative as one that clearly and extensively (1) segmented the experience episodically/sequentially (2) represented causes and consequences in the explained event (3) developed characters relative to the story (4) evoked and made sense of affect (5) drew meaning from events in the narrative (6) provided a coherent narrative, and (7) attributed responsibility to the characters in the story. *These were similar to case constructs in this study concerning the nature of narrative for value creation.* Kellas and Manusov (2003) also analysed written stories (about relationship breakdown) for these components, and these were individually rated for their degree of representation and completeness along a five point Likert-type scale (p295). Scores for each element were added to produce a composite score for each narrative.

A similar approach could be adopted to rate the information content of corporate narrative as perceived by companies, FMs and analysts. Table 2 provides a first attempt to provide such a measure. It reflects story and value creation elements common to the cases studied. It draws from the case insights on the structure of the ‘story’, on the structure of ‘value creation’, and on the qualities (responsiveness, control over bias etc) of the ‘value creation story’ in a world of change. It also draws on the ‘story’ and value creation literature. A hierarchy of structure is used from ‘story’ as the dominant structure to ‘value creation’ structure to ‘qualities of value creation story’. The table uses ‘story’ structures as the dominant category because this is the main disclosure mechanism. Value creation information is disclosed within this mechanism, and hence these are the sub categories. The qualities of the ‘value creation story’ are used as further sub categories. An additional category in the form of ‘Conventional value relevant criteria’ is also employed to reflect this unique market setting for, and price impact of, story telling. The table also focuses on the perceived information content of each element in the narrative as the key narrative quality to be measured and as the primary meaning drawn from the narrative. It also includes Kellas and Manusov (2003) categories where they relate to the case data.

Table 2

Each element of narrative in table 2 can be rated for its ‘information content for valuation of company stocks’. This could be done along a 5-point Likert-type scale with **5** representing information content = *‘high’* and **1** representing information content *‘low/zero’*. Scores for each element can be added to produce an overall composite score for each corporate value creation narrative. This can provide a summary measure of the perceived value relevant information content of a value creation story narrative. There are many obvious problems with such an approach such as the rating process, and equal weighting of elements in the composite score. However the choice of elements and the relative hierarchy of elements is grounded in the data.

6. 4 New market based tests of value relevance

The approach proposed in table 2 can provide individual element measures, clusters of element measures, and a summary measure of the perceived information content of a value creation story narrative. All this creates new opportunities for empirical testing of value relevance. More generally, the proposed rating index offers a new way to think about contextual information and how its information effects could be measured on information market participants and on stock prices. This may open the way to research connecting conventional value relevant studies to new studies testing for the information content of qualitative, subjective disclosure by companies with particular emphasis on the less visible aspects of the upstream value creation process. Such studies could reveal the value relevance of elements of stories or the overall narrative. They could also reveal that the story was an empty ritual, with an informationally neutral set of symbols. Market based tests over time, on story elements connected via objective or subjective benchmarks, could counteract purely subjective elements of stories and help dispel corporate myths and reinforce persistence in disclosure content.

In addition, it may be possible to combine tables 1 and 2 to develop new types of value relevant studies **combining event information with contextual information**. Thus event studies could be placed **within** the contextual information studies to arrive at a broader concept of value relevance based on a structured view of how firms create value. Market based style tests could reveal which subjective story elements and objective benchmark indicators continue to have information content before, during, and after transient market changes. This could help isolate the fashion or transient elements effecting stock price as well as the stable or persistent elements. Such tests could also show how stories change over time, and how new value relevant subjective and objective benchmark indicators emerge over time. This could reveal much about the nature of corporate adaptiveness in disclosure content and whether it was value relevant. Hypotheses could also be set up to test for the market price impact of new events about specific benchmarked intangibles, and to measure the value relevance of narrative about such intangibles. These could provide the basis for connected tests. For example, the higher the narrative content then the lower the price impact of the event or the higher the significance of the event within the narrative, the higher the price impact. These hypotheses therefore connect **context** or narrative value relevance to **event** value relevance.

