

There's No Place Like Home: UK-Based Financial Analysts' Response to Dutch-English and British-English Annual Report Texts

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Abstract—The introduction of international financial reporting regulations has caused European multinationals to be increasingly reliant on the nonfinancial multimodal sections of the annual report as a means of informing and persuading international stakeholders. Due to the growing status of English as an international financial communication language, moreover, these annual report sections are usually produced in English. This experimental study compares the effectiveness of texts and photos in Dutch-English and British-English management statements from the perspective of financial analysts in the UK. The research results largely confirm the similarity-attraction hypothesis: Among UK-based analysts, typically British communication features often yield a more positive effect than the features that are typical of the Dutch-based statements.

Index Terms—Annual reports, experiment, intercultural perception of communication strategies, international corporate image, multimodal discourse, similarity-attraction paradigm.

Throughout the past decade, there have been a number of financial reporting incidents associated with multinationals, such as Enron and WorldCom, which have drawn particular attention to investor-relations (IR) communications from an academic and a practical viewpoint. There is an increasing awareness that IR communications are no longer only about the supply of financial information, but that they are also about managing relationships and reputation within the financial community [1], [2]. One IR communications tool that has been affected by these recent developments is the annual report. The annual report was initially designed to be a financial fact sheet for national audiences. However, today's multinationals spend large sums of money to make this report verbally **and** visually appealing to a variety of international stakeholder groups [3], [4]; present editions of the annual report often include multimodal elements [5], such as texts, photos,

and graphs that “frame the technical accounting content” and add to the impression-management function of the annual report [6, p. 3]. Interestingly, most multinationals publish an international annual report that is virtually identical to the annual report published in the corporation's home country, both in texts as well as in visuals; except for a translation of the textual information in a different language, the annual report is usually standardized across borders [7]. To date, little is known about the effectiveness of this standardized IR communications tool. Do the standardized verbal and visual elements in the annual report yield the desired response internationally, or should multinationals adapt to the communication and information needs of (important) local audiences in the international financial community? In order to provide educators and practitioners with more insight into this issue, the present study, which took place in the United Kingdom (UK), focuses on the effectiveness of multimodal texts in English annual reports. These annual reports originated in two Western European countries: the UK and the Netherlands.

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INTERNATIONAL ANNUAL REPORT

The annual report serves multiple communicative purposes; it incorporates both informative aims, which focus on the supply of information about corporate results, and public-relations efforts, which involve convincing readers of the corporation's well being [3], [8]–[10]. The informative and persuasive aims of the annual report are reflected in the different texts or sections that constitute the report. These texts each serve

at least one specific purpose and, accordingly, include different content and form. For instance, the financial accounts provide factual information about the company's past results through the formal display of numerical details, while the management statement often focuses on forming a positive, reliable corporate image and establishing reader-writer relationships by the more informal presentation of corporate highlights [11], [12]. The proximity of persuasive and accounting texts in the annual report would seem to provide the marketing and public-relations contents with "the same factual reliability and, hence, credibility that is often presupposed from the use of numerical data" [11, p. 168].

The promotional nature of the annual report is enhanced, in particular, by the narrative or nonfinancial texts that precede the financial accounts [8], [13], for example, the management statement, corporate profile, operating and financial review (OFR), and corporate social responsibility review. The persuasive potential of these texts seems to have increased after the introduction of international financial reporting standards. These standards prevent competitive positioning on the basis of financial accounts and cause multinationals to be increasingly reliant on the first part of the annual report to highlight their distinctiveness [13]. Apart from regulations intended to ensure a fair representation of results, the texts in this part of the annual report are not constrained by (inter)national style requirements. They are likely to contain topics that are required by law (e.g., the number of employees) but they may further illustrate these topics with self-selected textual or visual elements (e.g., equal opportunities and training for employees or employee pictures) [14], [15]. Hence, the narrative or nonfinancial texts allow for more voluntary contributions that help create a document that projects the corporate profile and activities in a unique and favorable way [16], [17].

Text analyses, for example, have indicated that OFRs predominantly reflect a positive view on past performance, especially for companies that are less profitable [18]. Also, text-based studies have revealed that chairmen's statements are used to establish a trustworthy image [19] and to orchestrate the readers' impressions of the corporate situation in times of crisis or bad results [20]. Image-based studies of annual reports, moreover, have indicated that photos are included to imply a sense of "truth" in relation to the company and to the contents of its report [21]. CEO

portraits, for instance, are often used to underline the company's authenticity and legitimacy [22], while pictures of globes or clients of various ethnicities highlight the company's international identity [23].

