

Impression Management Analysis in South African SOE's (state in full for the first time) Annual Reports: A Signaling Theory Approach

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ABSTRACT: This study investigates the nexus between textual features in chairperson's reports and their effectiveness in shaping stakeholder perceptions in South African SOEs. This study closes a significant gap on SOEs' use of impression management tactics. These voluntary sections are prone to manipulation to mask poor governance and maladministration. SOEs are key to South Africa's economic development, but their declining performance that raised public interest on the mismanagement and corruption prompted this analysis. Using secondary data from SOEs' annual reports, a quantitative content analysis approach was applied to 18 annual reports of 18 Schedule 2 SOEs categorised into nine profitable and nine non-profitable. Signaling theory guided interpretation. The study examined the chairperson's report by analyzing variables such as report length, positive and negative sentiments, personal references, and passive language in both categories. Findings showed both profitable and non-profitable SOEs use impression management. Profitable SOEs had longer reports than non-profitable ones, however the length differences were insignificant. Profitable SOEs also used more personal references, though marginally. Both categories employed a similar proportion of positive tone, surpassing negative tone. Non-profitable SOEs used more passive voice, but the difference was minimal. This study highlights how signaling theory applies to public sector disclosures, offering insights for stakeholders into how impression management may shape the presentation of SOE performance. It aids users in recognizing tactics used by SOEs to maintain relevance amid persistent poor outcomes.

Keywords: Impression Management; Integrated Reporting; State-Owned Enterprises; Signalling Theory; Chairperson's Report.



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INTRODUCTION

In recent years, South African (SOEs) have faced intense scrutiny due to state capture, which exposed severe misgovernance and maladministration. Parts or fully government-owned SOEs are meant to advance public interests through economic activity. Governed by legislation like the Public Finance Management Act (PFMA) 1999, which ensures transparency and accountability,

these entities face ongoing challenges. Many SOEs rely on state bailouts yet remain financially unsustainable, posing economic and infrastructure risks. This precarious state, exemplified by Eskom's blackouts, raises concerns about impression management practices in their annual reports to obscure their actual performance.

Impression management is seen as strategic self-presentation, often used to obscure an organization's true performance. Companies may leverage their informational advantage to downplay poor results and mislead stakeholders ([Merkl-Davies et al., 2011](#)), emphasizing positive outcomes. While narrative disclosures in annual reports can provide valuable insights ([Leung et al., 2015](#)), they may also be used for impression management. This study examines impression management in non-financial sections of SOEs' annual reports, focusing on the chairperson's report—a key stakeholder summary. Due to financial distress and increased reliance on state support, SOEs may use these narratives to influence government perceptions and secure funding ([AGSA, 2022](#)). The recent poor performance and heightened media scrutiny of South African SOEs may lead to declining stakeholder trust, creating opportunities for impression management to protect their image. Voluntary narrative disclosures in annual reports enable management to employ selective strategies to present a positive view ([Mlawu et al., 2023](#)). These narratives are often tailored to influence perceptions, as Leung et al. (2015) highlighted. Shaikh et al. (2024) impression management in South African SOEs focused on integrated reports at large, while Maleka (2021) observed selective graphs as impression management tools in South African SOEs. Other Studies by Phesa & Sibanda (2022) and Yasseen et al. (2017) confirmed these tactics in chairperson's reports of JSE-listed companies. Dhludhlu et al. (2022a) noted such strategies can result in misleading information. These studies mainly focused on private-sector companies. Given the financial struggles of SOEs and economic challenges, the motivation for impression management in reports, especially the chairperson's statement, is clear. The study aims to fill the gap to determine whether the voluntary narrative disclosures, specifically the chairperson's report in South African SOEs' annual reports, utilize impression management strategies through textual characteristics including length, positive disclosure tone, personal references and passive language.

The research question guiding this study is: Do narrative disclosures in South African SOEs obscure true performance using impression management through length, positive tone, personal reference and passive language? To address this, an empirical analysis was conducted to uncover these tactics within SOEs. The following section reviews existing literature and formulates hypotheses relevant to the investigation.