An optimum value relevance research programme may therefore involve a combination of grounded theory methods and conventional market based disclosure research. The grounded theory can map the value creation process and internal relationships, as well as being using to identify the story elements for rating and for new benchmark measures. Market research could be used to test for the value relevance of individual intangibles, of connections between subsections of value creation chains, of element of the story, and of the story overall. The grounded theory method can reveal the contextual, invisible and transient character of information perceived as useful by capital market participants and as consistent with SWM aims. Market based methods can reveal which specific items of narrative and benchmark information (and their connections) continue to have value relevance in capital markets. Both approaches can help develop a fuller insight into a wider concept of value relevance.

7. CRITICAL ANALYSIS OF THE PAPER.

The ideas of disclosure content discussed in the paper reflect the needs of elite participants in capital markets and the narrow focus on their development can undermine efforts to improve other forms of disclosure content for corporate social responsibility and environmental disclosures. Mumby (1987, 1998) looking at broader corporate communication issues argues that ideology, story, and power interrelate and these interactions go beyond the mere informational power of corporate narrative. Mumby also questions whether narratives create information or whether they are used to create and exploit organization structures (both internal and external) by imposing interpretations that enhance the power of organizational members and marginalize that of others. In this paper corporate narratives about value creation were jointly constructed by powerful groups at the top of the firm (board and top management) and in the market for information (core FMs, top analysts). Corporate narratives about value creation imposed interpretations that enhanced the power of the board, top management, and for their elite ‘relationship’ contacts in markets. They marginalized others, especially lower level employees in the firm and non insiders in the market for information. In Mumby’s terms, the value creation narratives observed in the cases have evolved as an outcome of joint (and elite) corporate and information market power structures and have also operated to produce and reproduce these structures and their shareholder wealth maximizing ideologies. In this world, knowledge and information power were exercised within the value creation narrative to favour the interests of the elite organized group (at the top of the firm, and in the market for information) and was a primary disclosure motive rather than just conveying information. This closed, elite world faced a serious challenge to its credibility as result of the financial and economic crisis in 2007-2009. The closed nature of such disclosure was implicated in the failure of corporate, especially bank, accountability mechanisms.

This paper does provide some ideas on how other stakeholder groups can use the model of disclosure content discussed here to achieve their aims. The concept of a value creation narrative, the wider literature analysis, the new benchmark measures and the proposed measures of contextual information can act as a more general example of how to enhance corporate disclosure content, to challenge privacy and improve visibility in areas such as corporate social responsibility and environmental disclosures. For example, Table 2 can be interpreted as a more general model of disclosure contextual content. A similar approach could be adopted to rate the information content of corporate narrative as perceived by a wide range of stakeholders in a wider 'market' or constituency for information. The elements in table 2 could also be adapted for corporate social responsibility (CSR) and environmental disclosure. The core idea of an 'company economic process and CSR/environmental consequences' narrative and associated benchmarks could apply to CSR and environmental disclosure, and each element of such narrative could be rated for its 'information content' for stakeholder understanding of CSR and environmental issues. This can provide a summary measure of the perceived user relevance of CSR and environmental disclosure content. Such an approach would require in-depth field studies of the unique nature of CSR and environmental narratives by companies.

8. SUMMARY

This paper builds on grounded theory of disclosure content by Holland (2004, 2006b) through new in-depth findings and analysis on the disclosure function and structure of the corporate value creation story. The paper also expands Holland (2005) to show how the structured company value creation narrative and other corporate knowledge was at the heart of a dynamic corporate disclosure response to change. The additional data processing post Holland (2005, 2006b) has generated a new grounded theory of disclosure content (appendix 2). Its structure, provided structure to the paper, and established links to existing disclosure literature. The grounded theory was used to search for new 'sources of value' literature, and for new measures of 'value relevance' for qualitative and contextual information, all of which are essential for the enhancing understanding of disclosure content. The approach could be adopted to rate the information content of corporate narrative as perceived by a wide range of stakeholders concerned with corporate social responsibility (CSR) and environmental disclosure. The private information discussed in the paper was not made available to the public. This analysis could level the playing field by helping new disclosure guidance to establish the parameters of what the public story should contain and how the public story should be told and how it should change with changing market conditions

REFERENCES

Alfredson K, "Moving towards the Implementation of 2005 International Accounting Standards" presented by AASB Chairman Keith Alfredson to the ENG Investors Relations Business Forum, held on 29-30 January 2003, Sydney

Amber T, Barwise P, Higson C, '*Market Metrics: What shall we tell the shareholder?'*, ICAEW – Centre for Business performance, London Business School, October 2001.

