IMPRESSION MANAGEMENT AND LEGITIMACY
THE AUSTRALIAN RED CROSS

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ABSTRACT

**Purpose** – The purpose of this study is to identify whether a charitable organisation such as the Australian Red Cross, use their annual reports for legitimating purposes. The aim of the paper is to assess the quantity and type of annual report disclosures used by the Australian Red Cross. This analysis is performed in order to determine if there is a change in the use of impression management tools when their perceived legitimacy was threatened as a result of criticism over their use of donated funds after the Bali bombings in 2002.

**Design/methodology/approach** – A content analysis of the annual reports of the Australian Red Cross for the years 1999 through to 2008 was completed. This involved a thorough study of the quantity and nature of narrative disclosures, and graphic design tools such as photographs and graphs in the annual reports of the Australian Red Cross before and after the Bali bombings in October 2002.

**Findings** – A significant difference in the use of potential impression management tools such as increased narrative length, variation of language through the use of passive constructions and singular personal references along with an increased use of photographs and graphs was observed in the annual reports prepared after the Bali bombings.

**Research implications/limitations** – These findings suggest that the annual reports of charitable organisations may be used for legitimating purposes consistent with past research on corporation’s use of annual report disclosures.

**Originality/value** – This paper extends the literature on impression management and the application of legitimacy theory in the area of not for profit sector reporting.

**Keywords**: Legitimacy, Charitable organisations, impression management, narratives, graphs
1.0 INTRODUCTION
The not for profit industry is large in developed countries around the world. In Australia charitable organisations account for 8 per cent of GDP and employ more than 600,000 people (The Australian, 2008). However, a lack of transparency, specific accounting standards, and corporate governance in the financial arrangements of many of these organisations has long been a concern (The Australian, 2008). Almost 90% of adults donate to charity and the average donation per year is $400 (Watson, 2008). As a result of increasing donations, in particular those in response to natural disasters such as the Boxing Day Tsunami in 2004 which resulted in $313 million dollars being donated by Australian business and the public, aid agencies across the world are finding themselves being held more accountable (Watson, 2008). In light of previous charity scams including those that occurred after the September 11 2001 terrorist attacks in the US, and criticisms over the use of donated funds after the Bali bombings in 2002, potential donors have an increased need to know whom they can donate to and a need to feel certain that the contributed funds will reach those for which they were intended (Abraham, 2007).

For donors to trust an organisation they will require evidence of trustworthiness and they will need to be convinced that the organisation is a legitimate member of society. To gain or maintain this trust and perceived legitimacy the organisation will need to demonstrate accountability. After the Bali bombings in Indonesia in 2002 millions of dollars were donated to the Australian Red Cross who were criticised widely in the media for their inefficient use of these donated funds. The legitimacy of Australian Red Cross was potentially threatened as a result of this criticism of their use of these funds. Within the context of the highlighted need for transparency within this industry, it is argued that they needed to communicate to the public that they were transparent, accountable and using funds efficiently and effectively. One such possible communication is the annual report. How this threat was handled and whether impression management tactics were employed by the Australian Red Cross in their annual reports to repair their legitimacy is the focus of this paper.

1.1 Charitable organisations
The not for profit sector includes charities, environmental organisations, sporting bodies and clubs and independent schools. These organisations exist as a result of groups of people committing themselves to provide services for themselves or others, to represent their personal or religious interests (Leo and Addison, 2000). In Australia there exists a well established sector of not-for-profit charitable organisations that deliver a range of social welfare services (Hainsworth, 1995). The Givewell Australian Charities Financial Analysis 2007 of financial data of a representative sample of the charities listed by Givewell showed that the charitable sector continued to grow at a steady rate in 2007 (Givewell, 2009) and at the end of June 2007, there were 41,008 not-for-profit organisations in Australia, employing in total 889,919 people at the end of June 2007 (ABS, 2007).

Charity accounting had been largely ignored until the 1980’s (Connolly and Hyndman, 2000), since this time there have been increasing criticisms of Australia’s not for profit sector and their efficiency, effectiveness, and reporting. Criticism has come from both
public interest lobby groups and the charities themselves (Cohen, 1995). Public criticism increased with events such as the collapse of the National Safety Council and the Lady Nell scandal in the 1980’s, speculation around CARE Australia in 1994 (Cohen, 1995), the United Way scandal in the US (Schardt, 1993), the Australian Red Cross handling of donations after the Bali Bombings in 2002 and criticisms of the sector as a whole from its use of funds after the Tsunami in 2005 and the Melbourne bush fires in Australia in 2009.

Criticism over efficient use of resources has been coupled with a highlighted awareness of the administration costs of these organisations and a desire by donors to not be funding these costs (Strom, 2008). Competition for donations is intense due to various factors (Bennett and Gabriel, 2003), and charities image and reputation is suggested to strongly influence donor behaviour (Bennett and Gabriel, 2003). Thus, for charities to survive they need to develop, nurture and maintain their image and reputation (Bennett and Gabriel, 2003). Charities will need to project an image of being caring and compassionate and demonstrate that they allocate resources to beneficiaries in preference to administration (Bennett and Gabriel, 2003). There has been concern for the effective management of a charity’s image and resulting use of marketing tools (Bennett and Gabriel, 2003). For example, a number of high profile charities in the UK renamed and repositioned themselves in the early 1990s in order to manage their image. As a result of their image management these charities achieved a 10 per cent increase in income per year (Bennett and Gabriel, 2003). The public will be susceptible to influence by cues such as a positive image management that aims to provide the donor with a rational basis for giving to one charity in preference to another (Bennett and Gabriel, 2003).

Larger charities have been found to have a higher quality reporting (Connolly and Hyndman, 2004). However the Institute of Chartered Accountants in Australia’s review of not-for profit organisations’ annual reports in 2006 found these organisations require a substantial improvement in both their financial and annual reports (Watson, 2008). These organisations need to become more accountable and transparent through increased disclosure and reporting (Watson, 2008). In this setting it appropriate to study their use of disclosures to identify if they may involve the use of impressions management.

Among the largest charitable organisations in Australia are World Vision and CARE Australia and the Australian Red Cross. The Australian Red Cross provide a source of study being one of the largest charitable organisations in Australia and having received a direct threat to their legitimacy after the Bali bombings which potentially required them to act in such a way as to repair their potentially damaged legitimacy, possibly through the use of impression management in their reporting.

1.2 The Australian Red Cross
The Red Cross is a large and well known international charitable organisation. The movement has around 97 million volunteers worldwide and is the largest humanitarian body in the world (Australian Red Cross, 2009). The Australian Red Cross was founded in 1914 as a branch of the British Red Cross, and is one of 186 members of the International Federation of Red Cross and Red Crescent Societies. In the 2005-2006 year they had 982 unit branches, 29 005 members, 31 227 volunteers and employed 1 075
general employees with another 2,394 people were employed through the Australian Red Cross Blood Service. Revenue raised at the Red Cross Calling Doorknock Appeal that year alone was $7.9 million. The activities of the Red Cross in Australia include providing disaster and community services, tracing and refugee services, first aid and health and safety services and the blood service.