The language most commonly used for the international multimodal annual report is English [24]. In general, ENGLISH AS A REPORTING LANGUAGE allows multinationals to make more company information accessible to a wide range of (potential) international stakeholders [25]. More specifically, studies on the use of English in annual reports indicate that its functionality is threefold. First, English is believed to facilitate the raising of external finance by enabling the company to directly address investors from various cultural and linguistic backgrounds [24], [26]. Second, multinationals tend to perceive English as "an aspect of impression management," that is, as a means to add to the organization's international prestige [27, p. 308]. And third, English is considered to be crucial in management's formal approval of annual reports produced by companies that are run or supervised by foreign board members [28].

To gain further insight into the effect of English multimodal annual reports in international business relations, the present study focuses on foreign readers' evaluations of the communication strategies used in English annual report texts originating in different European business cultures.

CULTURAL DIFFERENCES IN ENGLISH ANNUAL REPORTS

Although the vast majority of multinationals publish English versions of their annual reports to communicate with foreign stakeholders [24], studies such as the ones to be discussed have indicated that companies from different national business cultures apply culture-specific conventions in the textual and visual design of these English annual reports. It appears that these typical conventions are not eliminated by the use of English as an international language in the annual reports. Thus, it seems that corporations from native and nonnative English business cultures "tend to interact in accordance with the sociocultural norms which govern the use of their own first language" [29, p. 275].

In his content analysis of management statements originating in American and Japanese companies, for instance, Hooghiemstra shows that US-based

texts focus more on positive events than Japanese-based texts, which contain a more balanced overview of positive and negative events [30]. He attributes this finding to previous observations that “the Japanese more readily accept negative information about the self” [30, p. 625]. In addition, van der Laan Smith, Adhikari, and Tondkar find that English annual reports produced by large companies in Norway and Denmark include more social information than US annual reports [31]. This result is related to the fact that Denmark and Norway have “a communitarian (stakeholder) oriented corporate governance system,” whereas the US has “a contractarian (shareholder) influenced corporate governance system” [31, p. 130]. Furthermore, de Groot’s study of Dutch-English and British-English annual reports has indicated cross-cultural differences in thematic content, structural elements, and lexico-grammatical elements [12]. Compared to the introductory management statements in the British annual reports, for example, Dutch-based statements showed a higher frequency of (a) the “corporate strategy” theme (e.g., as in “... the group strategy, which is multiregional with a focus on retail and commercial banking”), (b) salutations (e.g., “Dear Shareholder”), and (c) text staggers (e.g., “First,” “Second,” “In sum”). De Groot suggests that each of these results may have been caused by contextual factors, that is, (a) the author’s strategic function in Dutch companies (CEO) as opposed to the author’s supervisory function in UK companies (chairman), (b) a preference for relation-oriented and caring values in the Netherlands as opposed to a preference for more masculine values or assertiveness in the UK, and (c) a preference for explicit communication strategies in the Netherlands as opposed to a preference for more indirect strategies in the UK [12].

Cross-cultural differences in the visual design of annual reports have received relatively little attention. Beattie and Jones analyze graphics in international annual reports from Australia, France, Germany, the Netherlands, the UK, and the US; they report, for instance, that French-based annual reports contain the largest number of graphs and “the greatest number of stock market information, cash flow, and employee graphs” [32, p. 216]. In one of the first studies to compare the use of photographs in international annual reports, de Groot finds that British-English management statements typically contain pictures of managers looking away from the camera, whereas Dutch-English statements frequently



Dutch-English [33, p. 6]

Fig. 1. Typical Dutch portrayal of a manager in management statements (based on [12]).



British-English [34, p. 5]

Fig. 2. Typical British portrayal of a manager in management statements (based on [12]).

include photos of managers looking into the camera lens [12]. (See Figs. 1 from [33] and 2 from [34].) Accordingly, the UK-based pictures suggest that the portrayed manager is engaged in interaction with someone outside the picture frame, and this positions him somewhat outside the communicative setting of the management statement. The Dutch-based pictures, however, imply a direct writer-reader relationship in which the CEO personally addresses the reader of the statement [12].