Literature review and hypothesis development:

Signalling theory

Signalling theory was explored by Spence (1978) in the context of economics, he applied it in the job market signalling. He made use of hiring a candidate for a specific job wherein the candidates provide information that is distinguished into two, that is information that cannot be changed and that which is subject to changes and this is what is referred to as signals, because it is subject to manipulation. He further explains that the signaling information may lead to the hiring of an

individual based on the information provided. However, the employer will only understand the individual's capabilities if they match the information provided when they have been hired already. Similarly, a psychology study by Wilhelmy et al. (2017) also explored signal theory in the context of impression management through the hiring process, focusing on the employers being the sender. They observed that employers send signals of impression management through the interview process. Furthermore, they noted that employers can send signals to interviewees in an oral form to influence their perception of the hiring company. Notably, signaling has also been viewed as an act where management or the organisation withhold information from external stakeholders, this was expanded that shareholders may have information about the true risk of an organisation while lenders are not due to the information being withheld from them ([Wang et al., 2009](#)) and the term used for this is information irregularities ([Taj, 2016](#)). On the other hand, Bae et al. (2018) viewed signal theory as the solution to the agency conflict in that it eliminates the information irregularities. The characteristics of signaling bring about this elimination, whereby managers send signals to the stakeholders who receive signals and provide feedback based on those signals. As a result, there is information dialogue between the parties involved. In the same line of thought, ([Morris, 1987](#)) concurs with this conclusion.

Furthermore, the theory suggests that for signaling to exist, two parties should be involved, one party being the sender and the other being the receiver. This therefore means that management because of their position is the sender as they have information about the organisation and the users of information are the receiver as they rely on the information provided by management through reporting, therefore management usually use their position of access to information to signals to the receiver through choosing what information to communicate and how to the users of financial and non-financial information and choosing how to interpret the information communicated ([Connelly et al., 2011](#)) This information is usually communicated in an organisation's annual report. Ben-Amar et al. (2022) They also concluded that organizations tend to use signaling and impression management tactics in disclosures about diversity practices in corporate governance. Moreover, they note that organisations exercise bias in narrative disclosures to signal good performance and manage stakeholder impressions.

Signalling disclosure

Signalling disclosure is an act where management sends signals to the stakeholders through voluntary disclosures. In return, the organisations receive signals from the information recipients ([Bae et al., 2018](#)) p2. The study by Bae et al. (2018) was based on the influence of corporate sustainability disclosures in signal theory, citing that the quality of information reported conveys positive signals while poor information sends negative signals, resulting in reduced market prominence. Moreover, signaling has been further explored by scholars such as Morris (1987), who studied signaling theory in voluntary disclosures in annual reports. This scholar concluded that the management of good-performing organizations selects information to reveal the organization's quality results as opposed to poor-performing organizations that disclose information concealing the poor performance. It is also argued that highly performing

organisations adopt voluntary standards and disclosures such as integrated reporting to remain perceived as good performing ([Karasek III & Bryant, 2012](#)).

State-owned entities are accountable to the National Assembly and the general public. In terms of the PFMA, *"The executive authority responsible for a department or public entity must table in the National Assembly or a provincial legislature, as may be appropriate the annual report and financial statements referred to in section 40 (1) (d) or 55 (1) (d) and the audit report on those statements, within one month after the accounting officer for the department or the accounting authority for the public entity received the audit report"*(Treasury, 1999). This means management wants to signal the National Assembly about their performance. Therefore, the National Assembly is deemed the major receiver of these voluntary disclosures.

Empirical Literature

Integrated reporting

Flower (2015) examined the purpose and progress of the International Integrated Reporting Council (IIRC), established in 2010 to promote sustainability accounting. He argued that sustainability accounting fosters a sustainable society, which requires organizations to develop strategies that communicate long-term value creation while addressing stakeholder needs ([Eccles & Serafeim, 2011](#)). The IIRC introduced the concept of Integrated Reporting (IR), defined as "a process founded on integrated thinking that results in a periodic integrated report... about value creation over time" ([IIRC, 2013](#)). Dumay et al. (2016) expanded on this, noting that before IR's introduction, traditional corporate reporting focused primarily on financial data, which failed to meet the needs of diverse information users. This led to adopting hybrid disclosure approaches, combining financial and non-financial information to address governance concerns and the limitations of traditional reporting models. The popularity of the Triple Bottom Line ([Adams & Simnett, 2011](#); [Dumay et al., 2016](#)) highlighted this shift. Integrated reporting aims to improve communication of a company's value creation across short, medium, and long-term horizons ([Cheng et al., 2014](#)). It expands beyond financial statements, incorporating non-financial factors that affect stakeholders ([Eccles & Serafeim, 2011](#)). De Villiers & Hsiao (2017) state that the Integrated Reporting Framework provides principles for preparing integrated reports. This approach links strategy, financial performance, governance, and an organization's social, environmental, and economic aspects ([Pistono et al., 2018](#); [Surty et al., 2018](#)). However, Flower (2015) critiqued the IIRC for not fully addressing sustainability accounting within its framework, suggesting this limited its potential impact on corporate reporting. Despite this, IR enhances transparency and stakeholder trust ([Dečman & Rep, 2018](#)).