In Australia the Red Cross structure comprises a council, with up to 34 elected members and the President. The States and Territory branches are governed by the Australian Red Cross Board which generally consists of 12 persons who are also members of the council. The board delegates its day to day management to the CEO who manages affairs through delegation to his senior managers. The Australian Red Cross was created under a Royal Charter passed in parliament and therefore it has many traits of a modern business with an efficient and orderly structure, a clearly identified set of goals and reporting requirements dictated by the Corporations Act. Although its goal are not defined in dollar terms the organisation runs for all intents in purposes as a corporation and needs to remain legitimate in the eyes of the public as do corporations that are being ran for profit generating purposes. Thus, as is the case with companies, they need to remain accountable and maintain their perceived legitimacy to ensure their continued existence.

1.3 Accountability and legitimacy
With increased interest in the area of corporate responsibility, a body of research has been undertaken in the areas of corporate legitimacy and corporate annual reporting. Companies have been identified as needing to appear legitimate to maintain their position as a legitimate member of society (Suchman, 1995). Research has established that legitimacy theory could be useful in explaining corporate disclosures, in particular, environmental disclosures in corporate annual reports (Raar, 2007). If organisations threaten their legitimate place in society by violating social norms, they are more likely to be noticed and less likely to receive the endorsement and support of outsiders (Elsbach and Sutton, 1992).

This is particular of importance to charitable organisations that depend upon donations from the public for their survival. If organisations are perceived as being legitimate they will be better equipped to attract resources and the social and political support necessary for their continued existence (Ogden and Clarke, 2005). Acquiring and maintaining legitimacy are ongoing difficulties for most organisations, even if they have wide recognition and have received past support (Elsbach and Sutton, 1992). If an organisation’s perceived legitimacy is threatened through a scandal effecting the organisation specifically, or the sector as a whole, they will conceivably need to take action to ensure any damage is repaired. Organisations may utilise impression management techniques to alter the public’s perception and to repair their perceived legitimacy.
2.0 LITERATURE REVIEW
In this section a review of relevant literature in the areas of legitimacy and impression management is presented. Then the hypotheses to be tested in this paper are developed. Next the methodology used in this paper is discussed followed by the results and discussion, limitations and concluding comments.

2.1 Legitimacy
Legitimacy Theory has its origins in the field of sociology (Dowling & Pfeffer, 1975). Legitimacy theory is directly related to the concept of a social contract (Deegan, 2002; Johnson & Holub, 2003). It is argued that each member of society, including organisations, have a contract with the larger society enabling their existence and ensuring their continued survival. Organisations will be considered legitimate to the extent that their activities are consistent with the goals of the larger social system (Dowling & Pfefer, 1975) with whom they have contracted. Potential conflict arises when an organisation is identified as breaching societal norms and beliefs or has multiple stakeholders with differing demands and beliefs (Ogden and Clarke, 2005). Legitimate organisations will receive loyalty and support from their stakeholders but if an organisation cannot maintain its legitimacy in the eyes of its stakeholders it may face criticism and sanctions (Yuthas, Rogers and Dillard, 2002).

An example of legitimacy management would occur when a company chooses to react in a particular manner in response to an issue or event that threatens their legitimacy, such as an environmental disaster that occurred as a result of the company’s actions (see Deegan et al, 2000; Patten, 1992; Campbell et. al, 2003). If an organisation makes changes in an attempt to manage a particular threat and/or improve their legitimacy, these changes will need to be accompanied by disclosures for them to have effect (Deegan, Rankin and Voght, 2000). Companies have been identified as attempting to improve or recover legitimacy through disclosure choices (Patten, 1992; Deegan et al, 2000; Milne & Patten, 2002; Campbell et al, 2003). Corporations may disclose social and environmental information to present the corporation in a positive light and they may change their reporting strategy depending upon whether they need to gain, maintain or repair their legitimacy (Suchman, 1995; O’Donovan, 2002). Environmental disclosures have been found to potentially affect investor’s choices and therefore could be used restore or repair an organisation’s legitimacy (Milne & Patten, 2002).

If organisations violate social norms they are more likely to be noticed less likely to receive the endorsement and support of outsiders resulting in them reducing the quantity or quality of their participation. (Elsbach and Sutton, 1992). This is of particular importance to charitable organisations that depend upon donations from the public for their survival. For an organisation to succeed they will need the support of all of their stakeholders and to maintain this support they will need to account to all stakeholders (Dhanani, 2009). As a result charitable organisations will need the support of, and be accountable to, both contributors/donors, regulators who may be able to demand accountability, and to beneficiaries who may not be able to demand accountability (Dhanani, 2009).
Contributors have been defined as being those who contribute to a charity but do not directly receive an economic gain from doing so (Hyndman, 1990). This group of stakeholders often cannot demand information from these organisations but must rely on the charities reports for information (Hyndman, 1990). It can be argued though that they have a reasonable right to demand that these organisation be held accountable. A charitable organisation will need to seek legitimacy from and therefore be accountable to, donors, beneficiaries and regulators (Dhanani, 2009). Charities have been found to more readily provide descriptive information on motives and activities than information on performance and future plans resulting in stakeholders potentially having little indication of the effectiveness and efficiency that charities are operating (Dhanani, 2009). Greater disclosure of non-financial information has been argued on the basis that contributors provide resources for altruistic reasons and therefore would be interested in the achievement of the charities objective which is largely expressed in non-financial terms (Hyndman, 1990). It is in this non-financial information which for charities is found in their annual report that the potential for impression management is the greatest.

The literature in the areas of legitimacy theory and impression management in the field of accounting has focused on the study of corporate annual reports or other corporate social or environmental reports. There are potential similarities between profit and not-for-profit organisations and settings. In for-profit organisations the quality of goods or services provided will impact upon the revenue earned, for a not for profit organisation the quality of relationships will determine the funds they can attract (Anderson, 2008). Thus it will be the organisation’s mission and the narratives that demonstrate how they are following their mission that will be essential in ensuring their existence (Anderson, 2008) and are of importance. Narratives and other disclosures by charitable organisations could potentially be used as legitimating impression management tools to assist in maintaining continued support.

2.2 Impression Management
The term impression management refers to attempts to assert control over one’s image. The concept of impression management was traditionally concerned with how words and actions are used by individuals to control their image as a means of personal influence (Stanton, Stanton and Pires, 2004). This concept has been applied to organisations to study the content and presentation of information provided to the public. Impression management has been identified as occurring in any setting where an organisation’s representatives distribute information in such a way as to affect information users’ attitudes, opinions and behaviour (Stanton et al., 2004). Impression management is used to improve or maintain one’s image and in an organisational sense is related to maintaining organisational legitimacy, ensuring control over an organisation’s status, and guaranteeing its continued existence.