Assuming that members of a given culture generally have specific notions about what is appropriate or effective communicative behavior in a particular situation [35], it can be argued that cross-cultural variations in texts and images of English annual reports may produce different responses among readers from different national business cultures. To date, however, very little is known about the effectiveness of culture-specific disclosures in international annual reports. Especially within the European business context, research on this topic would seem to be long overdue, as European-based annual reports are used in a commercial market with companies and stakeholders from various cultural backgrounds [36]. Therefore, this paper presents a case study on the international impact of textual and photographic communication strategies

used in nonfinancial texts of Dutch-English and British annual reports.

FINANCIAL READERS' USE OF ANNUAL REPORT TEXTS

Prior research on the design of international annual reports has consistently indicated that companies wish to communicate, in particular, with readers who have a financial interest in their organization, that is, private or institutional investors, financial analysts, stock brokers, and financial media [19], [28]. Rutherford suggests that as analysts are investors in their own right or invest on behalf of other shareholders, they can be seen as a crucial target group for the annual report [18].

In the past, several surveys among financial analysts have shown that, in addition to communications with management offering prospectus and interim reports, analysts rely on the annual report as a valuable source of information for forecasts of corporate earnings, for assessments of company achievements, and, ultimately, for investment decisions or advice [37]–[39]. Whereas these earlier studies often indicated that analysts' focus of attention involved the financial accounts in particular (i.e., income statement, balance sheet, cash flow), more recent investigations have shown the growing importance of nonfinancial information in analysts' evaluations. Corporate value creation, for example, increasingly relies on intangible assets that are not accounted for in the traditional financial accounts [16], [17]. It seems that although financial information is still used for an initial filtering of firms as possible investment candidates, a more thorough assessment of firms is established on the basis of qualitative data included in the nonfinancial sections of the annual report [40], [41]. In their evaluation of a company's investment potential, financial analysts seem to have a special interest in a variety of topics related to corporate strategy, quality of leadership, corporate products, business segments, competition, market share, future risks, and benefits of the business environment [40], [42], [43].

A number of experiments have been conducted to determine the influence of nonfinancial information in annual reports on (potential) analysts' assessments of the company represented, including its performance. Stanton, Stanton, and Pires, for instance, investigate the effect of the amount of nonfinancial information on the impression of the company's performance [44], while Milne and Patten focus on the impact of

legitimacy disclosures on investment decision making [45]. As for visual reporting, Beattie and Jones examine the degree of acknowledgment of measurement distortion in annual report graphs [46]. As far as we are aware, however, no study has focused on analysts' responses to nonfinancial texts in annual reports originating in different national business cultures. Hence, this study comprised an experiment that tested financial analysts' perceptions of nonfinancial multimodal texts included in Dutch-English and British annual reports. Perceptions were analyzed in terms of corporate image, text persuasiveness, and text preference.

INTERCULTURAL RESPONSE TO ANNUAL REPORTS

For multinationals whose success in market or capital gains partly depends on the effectiveness of their English annual report, it is vital that cultural differences in corporate reporting do not impede a favorable reception with readers (e.g., analysts) from diverse cultural backgrounds. Several studies on international business texts have shown, however, that discrepancies between the communication conventions employed by text producers and the expectations of foreign text receivers can cause negative effects: Results indicate that communication strategies that are (perceived as) similar to the receiver's communication norms are appreciated most. Lee and Gudykunst, for example, conclude that European Americans and non-European Americans feel most attracted to members of an ethnic group perceived to employ a similar communication style in intercultural face-to-face interactions [47]. In her study on cultural adaptation in sales presentations given by Americans, moreover, Pornpitakpan reveals that potential Chinese, Malaysian, and Indonesian clients express a higher appreciation for presentations that are accommodated to their cultural verbal and nonverbal communication styles compared to presentations that are not [48]. With regard to international annual reports in particular, Maitra and Goswami show that US readers experience difficulties in understanding the graphics and text-visual integration within Japanese-English annual reports [49]. The findings suggest that due to their culture-dependent preference for simplicity and directness, the US participants could not establish a satisfactory or favorable interpretation of the Japanese visual style, which according to the authors focused on aesthetic and ambiguous (to the Americans) illustrations [49].