Arnold J and P Moizer P, 'A survey of the methods used by UK Investment analysts to appraise investments in ordinary shares', *Accounting and Business Research*, Vol.14, pp.195-207, 1984.

Arvidsson S, ' Demand and Supply of Information on Intangibles -The Case of Knowledge-Intense Companies', Institute of Economic Research, University of Lund, Phd, 2003.
ASB Revised Statement , *'Operating and Financial Review'* , London, 2003.
Barker R, *Accounting information, corporate governance, and stock market efficiency: A study of information flows between finance directors, analysts and fund managers*, Paper presented at BAA, B'ham, 21 March, 1997.
Barney J,'Firm resources and sustained competitive advantage', *Journal of Management*, 17, pp.99-120, 1991.
Boje D, '*Narrative Methods for Organizational & Communication Research',* 152 pages Sage Publications; July , 2001.
Boyce M. ' Organizational story and story telling:'. *Journal of Organizational Change Management.* Vol 9, no 5, pp 5-27, 1996
Brooking A, *Intellectual Capital*, London, International Thomson Press, 1997.
Bryman, A, *'Doing research in organisations',* Routledge, London, 1988.
Buchanan D, 'Recruitment mode affecting informant response', *Journal of Management Studies,* Vol 30, No 2, pp297-313, March 1993.
Byrd J, V Goulet, Marilyn Johnston and Mark Johnston, 'Lockheed Case' *Journal of Applied Corporate Finance*, Summer, Vol.6, No.2, pp.48-53, 1993
Carvalho J P, '*Investor Communications around adverse earnings shocks'*, Phd, University of Western Australia, Perth, June 2005
Chugh L and J Meador J, *Financial Analysts Journal*, Vol.40, pp.41-48, 'The stock valuation process: the analysts view', 1984.
Collins S, Kothari S P, (1989) 'An analysis of intertemporal and cross-sectional determinants of earnings response coefficients', Journal of Accounting and Economics,11, p143-181
Connolly, R.A. and Hirschey, M.,'R&D, market structure and profits: value based approach', *Review of economics and statistic*s, 66: 682-686, 1984.
Dahya J , A. Lonie and D. Power , Ownership structure, firm performance and top executive change: an analysis of UK firms. *Journal of Business Finance and Accounting* **25** (1998), pp. 1089–1118.
Dedman E, Lin S ,'Shareholder wealth effects of CEO departures: evidence from the UK', Journal of Corporate finance, v8, 1, pp81-104, January 2002.
DTI, *The Final Report of Company Law Review*, London. 26 July 2001.
DTI, White paper, A New Companies Bill**, '** *Modernising company law'*,Command Paper CM 5533, 2002.
Dunning J, Lundan SM , (2006) , 'The MNE as a creator, fashioner, and respondent to institutional change' Conference session, 16.30-18.00, 8th Dec 2006, 32nd EIBA, Fribourg, Switzerland.
Dunning J, (2006), 'Regional and national drivers of business location and competiveness' Opening plenary session, 19.00-20.30, 7th Dec 2006, 32nd EIBA, Fribourg, Switzerland.
Edvinsson L and M S Malone, *Intellectual Capital*, London, Piatkus, 1997.
Ernst and Young LLP, *Measures that matter*, The Ernst and Young Center for Business Innovation, Boston, MA, USA, 1999.
FASB, '*Improving Business Reporting: Insights into Voluntary disclosures'*, 2001.
FASB, 'Steering Committee Report', *Business Reporting Research Project*, 29 January, 2001.
Francis J and K Schipper 'Have Financial Statements Lost their Relevance?', *Journal of Accounting Research*, Vol.37, No.2, Autumn, pp.319-52, 1999.
FSA,Financial Services Authority, '*Investment research: Conflicts & other issues'*, July 2002
Gibbins M, A Richardson, J Waterhouse, ' The Management of Corporate financial disclosures: Opportunism, ritualism, policies and processes', *Journal of Accounting Research*, Vol 28, No 1, pp121-143, Spring 1990.
Giddens, A. (1984): *The Constitution of Society: Outline of the Theory of Structuration,* University of California Press; Reprint edition
Healy P. Palepu K (2001).'Information asymmetry. corporate disclosure. and the capital markets: A review of the empirical disclosure literature' *Journal of Accounting and Economics.* 31, pp 405–440.
Holland J and G Stoner,'Dissemination of price sensitive information and management of voluntary corporate disclosure', *Accounting and Business Research*, 26(4), pp.295-313, 1996.
Holland J B, 'Private Disclosure and Financial Reporting', *Accounting and Business Research,* Vol.28, No.4, pp.255-269, Autumn, 1998a.
Holland J B,'*Influence and intervention by Financial Institutions in their investee companies'*, in *Corporate Governance*, Vol.6, No.4, pp.249-264, October, 1998b.
Holland J and P Doran, 'Financial Institutions, private acquisition of corporate information, and fund management', *European Journal of Finance*, Vol.4, pp.129-155, 1998.
Holland J B,'Financial Institutions, intangibles, and corporate governance', *Accounting, Auditing & Accountability Journal*, Vol.14, No.4, pp.497-529, 2001.
Holland J B, '*Financial institutions and corporate governance : a dynamic model of corporate governance'* CIMA research report, London, 2002.