Areas of impression management researched in corporate annual reports include the manipulation of narratives (Courtis, 1998; Clatworthy & Jones, 2001) and graphs (Beattie & Jones, 1999; Beattie & Jones, 2002), the use of pictures (Bernadi, Bean & Weippart, 2002), use of antithesis (Davison, 2002), mythmaking through text and pictures (David, 2001) and corporate drama played out through language choice (Kendall, 1993).
Narratives for example may be manipulated in a variety of ways including the use of general rather than precise phrases, the use of phrases with positive rather than negative connotations, and by hiding or ‘burying’ negative disclosure within a text to reduce its impact (Rutherford, 2003). Narratives may also be changed through the use of passive voice and personal references (Clatworthy and Jones, 2006). Smith & Taffler (2000) also found a relationship between the use of keywords and underlying themes in Chairman’s Statements and firm failure.

Non-linguistic opportunities to obfuscate identified in corporate disclosures include locating particular disclosures in remote parts of the report or the use of graphical devices to draw attention away from disclosures (Rutherford, 2003). This includes, for example, the creation of company logos and the use of design consultants to manage a company’s image (Lee, 1994). Impression management may also occur through the use of pictures (Bernadi, et al., 2002), colour, design features such as contrast (Davison, 2002), and combinations of pictures and narrative messages such as mythmaking through text and pictures (David, 2001).

2.3 Impression management and legitimacy

Events and situations including distinct environmental and social events may affect an organisation’s legitimacy. Past research has found that when confronted with failure people tend to justify their position by manipulating the information that will be presented to others in a manner consistent with self-justification and impression management (Caldwell & O’Reilly, 1982). An example of this would be to highlight favourable information and suppress unfavourable information. For example, the actions of individual employees or members of an organisation may result in a threat to an organisation’s legitimacy and the organisation may then feel they need to respond in some manner to reduce this threat. This response may include the use of justifications and excuses (Elsbach & Sutton, 1992) or some alternate form of impression management. Management use impression management to create a picture of ‘trustworthy management’, presenting information in such a way as to legitimise management’s right to run the organisation (Beattie & Jones, 1999). Thus, impression management enables organisations to maintain control, and provides further incentives for management to represent their company’s performance in the best light possible.

2.4 Annual Reports

Annual reports are important to stakeholders who use them to ascertain the position and performance of the organisations in which they are interested and have been recognised as a key document in the discharge of accountability (Connolly and Hyndman, 2004; Hooks, Coy and Davey, 2001). However, corporate annual reports are now seen to be largely a packaged product made by professional designers in order to create, manage and report the particular image desired by corporate management (Lee, 1994). Corporations are argued as becoming increasingly aware that annual reports can be used for purposes other than meeting their statutory duty to report to stakeholders, and that they are available to use for marketing purposes (Clarke, 1997). Impression management in annual reports is not just a potential legitimating act of businesses only, charitable organisations may utilise their reports to engage in impression management. For
example, charitable organisations have been found to manipulate revenue figures through accounting policy choice in order to potentially demonstrate a need for continued contributions (Hyndman and Kirk, 1988) and may potentially use non-financial disclosures to manage their image.

Annual reports have been identified as not adequately disclosing many items of information that are considered important to stakeholders (Hooks et al, 2001). Information included in charitable organisation’s annual reports that is considered important to users of these reports has been found to include their statement of goals, information concerning general areas the charity deals with, and non financial efficiency measures (Hyndman, 1990). For these reports to be of use they need to contain more than just financial data so that donors can assess whether a particular organisation is a worthy recipient of their trust and their contribution (Abraham, 2007). ACFID do monitor annual reports and The Australian Red Cross is a member of ACFID and do prepare full annual and financial report information. However, monitoring by ACFID and ASIC in reality is limited in relation to the narrative information contained in their non-financial based reporting enabling the potential for impression management to remain.

Because of the range of possible manipulations that could be used in annual reports, and the potential effect on users of these reports, combined with the inconsistent regulation of reports by charitable organisations, it is important to extend the research in this area. Clatworthy and Jones (2006) examine a range of textual characteristics in the corporate annual reports of profitable and unprofitable UK listed companies including length, references to key financial variables and use of passive voice. Their approach has been adapted and extended used in this study in order to test the use of a variety of impression management tools in the annual reports of the Australian Red Cross before and after the direct threat to their legitimacy resulting after the 2002 Bali bombings.

2.5 Narratives in annual reports:
Narratives are considered an integral part of modern annual reports (Jones, 1996) and an important complement to the financial statements contained in these reports (Courtis, 2002). It has been argued that the narratives in annual reports are more crucial than the financial statements because investors are more likely to read and understand the narratives than figures (Henderson, 2004). Narratives in annual reports, especially the Chairman’s Statement, seem to attract wider readership than other parts of the annual report (Bartlett & Chandler, 1997) and it has been found to be one of the most widely read sections of the annual report (Courtis, 1986; Jones, 1988; Subramanian, Insley and Blackwell, 1993).

Transparency in not-for-profit organisations annual reports’ is important if they are to compete for limited funds available to be donated. If donors are to make informed decision these organisations need to remain transparent, this will assist them maintain levels of donations, motivate their staff and volunteers and maintain integrity (Watson, 2008). A desire for comparability, consistency and relevancy in the annual reports of these organisations and the need for effective plain English communications a plain-English objective should be prescribed (Price and Wallace, 2002). With the trend being
one of increasing narrative disclosures (Courtis, 1998), and the increased reliance on these narratives by annual reports users, the clarity of narratives in annual reports is becoming more important, especially for achieving transparency for non-expert stakeholders (Rutherford, 2003).

2.5.1 Increased disclosures
Annual reports have been found to increase in size over time, with an increased use of narratives and other information such as graphs and tables. The increasing size of annual reports and the quantity of voluntary disclosures they contain signal the probability that annual reports are being used for impression management purposes (Lee, 1994).

2.5.2 Readability:
One potential manipulation of narratives is the adjustment of readability. The term readability refers to the reading ease of a passage of text based on the fundamental premise that readability measures textual complexity, which reflects in some way the understandability of a text (Jones, 1988). One potential manipulation of narratives is through the adjustment of readability. The term readability refers to the reading ease of a passage of text based on the fundamental premise that readability measures textual complexity, which reflects in some way the understandability of a text (Jones, 1988). Past research has focused on performing syntactical analysis of texts, and has demonstrated that annual reports generally have low reading-ease levels (Jones, 1988) and contain variability of readability, that is, different levels of readability in different portions of the text (Courtis, 1998; Clatworthy & Jones, 2001). Annual reports have also been identified as becoming more difficult to read over time (Jones, 1988).