Integrated reporting in South African context

Atkins and Maroun (2015) examined the initial response to integrated reporting (IR) in South Africa, focusing on institutional investors. Using qualitative interviews, their study found mixed views: some investors appreciated the balance of financial and non-financial information, while others saw little practical benefit beyond the theoretical. Overall, South African investors were

largely supportive of IR's introduction. Using thematic content analysis, Du Toit et al. (2017) explored the long-term effects of integrated reporting on South African companies. Their findings suggested that it would take time for companies to fully grasp and effectively implement IR. However, the study's limited sample of four JSE-listed companies may not reflect broader trends. South Africa's King Code of Governance (2009) promotes sustainability and integrated reporting. Eccles and Serafeim (2011) argue that IR is a key tool for companies to communicate sustainable strategies and performance. South Africa was the first country to require JSE-listed companies to adopt IR, setting a precedent for global practice.

State-owned enterprises

State-owned enterprises (SOEs) are government-owned entities, primarily advancing the state's social outcomes through profits generated from their operations ([Surty et al., 2018](#)). The government establishes SOEs to engage in economic activities on its behalf, either wholly or partially owned ([Kathrada et al., 2021](#)). In South Africa, SOEs drive economic growth, reduce poverty, and provide essential services like water and electricity ([Ackers & Adebayo, 2022](#)). Since the end of apartheid, SOEs have been key to advancing the country's economic development, addressing social issues, and supporting the government's priorities. The Presidential Review Commission ([PRC, 2013](#)) emphasized that the success of SOEs is integral to economic growth and transformation, underscoring the need for strong corporate governance to protect national and citizen interests. SOEs are accountable to various stakeholders, with their annual reports serving as key documents for transparency ([Surty et al., 2018](#)). However, Kathrada et al. (2021) note that narrative disclosures in these reports can sometimes manipulate stakeholders' perceptions of performance. The governance of South African SOEs has been marred by issues such as state capture, maladministration, and inefficiency, contributing to financial crises in entities like Eskom, the South African Broadcasting Corporation (SABC), South African Airways, and Denel ([Madumi, 2018](#)). These challenges highlight the deep-rooted governance problems in the public sector, which have exacerbated corruption and mismanagement. Based on their size and mandate, South African SOEs are categorized into three schedules—1, 2, and 3. Schedule 3 entities are further divided into parts A, B, C, and D, each with varying levels of responsibility from national to provincial governance ([Treasury, 1999](#)).

Integrated reporting in state-owned enterprises

Integrated reporting, originally developed for the private sector, has become increasingly relevant to state-owned enterprises (SOEs), offering valuable insights into how these organizations create value through integrating financial and non-financial information ([Surty et al., 2018](#)). In South Africa, SOEs are accountable to multiple stakeholders, and the annual report is a key document. Integrated reporting helps SOEs meet their accountability obligations by providing detailed information on governance, financial performance, and social, environmental, and economic activities ([Shaikh, 2022](#)). Accountability is essential for effective service delivery and good governance ([Brinkerhoff & Wetterberg, 2016](#)). SOEs are subject to government and social

accountability, ensuring that resources are used efficiently for public benefit and economic growth ([PRC, 2013](#)). Through institutions like the Public Protector and the Auditor General, the government monitors SOEs to ensure they fulfill their mandates. Accurate and consistent reporting on performance is critical in accountability, demonstrating how state resources are utilized to meet public needs, such as delivering essential services like water ([IIRC, 2013](#)). Transparency in reporting, including risk disclosures, fosters public trust and strengthens social responsibility between SOEs and stakeholders ([Thomas, 2012](#)). The chairperson's report, a key narrative disclosure in the annual report, provides an overview of the organization's performance and strategic direction. It is particularly influential for stakeholders, shaping their perceptions of the SOE's financial health and prospects ([Yasseen et al., 2017](#)). While much research has focused on chairperson's reports in listed entities, studies on SOEs in South Africa remain limited. However, Smith and Taffler (2000) highlight the relevance of this voluntary narrative disclosure, noting its importance in shaping stakeholder views despite the lack of formal assurance.

Impression management

Impression management, originating from social psychology, refers to how individuals present themselves to be viewed favorably by others ([Brennan et al., 2009](#); [Hooghiemstra, 2000](#)). This concept has been extended to corporate reporting, where it describes how organizations manipulate the presentation of information to influence stakeholder perceptions ([Merkel-Davies et al., 2011](#)). In corporate reporting, managers may selectively disclose information to create a positive image of the organization, often by highlighting favorable performance and concealing negative aspects ([Yasseen et al., 2017](#)). Research by Leung et al. (2015) on "impression management through minimal narrative disclosure" found that non-financial information in annual reports, known as narrative disclosures, can be used both to provide valuable insights and to manipulate perceptions. Similarly, Bozzolan et al. (2015) examined tone in narrative disclosures, revealing that managers adjust their tone to influence how stakeholders perceive the organization, linking it to impression management strategies rather than ethical conduct.