Holland J, Johanson U, (2003), 'Value relevant information on corporate intangibles - creation, use, and barriers in capital markets' - 'between a rock and a hard place' Special issue, Journal of Intellectual Capital, vol, 4 no, 4 , June .
Holland J, (2004), '*Corporate intangibles, value relevance, and disclosure content'*, ICAS Research Report, Edinburgh,.
Holland, J B, (2005) 'A grounded theory of corporate disclosure', Accounting and Business Research, V35, No3, 2005, 30 pages.
Holland J (2006a), 'Fund management, intellectual capital, intangibles and private disclosure', Managerial Finance, Vol 32 Number 3, March/April
Holland J, (2006b), 'A model of corporate financial communications', ICAS Research Report, Edinburgh.
Holland J, (2007), 'Corporate disclosure, the learning organisation, and the management of expectations', Paper presented at APIRA conference, July 2007
Hussainey K, Schleicher T, Walker M, (2004) 'The information content of the annual report narratives of loss making firms; Preliminary evidence', Paper presented at Conference on 'Corporate Information Disclosure and News Management by Firms', 17-18th September 2004, Xfi, University of Exeter.
IASB, *IAS 38: Intangible Assets*, IASB Web Summaries, April 2004, http://www.iasb.org/uploaded_files/documents/8_63_ias38-sum.pdf
Investor Relations Society (2003). '*2003 IR Best Practice Website Awards winners announced'*. London
Kay J, *Foundations of corporate success*, Oxford University Press, 1993.
Kellas J, Manusov V, 'What is in a story ? The relationship between narrative completeness and adjustment to relationship dissolution', *Journal of Social and Personal Relationships*, Sage, vol 20 (3) pp285-307, 2003
Ketels C, (2006), 'Microeconomic foundations of competiveness and international business'
Plenary session, 10.30-12.00, 8th Dec 2006, 32nd EIBA, Fribourg, Switzerland
Labov W, *'The transformation of experience in narrative syntax'*, in W Labov, (ed*) 'Language in the inner city: Studies in black english vernacular'*, Philadephia: University of Pennsylvania Press, 1972.
Lee T A and D P Tweedie, *The Institutional Investor and Financial Information*, London: ICAEW, 1981.
Lev B and T Sougiannis, 'The Capitalisation, Amortisation and Value of R&D'. *Journal of Accounting and Economics*, Vol.21, pp.107-138, 1996.
Lev B and P Zarowin , 'The Boundaries of Financial Reporting and How to Extend Them'. *Journal of Accounting Research*, Autumn, pp.353-85, 1999.
Lev B, '*Intangibles: Management, Measurement, and Reporting'*,(June),Brookings Institute, 2001.
Locke K D, '*Grounded Theory in Management Research'*, SAGE series in Management Research, Thousand Oaks, CA: Sage Publications Ltd, March, 2001.
Marston C, Investor relations: meeting the analysts, ICAS, Edinburgh, 1996.
McKinnon J, 'Reliability and Validity in Field Research: Some Strategies and Tactics', Accounting, Auditing & Accountability Journal, V1, No 1, pp34-54, 1988.
Mouritsen J, H T Larsen and P N Bukh,'Valuing the future; Intellectual Capital supplements at Skandia', Accounting, Auditing, & Accountability Journal, Vol.14, No.4, pp.399-422, 2001.
Mouritsen, J., Larsen, H.T. and Bukh, P.N. (2001), "Intellectual capital and the 'capable firm': Narrating, visualising and numbering for managing knowledge", Accounting, Organizations and Society, Vol. 26 No. 7-8, pp. 735-762.
Mumby, D. K. (1987). The Political Function of Narrative in Organizations. Communication Monographs, 54, 113- 127.
Mumby, D. K. (1988). Communication and Power in Organizations: Discourse, Ideology and Domination, Norwood, NJ: Albex.
OECD, Symposium on 'Measuring and Reporting Intellectual Capital: Experience, Issues and Prospects', Amsterdam, 9-11 June 1999.
Porter M E, Competitive strategy: techniques for analysing industries and competitors, New York, The Free Press, 1980.
Porter M E, Competitive Advantage: creating and sustaining superior performance, New York, The Free Press, 1985.
Prahalad and Hamel, *The core competence of the corporation*, Harvard Business Review, pp.79-91, 1990.
Prakash, P. and A. Rappaport. Information inductance and its significance for accounting. *Accounting, Organizations and Society* 2(1): 29-38, 1977.
Reissman C. K. 'Narrative Analysis', Newbury Park, Sage, 1993.
Roberts, J., Sanderson, P., Barker, R. and Hendry, J (2006). 'In the mirror of the market: the disciplinary effect of company/fund manager meetings'. *Accounting, Organizations and Society*, 3, 31: 277-294.
Roth J P, (2006), Plenary session, 10.30-12.00, 8th Dec 2006, 32nd EIBA, Fribourg, Switzerland.
Ryan B, Scapens R, Theobold M, *'Research Method and Methodology in Finance and Accounting'*, 2nd edition, Thomson, 2002.