The existence of low readability levels and variability of readability found in Chairman’s Statements in annual reports (Courtis, 1998; Clatworthy & Jones, 2001; Courtis, 2004) raises the possibility of obfuscation suggesting “that management is not neutral in its presentation of accounting narratives” (Courtis, 1998 p 466). Firms performing poorly are argued to obfuscate, that is, make the text in their annual report narratives more difficult to read than firms performing well, in order to disguise their poor performance. If information in the financial statements is unfavourable, management could obfuscate the narratives contained in the annual report, to mask the negativity of the information, and deflect attention, reducing the impact of the poor performance on users’ perceptions of company performance (Courtis, 2002). Although some evidence of a relationship between readability and performance has been observed (Subramanian et al., 1993), research in this area has not conclusively found support for the obfuscation argument (Courtis 1998; Clatworthy & Jones, 2001; Rutherford, 2003, Courtis, 2004).

2.5.3 Passive Voice
The linguistic structure of corporations Chairman’s Statements have been studied to identify ways that language is used to position the company according to the priorities of those in control. It was found that the use of passive constructions (using the passive voice), and non-human agents or explanations (blaming outside factors such as problems with a stock item) of performance increase as profits decrease (Thomas, 1997). Past research has shown that writing style variations that may occur when an organisation is
performing well or poorly and may present narratives in such a way as to detach the writer from the message (Thomas, 1997; Sydserff and Weetman, 2002). Although evidence is inconsistent, the use of passive constructions is argued to be negatively related to performance (Clatworthy and Jones, 2006). Organizations who have performed poorly may increase the use of passive sentences to distant managers from their negative performance, and companies who are performing well may use the active voice to associate their results with their management (Clatworthy and Jones, 2006).

2.5.4 Personal References
Personal references may be used in narratives to assist the reader relate to the writer and help align their perspectives. The use of first-person pronouns in annual report narratives has also been found to be related to performance (Hyland, 1998; Thomas, 1997; Clatworthy and Jones, 2006) indicating they are used in annual reports to assist in portraying an image of being a successful organisation. Companies who are performing well are more likely to use language that internalises performance and thus will use more first-person (personal references) in their annual reports.

2.6 Graphs
Graphs are considered a powerful medium of communication (Beattie & Jones, 2002) and Australian companies have been found to use graphs extensively, with 89% of Australian companies using an average of 9.4 graphs per annual report (Beattie & Jones, 1999). Graphs provide a visual representation of financial information being capable of rapid consumption, and as a result of this may be replacing other quantitative presentation forms in annual reports (Beattie & Jones, 2002). Graphs provide a relatively low-cost means for companies to make annual reports more interesting to readers and enrich these reports (Frownfelter-Lohrke & Fulkerson, 2001). They attract users’ attention (Beattie & Jones, 2000), and memory recall has been found to be generally better for visual than for numerical or textual information (Leivian, 1980). Their presence in annual reports can therefore assist users to obtain information in a timely manner (Frownfelter-Lohrke & Fulkerson, 2001).

However, graphs are considered a part of the impression management process (Beattie & Jones, 1999), and any effect of the information contained in graphs on users’ perceptions does have implications for the usefulness of graphs to accurately portray information and highlights their potential to mislead users. One potential use of graphs as an impression management tool is through graph selectivity. Selectivity involves the choice of whether to use graphs, the choice of variable to graph and which time period to cover. For example, graphs of particular key variables might be chosen to provide a desired effect. If a particular variable indicates positive performance by the company then it may be graphed in the annual report in a particular year but not in another year when it reflects poorly on company performance (Beattie & Jones, 1999). Some evidence has been found to support the concept of selectivity (Steinbart, 1989; Beattie & Jones, 1999, 2000) and key financial variable (KCV) graphs have been found to be used more in annual reports of companies with good performance than those performing badly (Steinbart, 1989; Beattie & Jones, 2000).
2.7 Photographs in Annual Reports
Visual design, including the use of colour photographs has been seen to characterise annual reports in particular in the US since the 1960s and has been argued to constitute a form of rhetoric (Graves, Finley, Flesher, and Jordan, 1996). Preston, Wright & Young (1996) argue that visual images are an integral elements in corporate annual reports. They focused on the representational, ideological and constitutive role of images in annual reports. Professional communications are increasingly found to include still images such as photographs with the ratio of visuals to text per page in public documents increasing steadily (Harrison, 2003). As Bernardi et. al. (2002) argue annual reports are primarily used as a mechanism to publicise an organisation’s socially and politically desirable actions and the use of pictures in annual reports is a calculated strategic use of this medium.

Photographs in annual reports serve several purposes and assist to personalise the organisation and tell a story that will be more memorable than text (Anderson and Imperia, 1992). Size and placement of photographs and the relationship of the image to other elements on a page can have a significant impact on the visual language (Harrison, 2003). The use of photographs allow for the creation of strong viewer involvement and the use of the human face in particular is one of the most powerful resources in visual imager because humans are trained from a young age to study faces and expressions (Harrison, 2003).

3.0 HYPOTHESES DEVELOPMENT:
From the review of literature presented above six hypotheses were developed relating to the use of potential impression management tools that might be observed in the annual reports of The Australian Red Cross as a result them needing to repair their legitimacy after the Bali bombings.

The first hypothesis relates to the readability and length of the Chairman’s Statements of the annual reports of the Australian Red Cross. Readability of corporate annual reports has been found to be low and potentially related to performance. Companies may manipulate the readability of these reports to hide or detract from the message of poor performance. For charitable organisations such as the Australian Red Cross, performance relates not to profit making capabilities but the equitable use of donations and other resources made available to the organisation. When a threat to their survival arises due to criticism of their use of such resources it is plausible that they would manipulate their public relations documents including their annual reports to hide any negative messages by using more complex language and lengthy discussion.

Hypothesis One:
The length of the annual report and the Chairman’s statements or equivalent of the Australian Red Cross will increase in the annual report immediately following a direct threat to their legitimacy.
*Hypothesis Two:*
The readability of the annual report of the Australian Red Cross will decrease in the annual report immediately following a direct threat to their legitimacy.

As discussed above, narratives may be manipulated in ways other than through length and readability. One such manipulation is the use of passive constructions. The use of passive constructions in the Chairman’s Statements of corporate annual reports has been argued to be negatively related to performance (Clatworthy and Jones, 2006). Applying this argument to charitable organisations, those organisations that have performed poorly, not financially but in other ways so that their legitimacy is threatened, may increase the use of passive sentences to distant managers from their negative performance, and companies who are performing well may use the active voice to associate their results with their management. To test this argument hypothesis three was developed.

*Hypothesis three:*
The use of passive sentences will increase in the annual report of the Australian Red Cross immediately following a direct threat to their legitimacy.

The use of personal references in the way of first-person pronouns in annual report narratives has also been found to be related to performance (Hyland, 1998; Thomas, 1997; Clatworthy and Jones, 2006). Companies who are performing well are more likely to use language that internalises performance and thus will use more first-person (personal references) in their annual reports. Companies who have received a threat to their legitimacy may therefore decrease the use of first person references.