Kathrada et al. (2021) focused on voluntary narrative disclosures in South African state-owned enterprises (SOEs), highlighting how graph disclosures distort users' views of company performance, especially non-financial ones. These tactics are part of broader "legitimation" strategies that organizations use to shape public perception, portraying a favorable image despite underlying issues (Bozzolan et al., 2015).

Leung et al. (2015) also noted that voluntary narratives often involve selective reporting or omission of information, allowing managers to manipulate stakeholders' views of the organization's financial performance and prospects. This is particularly common in underperforming organizations, which may disclose less information to conceal poor outcomes. "rhetorical manipulation" involves carefully choosing language to present a positive image and hide negative performance. Studies have also linked impression management to specific corporate governance issues. For example, Ben-Amar et al. (2022) found that organizations use impression management tactics to manipulate stakeholders' perceptions of board gender diversity. Similarly,

Moreno et al. (2019) and Nel et al. (2022) observed that impression management is evident in the optimistic language used in chairperson's and CEO reports, influencing stakeholders' perceptions of future performance.

In conclusion, organizations use impression management strategies in corporate reporting to enhance their image and influence stakeholder perceptions, often through selective disclosures and rhetorical manipulation of language. These tactics can mask negative performance and promote a more favorable view of the organization's outcomes ([Jaafar et al., 2018](#); [Mahboub et al., 2016](#)).

Impression management in chairperson's report

The chairperson's report is a key component of the annual report that investors often scrutinize ([Clatworthy & Jones, 2006](#)). Scholars have explored the vulnerability of this report to impression management practices, especially in how management may manipulate stakeholders' perceptions of the company's performance. Oliveira et al. (2016) studied impression management in chairperson's reports, finding that while there was no direct correlation between company performance and impression management tactics, managers of larger corporations tended to present the company more favorably using high levels of verbatim language. Supporting this view, Clatworthy and Jones (2006) assessed the relationship between company performance and textual characteristics in chairperson's reports. They concluded that these reports are highly susceptible to impression management, with management of profitable companies often taking credit for success. In contrast, underperforming companies disclosed less quantitative information and focused more on prospects than past performance. However, it remained unclear whether these impression management tactics were intentional. Similar findings were reported by Cen and Cai (2013) in their study of Chinese companies. PHESA et al. (2023) used stakeholder theory to examine impression management in the chairperson's reports of JSE delisted companies. They identified tactics such as passive voice, self-proclamation, and report length. Their study found that delisted companies, particularly those that had performed poorly, used impression management tactics more frequently in their chairperson's reports before delisting, signaling a higher reliance on these strategies in underperforming companies. Overall, these studies highlight that the chairperson's report is a key tool for impression management, with management often using it to shape stakeholders' perceptions, especially when company performance is weak. Based in literature, the following null hypothesis is developed:

H₀: There is no significant difference in the textual characteristics of the chairperson's report between profitable and non-profitable state-owned enterprises listed under Schedule 2 of the PFMA.

To fulfil this hypothesis, we developed the following sub-hypothesis:

H_{1.1}: The length of the chairperson's report will be the same for both profitable and non-profitable SOEs.

Length of chairperson's report

Existing literature has explored the length of the chairperson's report using two key variables: page numbers and word count ([Clatworthy & Jones, 2006](#); [Moola, 2016](#); [Phesa, 2021](#); [Yasseen et al., 2017](#)). These studies compared the length of chairperson's reports between profitable and non-profitable organizations. The findings generally showed that reports from non-profitable organizations were slightly shorter than those from profitable ones. However, when comparing extremely profitable organizations with extremely non-profitable ones, the results revealed the opposite pattern: extremely non-profitable companies tended to have longer reports, though the difference in word count was marginal. The following hypothesis is developed:

H_{1.2}: The percentage of positive tone in the chairperson's report will be the same for both profitable and non-profitable SOEs.

Positive disclosure tone in the chairperson's report

Bozzolan et al. (2015) tested impression management in the FIAT Group by analyzing sentence tone and identifying positive and negative words in stakeholder interactions. Similarly, Phesa (2021) and Mgoyana & Phesa (2023) used this method to assess the percentage of positive and negative words in disclosures. Melloni et al. (2016) examined whether companies manipulate the tone of business model disclosures in integrated reports as an impression management tactic. Their findings showed that future-focused disclosures often featured a significantly positive tone, suggesting manipulation to create a favorable impression of the company.

H_{1.3}: The chairperson's report will contain similar personal references in profitable and non-profitable SOEs.

Use of personal references

Prior literature has tested the use of self-proclaiming words such as "we," "us," "I," "me," "my," and "our" in chairperson's reports. Clatworthy and Jones (2006) found that high-performing companies use more self-references than poor performers. Similarly, Yasseen et al. (2017) and Moola (2016) reached the same conclusion, noting only a marginal difference. However, Phesa (2021) contradicted these findings. Further testing by Yasseen et al. (2017) compared extremely profitable and extremely non-profitable companies, revealing that highly profitable companies used fewer personal references than their non-profitable counterparts.