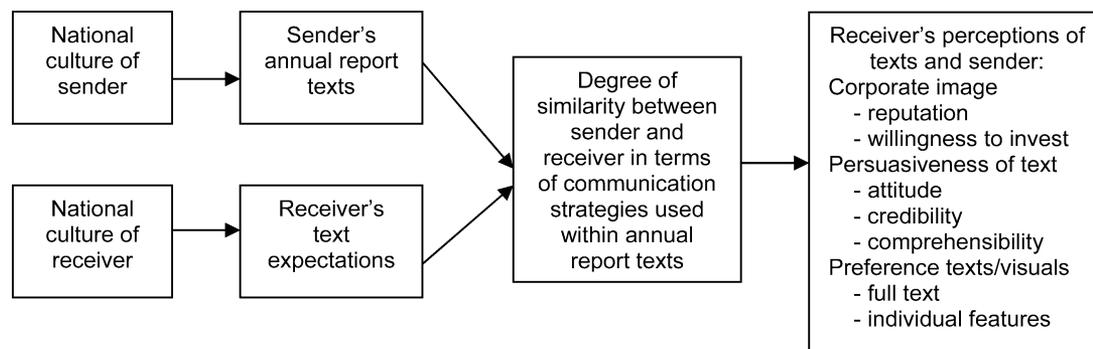


Fig. 3. Conceptual model: Intercultural use of multimodal annual report texts.

The results of intercultural studies such as those above can be explained by the SIMILARITY-ATTRACTION paradigm. This hypothesis postulates that individuals assess the attractiveness of a perceived phenomenon on the basis of whether or not they are able to recognize it. The hypothesis states that individuals are attracted most to what they recognize as familiar or similar to what they are used to, that is, with respect to ethnicity, values, norms, attitudes, behavioral styles, religion, and so on [47], [50]. Perceived similarity between the self and the other may positively influence perceptions of liking, appropriateness, reliability, capability, or cooperativeness. Byrne and Neuman state that the similarity-attraction paradigm does not only involve the evaluation of human qualities but may also concern the assessment of objects or institutions; “the evaluations one makes of another person are conceptually parallel to the evaluations made of an occupation, career, or organization” and, thus, relate to any stimuli one is called on to evaluate, for example, managers, corporate culture, job offers, products, or movies [51, p. 32]. Accordingly, they argue that the similarity-attraction paradigm is applicable to personal as well as business contexts.

Within the field of international equity trade in particular, the relationship between familiarity and investment preference is often referred to in terms of “home bias,” that is, the large proportion of domestic stocks in investors’ portfolios [25]. Despite the potential gains of international diversification in portfolios, investors worldwide tend to assign relatively little importance to foreign stocks [52], [53]. A recent study by Balta and Delgado shows that even within the European Union some nations can still be characterized by a strong home bias in equity holdings, for example, Spain and Greece [54]. Several studies have attempted to account for the causes of home bias. Apart from restrictions on the tradability of international capital, these

studies have indicated that investors’ familiarity with the linguistic, cultural, and legal background of the companies also form a reason for home bias. Grinblatt and Keloharju, for instance, focus on the influence of the proximity, language, and cultural origin of the company on Finnish and Swedish investors’ investment preference [52]. They find that “investors simultaneously exhibit a preference for nearby firms and for same-language and same-culture firms” [52, p. 1071]. As for information content, moreover, Ahearne, Grier, and Warnock point out that US investors respond most favorably to foreign companies listed on US exchanges, whose supply of financial information complies with the accounting regulations and disclosure requirements they are familiar with [25]. US investors tend to include fewer stocks from foreign companies not listed in the US [25].

Based on literature related to the similarity-attraction paradigm [48], [51] and the home bias concept [52], it can be anticipated that the appreciation of an international business text is enhanced by similarities between the communication conventions applied by the sender and the (cultural) norms with which the international receiver is familiar. Furthermore, it would seem plausible that the receiver’s positive assessment of the communication strategies used (e.g., style or content) also reflects on his or her evaluation of the company represented in the text. Consistent with the scope of the present study, Fig. 3 illustrates the hypothesized response to annual reports in intercultural communication settings. Here, national culture comprises cultural values as well as linguistic, institutional, and legal background [11], [29].

Fig. 3 suggests that if financial analysts with an international focus read Dutch-English and British-English annual report texts, they would be likely to show the most appreciation for the

company (in terms of corporate image) and the text (in terms of text persuasiveness and preference for textual and visual strategies) reflecting the communication norms prevalent in their own cultural environment. Conversely, any dissimilarity between the textual and visual communication rules applied by the sender and the communicative expectations of the reader may result in unfavorable perceptions of the company and the annual report text.