*Hypothesis Four:*
The use of personal references will increase in the annual report of the Australian Red Cross immediately following a direct threat to their legitimacy.

In addition, an organisation may respond to a perceived threat to their legitimacy by appealing to the public for continued trust and support pictorially through the increased use of photographs in their annual report.

*Hypothesis Five:*
The number of photographs in the annual report of the Australian Red Cross will increase immediately following a direct threat to their perceived legitimacy.

Selectivity in use graphs has been observed in corporate annual reports and found consistent with impression management. The use of graphs in the Australian Red Cross annual reports if used as an in impression management tool to manage legitimacy would increase immediately following a direct to legitimacy such as that experienced in 2002.
**Hypothesis Six:**
The number of graphs in the annual report of the Australian Red Cross will increase immediately following a threat to their perceived legitimacy.

**4.0 METHODOLOGY**

**4.1 Annual Reports**
There is evidence that organisations such as corporations create a particular self impression to influence how the company is perceived using external reporting such as their annual report (Ogden and Clarke, 2005). The Australian Red Cross provides copies of their annual report and their full audited financial statements for the last ten years on their website. In contrast to corporate annual reports that include the financial statements towards the end of the annual report, a separate annual report is provided. The annual report contains information about the Red Cross in Australia, its board and its story for the year. It was recommended in the (SORP 2) in the UK that charities should publish a full set of annual report and accounts comprising fully audited accounting statements and a review of relevant statistical/diagrammatical information (Hyndman and Kirk, 1988). However, it has suggested that users of these annual reports would be more interested in performance information that is not included in audited accounts.

Prior research has indicated that audited financial statements have been identified as being the most frequently disclosed type of information by charitable organisations (Hyndman, 1990) however the annual report information may be considered more important to report users. The four most common type of information provided by charities in the UK, such as audited financial statements have been found to be the least important by stakeholders (Hyndman, 1990). Of the ten information types ranked as being most important to stakeholders five contained non-financial information types indicating the importance of non-financial information, such as that found in charities annual reports, to contributors. Thus it is important to study the non-financial information provided by charitable organisations in the form of their annual report.

**4.2 Sample Selection and data coding**
The annual reports for the Australian Red Cross for the years 1999 to 2008 were downloaded from the Australian Red Cross Website and saved as PDF documents. All the files were then printed to allow analysis and collection of information on the use of photographs, passive statements, personal references, graphs and other graphic tools. Given the perceive importance of Chairman’s statements in the accounting literature, the Chairman’s statements were converted to Word documents to allow information to be collated on their length and for the Flesch reading score and the number of passive sentences to be calculated. Generally the information transferred to Word form without any problems with the exception of the 2008 annual report. A move has been for all annual reports to be made available on line to save resources and the most recent files are presented in http format. A copy of this file was requested from the head office of the Australian Red Cross in Sydney. A copy of the file to was sent to the researcher within an hour of request.
The Chairman’s Statements in Word Format were then checked against the printed copies to make sure that punctuation and paragraph placement were in the correct place to enable Word to make the necessary calculations accurately. The number of pages in annual report was recorded.

4.2.1 Length, Readability and Passive Statements
For measurement of size of the Chairman’s statement narrative, three units of measure were calculated using the Microsoft Word function. Consistent with prior literature, length was measured as number of pages, number of words and number of sentences. The Flesch readability scores and the number of passive sentences were also calculated using Microsoft Word.

The most commonly used measure of readability is the Flesh Reading Ease Index (Courtis, 1986, 2004; Courtis, 1998; Sydserff & Weetman, 1999; Clatworthy & Jones, 2001; Courtis, 2004). Its use has been justified on the grounds that it allows researchers to quickly, succinctly and inexpensively predict the readability of a narrative (Courtis, 1998). It can be calculated easily using computer packages such as Microsoft Word. It also provides an objective benchmark to measure the readability of accounting narratives (Jones & Shoemaker, 1994), and its frequent use has permitted comparisons between studies. However, the limitations of the readability formulae have been well documented (Courtis, 1998; Jones & Shoemaker, 1994; Jones, 1996). Despite the criticisms of readability formula they have been widely used to examine annual report narratives it is still considered a useful tool for analysis of readability.

4.2.2 Personal References
Personal references can be first person-singular such as I, me and my; or plural references such as our, us and we (Clatworthy and Jones (2006). No judgment was needed in collection of these references. Copies of the Chairman’s statements from each annual report for the ten years were printed to allow personal references to be highlighted. Each type of reference was identified and counted. Each annual report was checked twice to ensure accuracy, and the number of personal references was recorded.

Next, a list of rules was developed to allow the accurate and consistent collections of the number of photographs, graphs and other graphics.

4.2.3 Photographs
The number of photographs in the annual reports was summed, and this information is presented in table 1 below. A photograph was deemed to be a photograph if it had the nature of photograph taken with a camera rather than a drawing, animation or computer generated graphic. All photographs were counted regardless of their size to generate information on the quantity of photos. Information on placement and angle was not collected for this study but would make an interesting expansion of this work.

A photograph was counted as a full page photograph if it essentially covered the whole page and only a narrow border or no border at all was left around the photograph. The distinction was very clear on the whole with photos generally being either small, quarter
page, or full page. A picture was counted as a whole page picture even if it had text printed over the top if it essentially covered the entire page and commanded the attention of the reader because of its size.

Photographs were counted as individual photographs even they were included on the page together as if there was a border between each photograph to separate them or they were numbered as individual photographs giving them distinction as separate photographs. Separate photographs of board members were included in all annual reports except for in 2004.

4.2.4 Graphs
The printed annual reports were also used to allow observation of the number of graphs used in each report. Table 4 shows information collected regarding the use of graphs in the annual reports over the time period. Only bar graphs were used in the annual reports.

4.3 Statistical Analysis and Hypothesis Testing
The data collected were entered into SPSS to allow analysis of the relationship between the variables of interest and the year to identify whether the hypothesis were upheld. Descriptive statistics were calculated for the variables of interest and Mann Whitney U tests were used to identify any difference in the variables of interest before and after the Bali bombings. The Mann Whitney U test was used because the characteristics of the small sample size violate the assumptions underlying independent T tests. The results and discussion are presented below.

5.0 RESULTS AND DISCUSSION
To prepare descriptive and statistical data for the sample they were divided into two groups. The first group contains data for each variable for the annual reports up to and including 2002, the second group covers the periods from 2003 to 2008. The 2003 annual report was the first report prepared by the Australian Red Cross after the Bali bombing. Descriptive data statistical data are presented in the tables below for each variable.