Sherman H, (2002) ‘Presentation on Governance Metrics International’, at the 1st International Conference on Corporate Governance: "Corporate Governance Developments and New Tools of Governance" at Birmingham Business School, University of Birmingham, UK, Tuesday 9th July 2002
Shiller R J, *Irrational Exuberance*, Princeton University Press, Princeton, New Jersey, 2000.
Simon, H.A. A behavioral model of rational choice. *Quarterly Journal of Economics*, 69, 99-118, 1955
Stopford J, *Global Strategies for the Information Age*, Opening session Address to EIBA Conference, Stuttgart, ‘Global Business in the Information Age’, 15 December, 1997.
Stoner G N, J B Holland, *'Using Case studies in finance’*. Chapter 4 in ‘Qualitative Research, ‘A 'real-life' guide to accounting research’, edited by C.Humphreys, W Lee, Manchester University, 2004
Strauss, A., & Corbin, J. *Basics of qualitative research: Techniques and procedures for developing grounded theory* (2nd Ed.). Thousand Oaks, CA: Sage Publications.pp312, 1998.
Sveiby K E, *The new organisational wealth: Managing and measuring knowledge based assets*, Berret-Koehler, San Franscisco’, 1997.
Thomas A, *'Soft Numbers, Hard Returns. The effect of Intangible Assets on Corporate Performance'*, PhD, University of Bristol, 2001
Treynor J L, ‘A hard look at traditional, public disclosure, private information collection and short termism’, *Financial Analysts Journal*, Vol.49, No.1, January, p.4, 1993.
Weick, K. E. (1995). Sensemaking in organizations. Thousand Oaks, CA: Sage
Williams R (ed), 'Contact: Human communications and its history', Thames and Hudson, London 1986, pp7-20
Wyatt, A. (2005) Accounting Recognition of Intangible Assets: Theory and Evidence on Economic Determinants, The Accounting Review, 80:3, pg. 967-1003

Table 1 What Intangibles measures – were perceived in cases as information reflected in the company stock price? New event studies possible?