HYPOTHESES

This intercultural response analysis of texts and photos in nonfinancial texts of Dutch-English and British annual reports involves financial analysts based in the UK. Within Europe, multiple ties exist between companies in the Netherlands and in the UK. For the past few years, for example, the UK has been among the top five countries for exports from and imports to the Netherlands [55]. Moreover, the Dutch and British economies encompass large multinationals operating in the same commercial markets and holding similar capital positions [13], [56]. This has presumably led to substantial Anglo-Dutch alliances or mergers (e.g., Akzo Nobel chemical company and Imperial Chemical Industries) and fierce international competition (e.g., TNT mail versus Royal Mail). Clearly, Dutch corporations with a serious interest in the British market are likely to become the subject of attention for UK-based analysts, who may deliver intermediate advice to British investors and may well rely on the annual report for details on the company's prospects.

The present study focuses on UK-based analysts' evaluation of nonfinancial texts (i.e., management statements) containing multimodal features that are typical of English annual reports produced in either the Netherlands or the UK. This assumption is based on de Groot's study [12], which showed that there are cross-cultural differences in themes, structure, and lexico-grammar between Dutch-English and British-English multimodal annual reports (see Table I for a full overview of culture-specific features observed in the texts and photos of Dutch-English and British management statements in particular). In line with the similarity-attraction paradigm (Fig. 3), moreover, this study starts from seven hypotheses in which it is assumed that British-based texts and photos are more effective than Dutch-based texts and photos, that is, in terms of corporate image (reputation, willingness to invest), persuasiveness

of the text (attitude, credibility, comprehensibility), and preference (full text, individual textual/visual features):

Financial professionals in the UK rate annual report sections designed in accordance with British-English communication conventions more positively than annual report sections designed according to Dutch-English conventions, in terms of

H1. perceived corporate reputation,

H2. willingness to invest,

H3. attitude towards the text,

H4. perceived credibility of the text,

H5. perceived comprehensibility of the text,

H6. overall text preference,

H7. preference for **individual** textual **and** visual features.

METHOD

An experiment was conducted to test the effect of the independent variables (i.e., Dutch-English versus British-English communication strategies) on participants' ratings of the dependent variables (i.e., analysts' assessment of corporate image, text persuasiveness, and preference). The questionnaire used in the experiment—including the culture-specific research materials and questions about image, persuasiveness, and preference—is shown in Appendix A. (Appendix A is available online as downloadable documents at <http://ieeexplore.ieee.org>.) The questionnaire is explained in more detail below.

Participants A group of 35 financial analysts residing and working in the UK participated in the experiment. In particular, they were employed by investment companies in the financial centers of London, that is, the City and Canary Wharf. Most of the participants worked as analysts or advisors (85.7%), while a minority worked as brokers or traders (14.3%). They were primarily male (82.9%), with a mean age of 27.5 ($SD = 4.05$). Overall, they had just under 4 years of work experience as professionals ($M = 3.90$, $SD = 4.05$). The total number of participants for the experiment was established at a statistical power of 0.80, a medium effect size ($d = 0.50$), and an alpha of 0.05 [57].

Materials The independent variables included in the research materials for the experiment (i.e.,

TABLE I
CULTURE-SPECIFIC FEATURES IN RESEARCH MATERIALS (BASED ON [12])

Language Letter to Shareholders	Dutch-English ^a	British-English ^a	Form ^b
Independent variables			
<i>Thematic contents</i>			
<i>Text</i>			
Corporate strategy, e.g., strategic principles	+		1, 2
Board details, e.g., shifts in board composition		+	1, 2
Corporate social responsibility (CSR), e.g., community, environment		+	1, 2
Dividend, e.g., dividend per share		+	1, 2
<i>Photo</i>			
Management team = portrait of group	+		4
Individual manager = portrait of individual		+	4
<i>Elements of information structure</i>			
<i>Text</i>			
Review leadership, e.g., professional bio details of new managers		+	1, 2
Create reader orientation, e.g., headings, previews other texts in report		+	1, 3
Review operations and financial results, e.g., new business + income	+		1, 3
Present aims for future operations, e.g., prospects + set of goals	+		1, 2
Address the reader by salutation, e.g., <i>Dear shareholder</i>	+		1, 3
<i>Lexico-grammatical elements</i>			
<i>Text</i>			
Text staggers, e.g., <i>first, finally, in sum</i>	+		1, 3
<i>Photo</i>			
Focus on sincerity of company = looking into (versus away) from lens	+		4
Focus on intimacy with company = close-up (versus medium or ¾ shot)		+	4

^a + refers to the occurrence of the feature in either the Dutch-English or British-English research materials.