H_{1.4}: The percentage of passive language in the chairperson's report will be similar for both profitable and non-profitable SOEs.

Use of passive language

Existing literature has examined the use of passive language in chairperson's reports using various statistical techniques, including t-tests and median tests ([Clatworthy & Jones, 2006](#); [Yasseen et al., 2017](#)). Clatworthy and Jones (2006) found that non-profitable companies use slightly more passive

language than profitable ones. In contrast, Moola (2016) and Yasseen et al. (2017) observed a more noticeable difference, with non-profitable companies using significantly more passive language in their chairperson's reports than profitable companies. These findings suggest that passive language may be more prevalent in reports from underperforming organizations.

The literature review reveals that while several studies have addressed impression management strategies in the chairperson's report of private companies, particularly those listed on the JSE, limited research has focused on major public sector entities, specifically state-owned enterprises (SOEs). Notably, no study has examined the textual characteristics of the chairperson's report within the context of South African SOEs. This presents a gap in the literature, highlighting the need to explore whether impression management strategies are present in the annual reports of South African SOEs. This study addresses this gap by applying signalling theory as its theoretical framework, offering a new perspective compared to recent studies on impression management in chairperson's reports. Next section present the methodology used in this study.

METHOD

This study employed positivism and used the Quanyearlyve content analysis method to analyze secondary data in annual reports. The population consisted of 21 SOEs listed under Schedule 2 of the PFMA. All 21 Schedule 2 entities, as their number is fewer than 30 ([Delice, 2010](#)). However, three entities were excluded due to unavailable annual reports. Two SOEs published only financial statements, and one had an incomplete audit. Therefore, 18 yearly reports were analyzed for the chairperson's report. The research focused on the period from 1 April 2021 to 31 March 2022, a time marked by reports of maladministration, misgovernance, and other governance issues ([PRC, 2013](#)). Given these challenges, the study hypothesized that there may be an incentive for impression management in the annual reporting during this period. Data was collected from the annual reports of the SOEs to analyze the chairperson's reports. The study considered Data was obtained from SOE websites on 9 August 2023, with annual reports downloaded in PDF format. These reports, published after being tabled in the National Assembly ([PFMA, 1999](#)), were converted to Word and Excel to analyze textual characteristics. The data was stored on the researcher's laptop and OneDrive. Profitability was assessed using the profit before tax figures from the income statement as the difference between the profit before tax in the 2022 annual financial statements comparable figures This is consistent with the previous studies on impression management and impression management ([Dhludhlu et al., 2022](#); [Mgoyana & Phesa, 2023](#); [Phesa & Sibanda, 2022](#)). The following section present variables which are linked to each research hypothesis. The section covers, how each variable was achieved in details.

The length of the Chairperson's report was assessed by comparing the number of pages and word count for profitable and non-profitable SOEs. Each report was imported into Microsoft Word, where the page count and word count functionality were used to determine its length.

The percentage of positive tone in the Chairperson's report was analyzed by evaluating the positive and negative sentiments, comparing both profitable and non-profitable SOEs to determine any differences in tone.

The Chairperson's report will contain similar personal references for profitable and non-profitable SOEs. The analysis focused on identifying the frequency of personal pronouns such as "we," "us," "our," "I," "me," and "my" in the chairperson's reports to assess the extent of personal references used.

The percentage of passive language in the Chairperson's report will be similar for both profitable and non-profitable SOEs. The reports were analyzed using Microsoft Word's proofing tool to calculate the percentage of passive voice in the chairperson's reports.

Data presentation and analysis were conducted for all four variables based on the study by Phesa (2021).

The analysis is outlined as follows:

H_{1.1}: Chairperson's report length: The number of words was determined using Microsoft Word. Descriptive statistics included mean, standard deviation, minimum, and maximum values. The difference in report length between profitable and non-profitable SOEs was tested using the Mann-Whitney U test in SPSS.

H_{1.2}: Positive disclosure tone: The percentage of positive and negative sentiment was analyzed using Sentiment Analysis for Microsoft Excel, comparing the tone of profitable and non-profitable SOEs.

H_{1.3}: Extent of personal reference words: Personal reference words such as "we," "us," and "I" were counted. Descriptive statistics included mean, standard deviation, minimum, and maximum. The Mann-Whitney U test determined the significance of the difference between profitable and non-profitable SOEs.

H_{1.4}: Percentage of passive language: The usage of passive language in the chairperson's report was analyzed through descriptive statistics. The Mann-Whitney U test was applied to assess the significance of the difference between profitable and non-profitable SOEs.