Historic and future oriented *intangibles or qualitative* information concerning, inter alia,
HIERARCHICAL VALUE CREATION
Quality of top management (ranked),* shared vision with middle management,** ***Turnover of top management, **Confidence and trust in top management, board unity,** ***Corporate governance quality (rating)*** **Clarity of strategy, and promises about strategy,** **Clarity of financial communications, quality of FM and analyst relations.** **Credibility of disclosure behaviour and content**
HORIZONTAL VALUE CREATION
Innovative capability, *brand management expenses,* brand management skills, *R&D expenses,* **R&D effectiveness and other key intangibles in a company's competitive advantage, connections between them, and promises about them.** **Consistency of delivery, strategic & financial performance delivery and execution, execution risks, and promises about performance,** **Scale of unknowns in the value creation process, business uncertainty, degree strategic options and growth opportunities in the business**
ALLIANCE OR NETWORK VALUE CREATION
R&D collaboration announcement **Relative or dominant brand strength in alliance** **Specialised R&D skills within joint value chain**
The above table includes both absolute and relative measures, as well as *change* measures
Some measure in current use = *italics – currently used for conventional value relevance tests* **New potential event study measures from cases = bold**

Table 2 Elements of a value creation narrative – with perceived information content in the stock price. New measures of contextual information possible?

Conventional value relevant criteria

- **Presence of (a priori) informative forward looking information and of profit topics in the narrative relevant to forecasting cash flows and earnings**
- **Presence of a coherent and forward looking narrative on promised action in hierarchical and horizontal value processes,**

Cause, consequences, sequences

- **Narrative represented causes and consequences in 'in the news' value creation event – such as how R&D led to new drug or product**
- **Narrative that segmented the value creation process episodically / sequentially (via 3 sub processes)**
- **ie narrative could be scored for its ability to connect elements of the value creation process from hierachical value creation to horizontal value creation, and from input through process to output in horizontal value creation.**
- **Narrative for each subprocess shows causes, consequences, sequences**

Coherence criteria

- **A score could be based on how the elements of the story were connected in a coherent way to provide more information than the elements alone eg via process diagrams, pictures, and clear narrative links which make visible new variables etc**
- **Narrative could be scored on how it was used to make sense of (bring order to a) complex value creation process and associated cash flow generation**
- **Narrative could be scored for its ability to construct an overall view or a new jigsaw or mosaic from many pieces of information – how more pieces fall into place after narrative**
- **Narrative could be scored for how benchmarked measures became more meaningful when placed within a coherent value creation story**
- **Or how narrative adds credibility or believability to other company disclosures, to company promises, and to company actions**
- **How it shows how key statements or images in story narrative highlight main value creation / valuation message – and hence likely to 'stick in receivers memory'**

Attributed responsibility to the characters in the story, developed characters relative to the story

- **How narrative attributes reponsibility to board and top management for strategic actions and for their perceived value impact**
- **Develops characters and skills of top management relative to value creation story and perceived value impact**
- **How story notes track record of prior promises in new narrative and progress explained**
- **Narrative reveals how top management learn over time about company value creation process and value implications**
- **Narrative reveals how management learn over time about wealth needs of core shareholders**
- **Narrative reveals how all top company managers understand story elements, connection etc – hence can all 'sing from same hymn sheet'**
- **How all top management act as a team – not one dominant individual**

Story plot elements

- **Presence of a specific recurring story line or plot (for company value creation process and how cash flows were generated) over several meetings or in periodic public domain reports – and its role in disclosing persistence of core story.**
- **Change in type of narrative/story or plot for real market or financial market changes - hence in content – role in responsiveness and in correcting error and bias.**