5.1 Hypotheses One - Length
Length was measured by number of pages, number of words and number of sentences. The majority of the Chairman’s Statements were 2 pages but they varied from a third of a page to 2 pages in length. The number of words varied from 286 in 2006 to 1069 in 2008. The number of sentences per report varied from 10 in the 2006 report to 43 in 2004. The total annual report itself varied from 36 pages in 1999 to 69 in 2005 with an increase over the ten year period consistent with corporate annual reporting trends.
Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Chairman’s Statement No. of pages</th>
<th>Readability Flesch Score</th>
<th>Passive Sentences</th>
<th>No. of Words</th>
<th>Words per sentence</th>
<th>No. of sentences</th>
<th>Total AR Length (pages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2</td>
<td>38.9</td>
<td>0%</td>
<td>1005</td>
<td>5.0</td>
<td>41</td>
<td>36</td>
</tr>
<tr>
<td>2000</td>
<td>2</td>
<td>38.6</td>
<td>3%</td>
<td>772</td>
<td>4.2</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td>2001</td>
<td>2</td>
<td>46.9</td>
<td>0%</td>
<td>983</td>
<td>4.5</td>
<td>32</td>
<td>51</td>
</tr>
<tr>
<td>2002</td>
<td>2</td>
<td>29.9</td>
<td>5%</td>
<td>895</td>
<td>23.9</td>
<td>37</td>
<td>60</td>
</tr>
<tr>
<td>2003</td>
<td>1</td>
<td>45.0</td>
<td>4%</td>
<td>568</td>
<td>3.3</td>
<td>23</td>
<td>63</td>
</tr>
<tr>
<td>2004</td>
<td>2</td>
<td>21.0</td>
<td>0%</td>
<td>934</td>
<td>4.1</td>
<td>43</td>
<td>67</td>
</tr>
<tr>
<td>2005</td>
<td>2</td>
<td>41.3</td>
<td>13%</td>
<td>556</td>
<td>4.8</td>
<td>22</td>
<td>69</td>
</tr>
<tr>
<td>2006</td>
<td>0.3</td>
<td>42.2</td>
<td>10%</td>
<td>286</td>
<td>27.8</td>
<td>10</td>
<td>56</td>
</tr>
<tr>
<td>2007</td>
<td>1</td>
<td>30.6</td>
<td>25%</td>
<td>488</td>
<td>23.9</td>
<td>20</td>
<td>46</td>
</tr>
<tr>
<td>2008</td>
<td>2</td>
<td>34.4</td>
<td>16%</td>
<td>1069</td>
<td>29.5</td>
<td>31</td>
<td>58</td>
</tr>
</tbody>
</table>

The average length of the annual reports increased after the Bali bombings however the Mann Whitney U test identified that this difference was not significant at the .05 level (See Table 1.2). The length of the Chairman’s Statements, measured by the number of pages and the number of words was approaching significance; however, Hypothesis 1 was not wholly supported.

Table 1.1

<table>
<thead>
<tr>
<th></th>
<th>Chairman’s Statement No. of pages</th>
<th>Flesch Score</th>
<th>Passive Sentences</th>
<th>No. of Words</th>
<th>Words per sentence</th>
<th>No. of sentences</th>
<th>Total AR Length (pages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Before 2002</td>
<td>2.00</td>
<td>38.58</td>
<td>.02</td>
<td>913.75</td>
<td>9.4</td>
<td>35.00</td>
<td>46</td>
</tr>
<tr>
<td>After 2002</td>
<td>1.38</td>
<td>35.75</td>
<td>.11</td>
<td>650.17</td>
<td>15.57</td>
<td>24.83</td>
<td>56.17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Standard Deviation</th>
<th>Before 2002</th>
<th>0.00</th>
<th>6.94</th>
<th>.024</th>
<th>105.77</th>
<th>9.67</th>
<th>4.967</th>
<th>11.56</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>After 2002</td>
<td>.722</td>
<td>8.98</td>
<td>.089</td>
<td>293.43</td>
<td>12.74</td>
<td>11.16</td>
<td>12.95</td>
</tr>
</tbody>
</table>
Table 1.2 Mann Whitney U Test Results

<table>
<thead>
<tr>
<th></th>
<th>Chairman’s Statement No. of pages</th>
<th>Flesch Score</th>
<th>Passive Sentences</th>
<th>No. of Words</th>
<th>Words per sentence</th>
<th>No. of sentences</th>
<th>Total AR Length (pages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>6.00</td>
<td>11.00</td>
<td>4.00</td>
<td>6.00</td>
<td>10.50</td>
<td>5.00</td>
<td>6.50</td>
</tr>
<tr>
<td>Signif. (1-tailed)</td>
<td>0.057</td>
<td>0.41</td>
<td>0.042</td>
<td>0.10</td>
<td>0.374</td>
<td>0.068</td>
<td>0.12</td>
</tr>
<tr>
<td>Mean Difference</td>
<td>-0.617</td>
<td>-2.825</td>
<td>0.093</td>
<td>-263.58</td>
<td>6.167</td>
<td>-10.167</td>
<td>10.167</td>
</tr>
</tbody>
</table>

5.2 Hypotheses Two - Readability

Flesch readability scores were calculated using Microsoft Word. Table 1 above summarises the Flesch reading scores for the annual reports and shows that they did vary and were often quite low. For an average document to be considered a Flesch reading score of 60 or 70 would be desirable. There was a jump in the Flesch score of 29.9 in the 2002 report to 45 in 2003, indicating an increase in the readability of the report over the two years. The Chairman for both years was Rob O’Regan suggesting that changes in readability are not directly related to change in author. However, it not known whether the Chairman’s statement is prepared by the Chairman themselves or whether they may have received assistance from staff or from annual report designers.

The results of the Mann Whitney U test are presented in Table 1.2 above. Over the two samples the Flesch scores decreased but not significantly indicating the annual reports may have became only a little more difficult to read after the Bali bombing but the change was not statistically significant. This may provide some evidence of an effort to obscure the narratives and detract attention from the threat to their legitimacy in the years following the bombings. However, hypothesis two could not be accepted. There was mention in two of the annual reports that designers had been used to prepare the reports but this information was not provided in all of the reports and it is not know whether this could be a confounding factor.

5.3 Hypotheses Three - Passive Sentences

The number of passive sentences was calculated using Microsoft Word and is presented in Table 1 above. The number of passive sentences ranged from 0% in the 1999 and 2001 reports to 25% in 2007. There was no obvious change between the 2002 and 2003 annual reports figures however the Mann Whitney U tests indicate the amount of passive sentences did increase significantly for the two time periods, suggesting an altered tone in the annual reports, possibly in an attempt to soften and personalise the reports after the Bali bombings. Thus Hypothesis 3 was accepted.
5.4 Hypotheses Four - Personal References

The number of personal references were summed and collated and this information is presented in Table 2 below. Although singular personal references were counted for all years it was thought that they may only be of interest for the annual reports up until 2003, after that point the Chairman and the CEO issued a joint statement potentially reducing the possibility of observing singular personal references. However this was not the case. The use of plural personal references varied from year to year. The word ‘us’ was used least out the three plural references studied. The use of the word “our” varied quite largely over the 10 year, with only a small amount of references in the majority of years with large jumps in the 2001, and 2008 reports in particular and increases in the 2003 and 2004 reports.