In this section, we outlined the research methodology. As noted above, to ensure the rigorousness of the results, a non-parametric test called Mann-Whitney U was used to assess the extent of significance. The section also detailed the data presentation and analysis approach. The next chapter presents the data results and analysis according to the study's hypotheses and objectives.

This chapter presents the study's results and discussions, which focused on analyzing the chairperson's report in the annual reports of South African state-owned enterprises (SOEs).

The main null hypothesis of the study posits that there is no noticeable difference in the textual characteristics of the chairperson's report between profitable and non-profitable SOEs. The following sub-objectives guided the data analysis:

- To examine the chairperson's report length as a potential impression management tactic.
- To evaluate the use of positive tone, in the form of sentiment, in the chairperson's report.
- To assess personal reference words as an impression management tactic.
- To investigate the use of passive language as a form of impression management in the chairperson's report.

RESULTS AND DISCUSSION

The chairperson's report length

H_{1.1}: The length of the chairperson's report will be the same for both profitable and non-profitable SOEs.

The length of the chairperson's report was measured using two variables: the number of pages and words. The results in Table 1 below show that profitable SOEs had an average of 3 pages and 1,821.67 words, while non-profitable SOEs had an average of 2.17 pages and 1,212.89 words. This indicates that profitable SOEs had, on average, 29.08% more pages than non-profitable SOEs. Also, on average, profitable SOEs contained 33.42% more words than non-profitable SOEs.

Table 1: Analysis of the number of pages and number of words

Measure	Type	N	Mean	Standard deviation	CV	Minimum	Maximum
Length of chairperson's report in pages	Profitable	9	3.06	1.21	0.396159	1.5	5
	Non-profitable	9	2.17	0.90	0.416025	1	4
	Total	18					
Length of chairperson's report in words	Profitable	9	1821.67	763.28	0.419001	879	3055
	Non-profitable	9	1212.89	578.67	0.477096	617	2435
	Total	18					

Source: researcher's compilation

Results of the Mann-Whitney U test analysis

The Mann-Whitney U non-parametric test was used to determine if the chairperson's reports of profitable and non-profitable SOEs have identical lengths. Table 2 below shows that the chairperson's report of profitable SOEs had a mean rank of 11.56, while non-profitable SOEs had a mean rank of 7.44 for the number of pages, indicating a 35.64% difference in mean ranks. The sum rank for profitable SOEs was 104, compared to 67 for non-profitable SOEs regarding pages. The Mann-Whitney test yielded a P-value of 0.097 for page length, greater than 0.05 ($p > 0.05$), suggesting no significant difference in the length of chairperson's reports regarding pages.

For the length measured by the number of words, profitable SOEs had a mean rank of 11.78, while non-profitable SOEs had a mean rank of 7.22, representing a 39.6% difference. The sum rank for profitable SOEs was 106, while non-profitable SOEs had a sum rank of 65, a 35.5% higher value for profitable SOEs. The Mann-Whitney test resulted in a P-value of 0.070 for word count, which is also greater than 0.05. These results confirm no significant difference in the length of the chairperson's report, whether measured in words or pages. The hypothesis is accepted. These findings align with those of Phesa (2021), which found no significant variance between profitable and non-profitable companies listed on the JSE. Further, these results are consistent with those of ([Dhludhlu et al., 2022](#); [Mgoyana & Phesa, 2023](#)).

Table 2: Mann-Whitney U test results on length of the chairperson's report

Measure	Type	N	Mean Rank	Sum of Ranks
Length of chairperson's report in pages	Profitable	9	11.56	104
	Non-profitable	9	7.44	67
	Total	18		
	Mann-Whitney U	P = 0.097	Z = -1.659	= 22
Length of chairperson's report in words	Profitable	9	11.78	106
	Non-profitable	9	7.22	65
	Total	18		
	Mann-Whitney U	P = 0.070	Z = -1.810	= 20

Source: researcher's compilation

Positive disclosure tone in the chairperson's report

The disclosure tone was measured by analysing sentiments using the Microsoft Excel sentiment analysis tool.

H_{1,2}: The percentage of positive tone in the chairperson's report will be the same for both profitable and non-profitable SOEs.

The analysis in Table 3 reveals that the chairperson's reports of all 18 profitable and non-profitable SOEs contained an average of 70.3% positive sentiments. Notably, the chairperson's reports of profitable SOEs used 0.7% fewer positive sentiments than non-profitable SOEs. Both categories, however, demonstrated a prevalence of positive feelings, with at least 70% of the tone being positive, indicating that the reports contained more positive than negative sentiments. The results suggest minimal variance in the percentage of positive disclosure tone between profitable and non-profitable SOEs.

