

Comunicazione volontaria e misure di prestazione nei bilanci italiani e statunitensi

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Abstract

The present Ph. D. thesis explores and discusses the drivers of voluntary disclosure. The research is focused on the non-mandatory performance measures disclosed in the Management Discussion and Analysis or in the unaudited introductory section of the annual report. The emerging view among researchers argues for an expanded reporting system to provide more comprehensive information about organizational performance. Literature has recently presented varied number of multidimensional models in order to broaden financial reporting. The empirical chapter of this study attempts to verify how many and which multidimensional performance measures managers transfer from the internal information system to the annual report. Focusing on Italian and American listed companies a main research question is addressed: how to observe, frame and assess voluntary information disclosed in the introductory section of the annual report ?

The topic of the dissertation is better defined in the first chapter of this thesis. Companies are increasingly demanded to offer a complete illustration of their business performances. In discussion this issue, the pragmatic function of communication system is proposed in addition to the classical informative function. Shifting from informative purposes to pragmatic ones an integration of finance reporting is deemed appropriate by large part of accounting literature, and accordingly new models for performance reporting emerge. Furthermore, Business communication and information systems are discussed in their different areas and functions and the body of information internally developed is finally presented as a company's asset able to influence stakeholder's behaviour if disclosed. Pragmatic communication and voluntary disclosure are proposed as strategies for reducing information asymmetries among companies and financial markets as well as a way of building legitimacy and stakeholder embedment. Information asymmetries are widely discussed by voluntary disclosure literature and they are related to several different disclosure models: (1) *Risk Disclosure & Management Discussion and Analysis*, (2) *Corporate Governance Disclosure*, (3) *Intellectual Capital Disclosure*. On the contrary, operational legitimacy and stakeholder embedment miss a strong empirical literature linkage with disclosure apart from small research on (4) *Social and Environmental Disclosure and Stakeholder Reporting*. The present contribution attempts to harmonize these different perspectives on disclosure.

Chapter two focuses on the drivers of business communication trying to highlight a possible connection with voluntary disclosure policies. The analysis of information flows toward financial markets leads accounting literature to discuss information asymmetries and to usually refer to: *agency*, *signalling*, *political cost* and *proprietary cost theories*. This study attempts to extend the drives of financial communication by observing how other fields of business research suggest communication policies in order to gain reputation, consensus and legitimacy. Accordingly, a few specific driver of voluntary disclosure are selected and connected to voluntary disclosure's models listed above: (1) market complexity and competitive environment, (2) corporate governance models, (3) intangible assets management, (4) stakeholder commitment and embedment. The characteristics of these drivers are expected to influence forms and contents of related disclosures. The contribution of this thesis to the accounting literature consists in the attempt of matching voluntary disclosure literature, mainly financially driven, with the creation of long term value for stakeholders other than investors. The criticism to this approach relies to the strong assumption that management's needs of consensus, legitimacy and embedment could affect the financial and non-financial performance measures disclosed in the annual report. An assumption that has never been verified by literature before.

Chapter three presents the frameworks of external reporting recently proposed by literature in order to offer a multidimensional analysis of companies' performances. A first extended

introduction covers the preliminary analysis that managers are supposed to run in order to assess if voluntary disclosure is deemed appropriate for their businesses and which reporting framework they should adopt. Moreover, the study focuses on the innovative performance measures proposed by academic and professional researchers, paying specific attention to the recent recommendations on business reporting issued by the Financial Accounting Standard Board (FASB) and the American Institute of Certified Public Accountants (AICPA). For the sake of simplicity, the external reporting frameworks are grouped in three specific categories: (1) *managerial frameworks* mainly driven by internal audit and strategic control studies; (2) *semi-institutional frameworks* developed by private associations and professional body willing to define shared guidelines and best-practices and (3) *official recommendations* by the standard-setters. The analysis of these different frameworks focuses on the specificity and finality of each contribution. In particular, the different targets and stakeholders' categories addressed by these researches explains great part of this variety of frameworks. Finally, an integrated model of external reporting is proposed. This comprehensive way of organizing the voluntary disclosure to be included in the annual report directly addresses the evaluation of the relations with the main category of stakeholders as well as the performance associated to the internal processes and the innovation and learning policies. The goal of such communication edge is to provide all annual report readers with comprehensive information about the drivers of long term financial and operational performances.

The fourth and last chapter provides first empirical proof of the effects that the drivers selected by this study have on the voluntary information disclosed in the annual report. A list of measures has been extracted from the comprehensive framework described in chapter three and these specific measures have been researched for each annual report. The disclosure level of each company is defined through the number and the characteristics (type, nature, outlook profile and economic sign) of the disclosed performance measures. According to literature, the disclosures contained in the unaudited sections of the annual report represents a good proxy of company's investment for the development of new performance measures and the adoption of additional external reporting frameworks. In particular, a company that choose to differentiate itself by enhancing the amount of business information externally provided has several options and channels, but as a result of these investments the number of performance measures included in the annual report should also increase. The sample is composed of 72 listed companies equally divided by each country: Italy and US. In order to increase the observed voluntary disclosure, 36 of these companies have been extracted by the firms that in the past have received awards for the quality of their financial or social communication. The other 36 have been extracted by the rest of companies listed on the Milano-Mercato Ordinario and the New York Stock Exchange. The analysis of narrative reporting was conducted according to *content analysis* methodology, a line of research widely adopted in order to enable reliability and valid inference from narrative data in compliance with their context.

Descriptive statistics and Ordinary Least Squares regression models test the hypothesis concerning the quantity and the quality of voluntary disclosure. A few statistical significant differences emerge from the comparative analysis of Italian and American disclosure patterns as well as from awarded and non-awarded companies. However, the current framework of performance measures enables to report only reduced, not-exhaustive and limited voluntary disclosure in both countries. In particular, the observed level of disclosure does not really fit with the analytical depth proposed by literature and appears only slightly influenced by the drivers selected by this thesis. Only the proxies selected for the market complexity & competitive environment have a clear positive effects on company's disclosure profile, as well as the fact of having received communication-based awards in the past. Accordingly, voluntary disclosure seems to be a company behaviour imposed to managers by the external complexity more than an internal strategy intentionally adopted in order to better manage stakeholder's relationships. These results may be further confirmed by the fact that the national profile of disclosure significantly differs in the two analysed countries. Even if extensively discussed by academic literature and professional bodies of research, the voluntary disclosed is more likely to be phenomena mainly driven by

external circumstances. Organized stakeholders, national models of business, governance and competition have a greater effect on disclosures rather than the proposed internal analysis of key stakeholders and the strategic attempt to target them with appropriate communication policies. Only the sub-sample of awarded-companies, proposed as *best-practitioners*, in a limited number of cases allows for a discussion of more sophisticated disclosure levels. However, even this process appears to be still in progress and so far these pioneer companies have only increased the quantity of narrative disclosure. The development and the reporting of new performance measure: quantitative, non-financial and forward-looking set a goal that has not been achieved by listed companies yet. These outcomes bring up interesting research questions on how to provide incentive to companies in order to facilitate enhanced voluntary disclosure and on why managers are still reluctant in perceiving benefits connected to internally driven voluntary disclosure.