Table 2

<table>
<thead>
<tr>
<th>Year</th>
<th>I</th>
<th>Me</th>
<th>My</th>
<th>Our</th>
<th>Us</th>
<th>We</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>6</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>2000</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>8</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>2001</td>
<td>7</td>
<td>0</td>
<td>1</td>
<td>28</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>2002</td>
<td>8</td>
<td>0</td>
<td>2</td>
<td>9</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>2003</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>2004</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>2005</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>2006</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>2007</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>1</td>
<td>24</td>
</tr>
</tbody>
</table>

The U tests results presented in Table 2.2 indicate that there was a significant increase in two singular personal references in the annual reports after the bombings in 2003. Thus Hypothesis 4 could only be accepted for singular personal references. The positive result for “I” and “my” may indicate that although the Chairmans’s Statements were actually combined with the CEO from this point onwards, they may have attempted to demonstrate ownership and control over the situation through the use of these singular personal references. In addition the fact that the statements were combined from this point could represent a deliberate attempt to make the reader feel united with the organisation and to increase their bond with the reader.
Table 2.1

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>Me</th>
<th>My</th>
<th>Our</th>
<th>Us</th>
<th>We</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before 2002</td>
<td>6.75</td>
<td>0</td>
<td>1.50</td>
<td>12.00</td>
<td>1.75</td>
<td>8.00</td>
</tr>
<tr>
<td>After 2002</td>
<td>.83</td>
<td>0</td>
<td>0</td>
<td>10.83</td>
<td>0.67</td>
<td>11.17</td>
</tr>
<tr>
<td><strong>Standard Deviation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before 2002</td>
<td>9.57</td>
<td>0</td>
<td>0.577</td>
<td>10.98</td>
<td>1.50</td>
<td>5.35</td>
</tr>
<tr>
<td>After 2002</td>
<td>2.04</td>
<td>0</td>
<td>0</td>
<td>6.01</td>
<td>0.81</td>
<td>7.96</td>
</tr>
</tbody>
</table>

Table 2.2 Mann Whitney U Test Results – Personal References

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>Me</th>
<th>My</th>
<th>Our</th>
<th>Us</th>
<th>We</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U</strong></td>
<td>0.00</td>
<td>12.00</td>
<td>0.00</td>
<td>11.50</td>
<td>6.50</td>
<td>8.50</td>
</tr>
<tr>
<td>Signif. (1 tailed)</td>
<td>0.030</td>
<td>1.000</td>
<td>0.002</td>
<td>0.450</td>
<td>0.109</td>
<td>0.227</td>
</tr>
<tr>
<td><strong>Mean Difference</strong></td>
<td>-5.917</td>
<td>0</td>
<td>-1.50</td>
<td>-1.167</td>
<td>-1.083</td>
<td>3.167</td>
</tr>
</tbody>
</table>

5.5 Hypotheses Five - Photographs

The number of photographs in the annual reports was summed, and this information is presented in table 3. The number of photographs overall varied from year to year with an obvious jump in the 2003 annual report from 57 photographs in the 2002 to 92 in 2003 then to 20 in the 2004 report. After this figure is adjusted for the number of board members photographs the figure does reduce to 46 photographs in the 2002 report and 70 in the 2003 report then returning to 40 in the 2004 report (there was not a set of individual photographs of board members in the 2004 report). The number of whole page photographs was generally quite low with the exception of the 2004 annual report which included 18 full page photographs. The majority of photographs included in the annual reports contain people with the exception of 3 photographs in each of the 2003 and 2006 reports.
Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of photos</th>
<th>No. of whole page photos</th>
<th>No. of Photos of Executives</th>
<th>No. of photos adj board</th>
<th>All photos contained people</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>44</td>
<td>2</td>
<td>14</td>
<td>33</td>
<td>yes</td>
</tr>
<tr>
<td>2000</td>
<td>35</td>
<td>0</td>
<td>15</td>
<td>25</td>
<td>yes</td>
</tr>
<tr>
<td>2001</td>
<td>60</td>
<td>0</td>
<td>23</td>
<td>40</td>
<td>yes</td>
</tr>
<tr>
<td>2002</td>
<td>57</td>
<td>1</td>
<td>14</td>
<td>46</td>
<td>yes</td>
</tr>
<tr>
<td>2003</td>
<td>92</td>
<td>1</td>
<td>25</td>
<td>70</td>
<td>no</td>
</tr>
<tr>
<td>2004</td>
<td>40</td>
<td>18</td>
<td>5</td>
<td>40</td>
<td>yes</td>
</tr>
<tr>
<td>2005</td>
<td>87</td>
<td>4</td>
<td>15</td>
<td>77</td>
<td>yes</td>
</tr>
<tr>
<td>2006</td>
<td>68</td>
<td>2</td>
<td>20</td>
<td>54</td>
<td>no</td>
</tr>
<tr>
<td>2007</td>
<td>61</td>
<td>4</td>
<td>21</td>
<td>46</td>
<td>yes</td>
</tr>
<tr>
<td>2008</td>
<td>75</td>
<td>9</td>
<td>22</td>
<td>60</td>
<td>yes</td>
</tr>
</tbody>
</table>

The number of photographs both including and excluding whole page photos, and the numbers of photographs after adjusting for photographs of executives, increased significantly after 2003, with the majority of photographs containing pictures of people. However, the number of photographs including photographs of executives did not change significantly. Hypothesis 5 was largely supported.

Table 3.1

<table>
<thead>
<tr>
<th></th>
<th>No. of photos</th>
<th>No. of whole page photos</th>
<th>No. of Photos of Executive</th>
<th>No. of photos adj board</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong> Before 2002</td>
<td>49.00</td>
<td>0.75</td>
<td>16.50</td>
<td>36.00</td>
</tr>
<tr>
<td>After 2002</td>
<td>70.50</td>
<td>6.33</td>
<td>18.00</td>
<td>57.83</td>
</tr>
<tr>
<td><strong>Standard Deviation</strong> Before 2002</td>
<td>11.63</td>
<td>0.957</td>
<td>4.35</td>
<td>9.05</td>
</tr>
<tr>
<td>After 2002</td>
<td>18.87</td>
<td>6.346</td>
<td>7.15</td>
<td>7.15</td>
</tr>
</tbody>
</table>
Table 3.2 Mann Whitney U Test Results - Photographs

<table>
<thead>
<tr>
<th></th>
<th>No. of photos</th>
<th>No. of whole page photos</th>
<th>No. of Photos of Executives</th>
<th>No. of photos adj board</th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>3.00</td>
<td>2.00</td>
<td>8.50</td>
<td>2.00</td>
</tr>
<tr>
<td>Signif. (1 tailed)</td>
<td>0.028</td>
<td>0.016</td>
<td>0.226</td>
<td>0.016</td>
</tr>
<tr>
<td>Mean Difference</td>
<td>21.50</td>
<td>5.583</td>
<td>1.50</td>
<td>21.833</td>
</tr>
</tbody>
</table>

5.6 Hypotheses Six - Graphs

Data on the number of graphs and other graphical devices is presented in Table 4 below. The printed annual reports were studied for the presence of graphs and the number of graphs was counted twice to ensure accuracy of the count. Whilst collecting information on graphs it was noted that pie charts and tables were also included in some annual reports so information was collected for them also. Graphs and pie charts were not used in any of the annual reports up until 2003. The 2003 annual report which was the first annual report immediately following the controversy over the Bali bombings, interestingly contained 7 graphs and 3 pie charts.