As such, the hypothesis is accepted. However, these findings diverge from those of Phesa (2021), whose replicated study showed a lower percentage of positive sentiments overall, with performing companies utilizing a more positive tone than underperforming companies. Positive tone is mostly associated with optimism which to some extent is highly associated with signalling as the information may be portrayed in total different manner for some stakeholders (Chotia et al., 2023).

Table 3: Use of positive disclosure tone in sentiments

Measure	Type	N	Positive sentiments in %	Negative sentiments in %
Use of positive sentiments in the chairperson's report.	Profitable SOEs	9	70%	30%
	Non-profitable SOEs	9	70.5%	29.5%
	Total	18	140.5%	59.5%

Source: researcher's compilation

Extent of personal reference words

This measure was analysed to test hypothesis

H_{1.3}: The chairperson's report will contain similar personal references in profitable and non-profitable SOEs.

Table 4: Personal reference words

Personal reference words	Profitable	Non-profitable
I	45	24
My	16	5
Me	0	2
We	155	93
Our	229	123
Us	21	13
Total	466	260

Source: researcher's compilation

Table 4 shows that profitable SOEs used more self-proclaiming words than non-profitable SOEs. Among these self-proclaiming terms, the most commonly used words across both categories were "our" and "we."

Table 5: Analysis of the use of personal references

Measure	Type	N	Mean	Standard deviation	CV	Minimum	Maximum
Use of personal references	Profitable	9	51.56	41.68	0.808403	5	103
	Non-profitable	9	29	27.80	0.958564	0	85
	Total	18					

Source: researcher's compilation

The statistical analysis of personal reference words, such as "I," "we," "our," "my," "us," and "me," revealed that profitable SOEs used, on average, 52 personal reference words, compared to 29 for non-profitable SOEs. This indicates that profitable SOEs used 41.14% more self-proclaiming words than non-profitable SOEs. These results contradict Phesa (2021), who found that poor-performing companies used more self-referencing words. However, the findings align with Yasseen et al. (2017), who reported that performing companies tend to use more self-referencing words than non-performing ones.

Results of the Mann-Whitney U test analysis

The Mann-Whitney U test was used to determine if the extent of personal reference words used in the chairperson's report differs between profitable and non-profitable SOEs. Table 5 shows that profitable SOEs had a mean rank of 10.44, while non-profitable SOEs had a mean rank of 8.56, indicating an 18% difference in mean ranks. The sum rank for profitable SOEs was 94, compared to 77 for non-profitable SOEs. The Mann-Whitney test yielded a P-value of 0.453,

greater than 0.05, confirming no significant difference in the number of personal reference words used between profitable and non-profitable SOEs. Therefore, the hypothesis is accepted.

Table 6: Mann-Whitney U test results on the use of personal references

Measure	Type	N	Mean Rank	Sum Rank
Use of personal references in the chairperson's report	Profitable	9	10.44	94
	Non-Profitable	9	8.56	77
	Total	18		
		Mann-Whitney U = 32	P = 0.453	Z = -0.751

Source: researcher's compilation

These results align with Phesa (2021), who found no significant variance in using personal reference words between performing and poor-performing companies.

Use of passive language

H_{1.4}: The percentage of passive language in the chairperson's report will be similar for both profitable and non-profitable SOEs.

The statistical analysis in Table 7 below reveals the use of passive language in the chairperson's reports of SOEs, with a minimum of 5% and a maximum of 35%. Profitable SOEs used an average of 18.1% passive sentences, while non-profitable SOEs used 21.2%. This indicates that non-profitable SOEs employed more passive language in their chairperson's reports than profitable SOEs.

Table 7: Use of passive language

Measure	No	Mean	Standard deviation	CV	Minimum	Maximum
Use of passive language	Profitable	9	18.1%	7%	0.410432	7%
	Non-profitable	9	21.2%	10%	0.447195	5%
	Total	18				

Source: researcher's compilation

Results of the Mann-Whitney U test analysis

The Mann-Whitney U non-parametric test assessed whether the chairperson's reports of profitable and non-profitable SOEs contain a similar percentage of passive language. Table 8 below shows

that non-profitable SOEs had a mean rank of 10.56, which is 2.12 higher than the 8.44 mean rank of profitable SOEs, reflecting a 20% difference in mean ranks. The sum rank for non-profitable SOEs was 95, while profitable SOEs had a sum rank of 76. The Mann-Whitney test statistics revealed $U = 31$, $Z = -0.839$, and a P-value of 0.402. Since the P-value (0.402) is greater than 0.05, it indicates no significant difference in the percentage of passive language used by profitable and non-profitable SOEs. Therefore, the hypothesis is accepted. These results are consistent with those of Phesa (2021).