APPENDIX 1 . Case Companies

May 2000 FTSE250

Case	Industry	FTSE RANK RANGE	Length interview hours	Period Interview	Position
1	Pharmaceutical	1-10	2	9/00	FD, IR
2	Chemicals	60-70	2	10/00	IR
3	Technology	80-90	2.5	10/00	Dir Comm
4	Bank	1-10	1.5	9/00	FD
5	Oil	1-10	2	9/00	FD
6	Consumer	80-90	2	9/00	Dir Comm
7	Transport	90-100	2	8/00	FD
8	Property	80-90	2	10/00	FD
9	Insurance	50-60	2	9/00	Dir Comm
10	Insurance	10-20	1.5	8/00	IR
11	Media	230-240	1.5	10/00	Dir Comm
12	Consumer	40-50	1.5	10/00	FD
13	InfoTechnology	20-30	1.5	10/00	IR
14	Retail	20-30	2	9/00	IR
15	Telecom	20-30	2	11/00	IR
16	Utility	40-50	1.5	10/00	IR
17	Transport	70-80	2	10/00	IR
18	Consumer	20-30	1.5	11/00	IR
19	Oil	1-10	1.5	9/00	IR
20	Tobacco	40-50	1.5	9/00	IR
21	Utility	40-50	1.5	8/00	FD
22	Utility	110-120	1.5	8/00	FD, IR
23	Hire	190-200	1.5	8/00	CHAIR
24	Bank	40-50	2	8/00	CHAIR,IR
25	Insurance	30-40	2	11/00	IR

CHAIR – CHAIRMAN, FD - FINANCE DIRECTOR
IR – VARIOUS TITLES FOR SENIOR INVESTOR RELATIONS DIRECTOR
Dir Comm – VARIOUS TITLES FOR SENIOR FINANCIAL COMMUNICATIONS DIRECTOR

Appendix 2

Summarising the grounded theory of disclosure content as a 'paradigm model'

This section includes a brief 'storyline' below to summarise the grounded theory (selective coding) in narrative form. This uses the language terms in the Strauss and Corbin's view of a 'paradigm' model (1998, p130), such as phenomenon, causal conditions, context, action/interaction strategies, intervening conditions, and consequences, as a convenient and more general grounded theory language and structure to summarise the substance of this novel grounded theory of disclosure content. The 'storyline' reveals the new insights about the structure and qualities of disclosure content. It illustrates how the grounded theory elements are connected, and thus provides a grounded theoretical 'map' to both structure and steer through the ensuing detailed results sections 4 and 5. These reveal details of the many axial codes (value creation processes, narratives, response qualities etc) developed in the data processing. Section 4 deals primarily with the action/interaction disclosure content strategies and boundary intervening conditions, whereas section 5 focuses more on external and internal (learnt) intervening conditions with some insights into causal conditions in the paradigm model. Within the paper the grounded theory elements (axial codes) are linked to existing literature. In section 4 the grounded theory is also used to search for new sources of literature of relevance to development of a theory of disclosure content (Locke, 2001). In section 6 the grounded theory is also used to search for new literature and measures of 'value relevance' for the same purpose. This reveals how the grounded theory approach has generated new theory, structured the paper and its contents, and created new opportunities for theory development.

In narrative or 'storyline' form the 'grounded theory of disclosure content' is as follows;

'The **phenomenon** of interest was the content of corporate disclosure concerning knowledge intensive intangibles in corporate value creation. Companies disclosed information in response to financial market demands. The **causal conditions** influencing content included, inter alia, immediate user demands for information, ad hoc events, and regular reporting cycles, as well as **unexpected** real and financial market change.

The **context** was the market for information made up of companies, analysts, fund managers and other security market information users and producers and their impact on stock markets, as well as the regular private interactions in this market between the company and other participants.