Table 4

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of graphs</th>
<th>No. of pie charts</th>
<th>No. of Tables</th>
<th>Graphic (such as logos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>2000</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>2001</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>2002</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>2003</td>
<td>7</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>2004</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>2005</td>
<td>3</td>
<td>0</td>
<td>21</td>
<td>15</td>
</tr>
<tr>
<td>2006</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2007</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
<td>7</td>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

The results of the Mann Whitney U tests presented in Table 4.2 below indicate a significant increase in the use of graphs and pie charts, but not tables and graphical design tools such as logos, occurred in the annual reports from 2003 onwards. Hypothesis six is therefore accepted. The overall increase use of these tools, in particular the dramatic increase in graphs and pie charts, is consistent with the literature in corporate annual reporting trends, and it appears that these tools have been included after the bombings and used to facilitate discussion of the allocation of resources from that point onwards. This is argued to have been deemed necessary to allow them to
demonstrate that these resources were being allocated in a fair and efficient manner and thus repair their potentially damaged legitimacy.

Table 4.1

<table>
<thead>
<tr>
<th></th>
<th>No. of graphs</th>
<th>No. of pie charts</th>
<th>No. of Tables</th>
<th>Graphic (such as logos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Before 2002</td>
<td>0</td>
<td>0</td>
<td>2.00</td>
<td>4.25</td>
</tr>
<tr>
<td>Mean After 2002</td>
<td>2.83</td>
<td>2.83</td>
<td>6.50</td>
<td>5.67</td>
</tr>
<tr>
<td>Standard Deviation Before 2002</td>
<td>0</td>
<td>0</td>
<td>1.41</td>
<td>1.89</td>
</tr>
<tr>
<td>Standard Deviation After 2002</td>
<td>2.78</td>
<td>2.48</td>
<td>7.42</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Table 4.2 Mann Whitney U Tests

<table>
<thead>
<tr>
<th></th>
<th>No. of graphs</th>
<th>No. of pie charts</th>
<th>No. of Tables</th>
<th>Graphic (such as logos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>4.00</td>
<td>2.00</td>
<td>6.50</td>
<td>11.50</td>
</tr>
<tr>
<td>Signif. (1 tailed)</td>
<td>0.028</td>
<td>0.012</td>
<td>0.117</td>
<td>0.456</td>
</tr>
<tr>
<td>Mean Difference</td>
<td>2.833</td>
<td>2.833</td>
<td>4.50</td>
<td>-1.417</td>
</tr>
</tbody>
</table>

Graphics observed in the annual reports included some pictures and cartoons but mostly the logos of supporters, the Red Cross logo and the ACFID logo. Supporters logos were included in most annual reports on one page clustered together and were counted as one count on the basis that the number of logos included was a function of the number of major sponsors at any point in time. Their presence however could be to assist with legitimacy management. Logos and other graphs were present in all annual reports with a large jump in the number present observed in the 2005 annual report.

The number of tables was observed and counted; the count was not however adjusted for size as the inclusion was of interest. Overall, the number of tables increased fairly consistently over the ten annual reports with the exception of a jump in the number present in the 2005 annual report.
Limitations
There are some possible limitations in the design of this study. The measure of quantity of disclosures may not necessarily represent quality or intent. Measures such as readability and variation of language such as passive voice and personal references do not necessarily measure understandability. In addition, the use of Flesch formulae in the literature is prevalent however; its limitations should also be acknowledged. One potential limitation of the readability formulae is its predominant focus on word complexity and sentence length rather than viewing the text as a whole. Thus, readability scores may not provide a true measure of how easy or difficult a reader might find a text, of the text’s complexity or of the reader’s level of understanding of the text (Smith & Taffler, 1992). In addition, readability formulae do not consider whether the text is comprehensible (Courtis, 1986). A text could be complete gibberish and still have a high readability score indicating it is easy to read, if short words were used with few syllables.

The examination of a variety of textual characteristics both singularly and as a whole to some extent reduces the potential limitations of the individual variables studied. Although the results of this study are exciting, and provide evidence of possible use of impression management tools in the annual reports of the Australian Red Cross these results may not be generalisable to other charitable organisations because of the variation of charitable organisations reporting requirements.

6.0 CONCLUSIONS
Significant trends were identified in the use of legitimating impression management disclosure tools in the annual reports of the Australian Red Cross from 1999 to 2008. A noticeable change in disclosure choices was observed in their reports after the threat to their legitimacy was experienced in 2002. The most obvious change in disclosures was the introduction of graphs and pie charts from the 2003 report onwards and introduction of extended discussions of the use of funds with an increased use of singular personal references and a more passive tone. The overall increase in length of the Chairman’s Statements, along with the use of narrative and graphic tools before and after the bombings, is consistent with the use of impression management for legitimating purposes.

Australian Regulation of reporting for charitable organisations has been identified as being inconsistent and dependent upon the structure of the organisation with most parts of the non-profit sector remaining largely unregulated (The Australian, 2008). The Senate Standing Committee on Economics Recommendation Number 13 argued that a new disclosure regime containing elements of narrative and numeric reporting as well as financial, be implemented in Australia in acknowledging that stakeholders of this sector require different information to that of shareholders in the Business Sector. They recommended that financial reporting should be transparent and facilitate comparison across charities (Parliament of Australia, 2009).

In an era of heavy corporate regulation, most parts of the non-profit sector remain effectively unregulated. The potential use of these organisation’s disclosures as an impression management tool is of particular interest in this climate of increased concern
for accountability and transparency coupled with a lack of consistent reporting requirements for charities. The Australian Red Cross functions essentially as a business and they prepare audited financial statements. However, as for all corporate structures there is scope for the use of impression management tools in the largely unregulated part of their reports, in their case their annual report. This study raises further issues about the regulation of charitable organisations reporting practices.
7.0 REFERENCES


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Ferguson, A. (2008), “Charities and churches stand to lose billions in tax review”


The Australian available at:

The Australian Red Cross (2009), available at :