Table 8: Mann-Whitney U test results on the use of passive language

Measure	Type	N	Mean Rank	Sum Rank
Use of passive language	Profitable	9	8.44	76
	Non-Profitable	9	10.56	95
	Total	18		
	Mann-Whitney U = 31	P = 0.402	Z = -0.839	

Source: researcher's compilation

The results of this study demonstrate that both profitable and non-profitable state-owned entities (SOEs) employ impression management strategies in their chairperson's reports. These strategies include manipulating the report's length, using a positive disclosure tone, incorporating personal reference words, and utilizing passive language. The analysis revealed that both groups maintained a similar percentage of positive sentiments, with a 70% positive tone in both profitable and non-profitable SOEs. This finding contrasts with Phesa (2021), who found that companies generally used more negative than positive sentiments, but aligns with Bozzolan et al. (2015) and Mgoyana and Phesa (2023) who observed that FIAT used a positive tone to manage stakeholder perceptions. Regarding report length, while profitable SOEs produced longer reports, the Mann-Whitney U test showed no significant difference between the groups, supporting the hypothesis that both groups have similar report lengths. When examining personal reference words, profitable SOEs used more, but the difference was marginal. The Mann-Whitney U test confirmed no significant variation in this regard. Similarly, the analysis of passive language revealed only a small difference between the groups, consistent with Phesa's (2021) findings.

These results support all the hypotheses of the study. Using signaling theory, it is clear that SOEs employ impression management tactics to influence stakeholder perceptions and signal positive performance, even when actual financial results may differ. The table below summarizes the relationship between this study's findings and the existing literature. The study's findings reinforce that impression management can be identified through several strategies, including the length of the chairperson's report (Phesa, 2021; Mgoyana, 2023; Mgoyana & Phesa, 2023; Yasseen et al., 2017; Moola, 2016; Dhludhlu et al., 2022; Clatworthy & Jones, 2006), the positive disclosure tone (Phesa, 2021; Bozzolan et al., 2015; Mgoyana & Phesa, 2023), the use of personal reference words (Moola, 2016; Mgoyana, 2023; Yasseen et al., 2017; Dhludhlu et al., 2022), and the use of passive language (Phesa, 2021; Dhludhlu et al., 2022; Mgoyana, 2023; Clatworthy & Jones, 2006). The

study, grounded in signaling theory, reveals that chairperson reports use impression management strategies to signal good performance, influencing stakeholder perceptions and reactions to the communicated information ([Merkel-Davies & Brennan, 2007](#); [Ben-Amar et al., 2022](#)). These results may mean how impression management tactics were used by SOEs to conceal information, especially since the SOEs were not doing administratively well. These results give insights to the government, which is the shareholder, but further to the public, whose public funds are used to invest in these SOEs. To some extent and perspective, the use of impression management could be to maintain trust and a positive image, especially the careful selection of positive sentiment ([Mgoyana & Phesa, 2023](#)).

CONCLUSION

The primary aim of this study was to investigate whether impression management strategies are present in the chairperson's reports of South African state-owned enterprises (SOEs) through textual characteristics in their annual reports. The study analyzed 18 yearly reports from SOEs that were readily available on their respective websites. The results show that the length of the chairperson's report is one of the impression management strategies used by SOEs. Although profitable SOEs had longer reports and a higher average word count than non-profitable SOEs, the analysis revealed no significant difference in the length of the chairperson's reports between the two groups. Consequently, the hypothesis that the length of the chairperson's report would be similar for both profitable and non-profitable SOEs was accepted. A positive disclosure tone also emerged as another strategy for managing how stakeholders perceive the information in the chairperson's report. The study confirmed that profitable and non-profitable SOEs used the same percentage of positive sentiment. The Mann-Whitney test further confirmed no significant difference in the tone used by both groups, resulting in the acceptance of the hypothesis. Regarding personal reference words, profitable SOEs used more personal references than non-profitable ones. However, the difference was not statistically significant, leading to the acceptance of the hypothesis that the use of personal references would be similar for both groups. Finally, passive language was used in both groups, with non-profitable SOEs using slightly more passive language. However, this difference was not significant, and the hypothesis was accepted. The study recommends that the National Assembly consider introducing policies that encourage other institutions, such as chapter nine bodies, to assure the reliability and credibility of voluntary narrative disclosures. This may help reduce the use of impression management tactics in chairperson's reports of South African SOEs. While this study identified and analyzed impression management strategies, it did not explore measures to mitigate such practices. Future research could focus on identifying and implementing measures to limit the extent of impression management in the chairperson's reports of South African SOEs. We need to explain how the findings are connected to the Signalling Theory or how the Signalling theory is connected.

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Impression Management Analysis in South African SOE's (state in full for the first time) Annual Reports: A Signaling Theory Approach

Ngcizela, Phesa, and Arulanandam

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Ngcizela, Phesa, and Arulanandam

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