The **action/interaction disclosure content strategies** involved direct and responsive dialogue with fund managers and analysts and involved the use of a **narrative** about corporate value creation processes and about **benchmark measures** of the role of intangibles. The strategy also included the creation of opportunities for direct observation of some value creation elements by fund managers (FMs) and analysts. The disclosure narrative or story content was structured around common categories of corporate intangibles and three common value creation processes (hierarchical, horizontal, and network) with each company indicating its own unique variations and competitive advantages within these categories and processes. The story was also structured and had elements such as plots, sequences, events, consequences, role and responsibility of individuals, and development of understanding and meaning. The story structure provided the means to convey information about value creation structures in the combined 'value creation story'. The value creation story content was used to make visible the invisible or tacit content of corporate value creation, to connect much fragmented and difficult to measure qualitative information on less visible intangibles, and to connect measurable and visible factors in value creation. It was also used to tailor disclosure content to current market needs, and as a check against corporate action or performance when story elements succeeded or failed. During disclosure actions and interactions, perceived contextual information content from stories arose from stable internal connections and central elements in value creation, and from repeated confirmation of these. The perceived information content from objective and subjective benchmarks arose from ranking of key intangibles per se and from changes in their external rankings or significance in the company story. Contextual information (amongst market participants) also arose from stable story elements such plots, sequences, events, and consequences and from repeated confirmation of these. This contextual information also provided the means for novel interpretation of new events as they arose and thus the generation of new information. Information also arose from changes in all of these contextual information sources and their elements.

Intervening conditions consisted of external, ‘boundary’, and internal learnt conditions. These knowledge intensive conditions mediated causal conditions as they influenced disclosure content actions. The story and benchmark disclosures occurred over many periods and involved continuous ‘relationship’ interactions **(boundary intervening conditions)** between companies and FMs and analysts in information markets and stock markets as they responded to ongoing events and changing circumstances.

The **external intervening conditions** consisted of many external interacting environments experienced by the case companies. The key context in the cases was the nature of real (competitive and product) markets and financial markets and ongoing and unexpected change here. Corporate disclosure over time was designed to create understanding (knowledge) and confidence states in information and stock markets concerning the company. These were central **external intervening conditions.** The corporate value creation narrative was a key part of this external understanding by market participants. The quality of disclosure was intended to contribute to external reputation and credibility states and to the stock price.

The **internal intervening conditions** as corporate knowledge (about value creation, about disclosure, and about nature of exposure, risk and valuation in the external environment) arose from company learning during disclosure content interactions with these environments. Corporate knowledge included ideas of how to be adaptive and persistent in disclosure, and how to correct errors by external observers and how to build and maintain credibility in disclosure. Corporate knowledge also included some understanding of how corporate disclosure was interpreted and understood by information market participants. These areas of knowledge or intellectual capital correspond to ideas of human capital, organisational capital or internal structural capital, and customer or external structural capital as noted in the previous section.

Ongoing real and financial market change were mediated by **internal and external intervening conditions.** There were ongoing changes in supply side conditions (new knowledge intensive corporate processes, new competitive conditions etc). On the demand side, the case companies faced a world of ever-changing stock prices and information market demands as well as periodic changes in (value relevant information) fashions (or contingencies) and changing market structures. Growing sophistication of information markets and increasing pressures from stock markets for companies to fully adopt a shareholder wealth perspective created an important context **(boundary intervening conditions)** to influence the content of disclosure during regular private **interactions**. These ongoing and structural market changes were perceived as contributing to problems faced by FMs and analysts in processing corporate information on intangibles, and to associated problems of bias and error. These changes and problems were experienced directly and also transmitted to companies via their regular private 1:1 meetings with FMs and analysts, and were manifest as a changing set of questions about corporate value creation capabilities and prospects.

Over time, companies sought to understand these demand side drivers of disclosure content and the related user processing problems. The case companies learnt from these changing market demands and incorporated a high degree of flexibility and responsiveness (**learnt internal intervening conditions**) to the story, and benchmarks, and to other disclosure content elements. However persistence in communicating the core value creation story (based on hierarchical, horizontal, network processes, and stable plot and narrative sequences), in providing constant (benchmarked) information on key intangibles, and in disclosing information about a set of stable internal links connecting intangibles in value creation, were all important dimensions (**learnt internal intervening conditions)** to disclosure content. They provided the corporate (stability) means to overcome the transient or fashion elements of market demands, and to correct error and perceived bias in individual (analyst or FM) views and in market (consensus) views of stories or benchmark information. Perceived information content also arose from stability and changes in these disclosure ‘response’ qualities.

The intended **consequences** of the multi period disclosures included improvement in corporate reputation for quality of disclosure content, improved information set amongst analysts and fund managers, and a stock price information set that reflected the economic activities of the company.’