^b 1 = a full letter to the shareholders; 2 = propositions about letter to the shareholders; 3 = text fragments of letter to the shareholders; 4 = photographs representing visual design of letter to the shareholders.

Dutch-English and British-English communication strategies) were extracted from de Groot, who observed that cross-cultural distinctions in textual and visual elements exist between the Dutch-English and British-English management statements in particular [12]. Drawing on both de Groot's results and the notion that nonfinancial annual report texts are relevant information sources for analysts (e.g., [41]), this study focused on the effect of culture-specific elements in Dutch-based and UK-based management statements. The culture-specific elements were integrated in the research materials in four different forms: (1) as part of the text of full management statements, (2) as part of propositions about the text of management statements, (3) as part of text fragments in management statements, and (4) as part of photographs representing the visual design of management statements. The culture-specific features de Groot observed in the Dutch-English

and British management statements [12] are described in Table I. For instance, Table I shows that the corporate social responsibility (CSR) theme was found to be typical of the British texts, while pictures reflecting the "management team" theme were found to be typical of Dutch-English management statements. Table I also shows in which form these features were included in the present research materials. For example, the CSR theme was accounted for in the British research materials in the form of a paragraph in the full statement and in the form of a core topic in a proposition. The visual management team theme was accounted for in the Dutch-based materials in the form of a photo representing the visual communication in Dutch-English management statements (see also Sections A, D, and F in Appendix A). The design of all textual and photographic materials was based on authentic English management statements taken from 2003

annual reports by Dutch and British firms in the financial services industry. To diminish the possible impact of home bias (e.g., [25]) and the influence of prenotions about existing companies, the materials contained anonymous business titles (i.e., CorpA, CorpB, CompanyX).

First, culture-specific textual elements were incorporated in two full management statements that contained either typically Dutch-English or British-English features. It should be noted that Dutch-based annual reports usually include one management statement by the CEO, whereas UK annual reports usually include two management statements, that is, the first one signed by the chairman of the non-executive directors and the second one from the CEO. However, in order to create a set of relatively short but comprehensive texts that would require as little time as possible to evaluate (and that would thus adapt to the respondents' tight schedules), it was decided that the typical features of the two British management statements would be combined in one British-English management text. The Dutch-English and the British-English texts were entitled "Letters to the Shareholder." Apart from the cross-cultural differences, the Dutch-English and British letters to the shareholders were similar. The letters comprised similar corporate stories, for example, with regard to profit details, operational activities, economic conditions, and markets. Drawing on de Groot's results [12], moreover, the full letters included textual features that are equally important in Dutch-English and British management statements, for example, the "stakeholder confidence" theme expressing the company's confidence in the future, or the "awards and ranking" theme highlighting an A+ rating by Standard and Poor's. Sections A and B in Appendix A show the full British-English and Dutch-English texts used in the experiment. The notes included in the texts illustrate the culture-specific features involved.

Second, typically Dutch-English and British-English text features were incorporated in propositions about the management statements. Based on these propositions, participants expressed their (dis)agreement with the inclusion of the following textual features in management statements: board details (e.g., board changes), corporate social responsibility policies and activities, the dividend paid to shareholders, the long-term corporate strategy, and short-term future aims (for the following financial year). The five propositions

used in the experiment and the culture-specific features they included are presented in Section D in Appendix A.

Third, text fragments were used to present participants with individual features typical for the construct of either the Dutch-English or British management statement. Participants were confronted with pairs of fragments, each one including a Dutch-based or British-based feature and each one excluding a Dutch-based or British-based feature. Section E in Appendix A shows these pairs of text fragments and explains the culture-specific features projected.

Finally, the research materials contained photographs that represented the visual design of either the Dutch-based or UK-based management statements. The composition of these photos, for example, gender, posture, clothing, number of subjects or props, replicated images used in real management statements of Dutch or British companies. Models were used in the images to prevent the intervention of bias towards real managers in existing companies. In the experiment, photos were also presented in pairs. The pairs of photos used and the culture-bound features concerned are presented in Section F in Appendix A.

Questionnaire In a questionnaire, analysts' responses to the culture-specific communication strategies were analyzed in terms of corporate image, text persuasiveness, and preference. Measures for these three dependent variables were partially adopted from questionnaires in prior research (see [58]–[61]). Although some of the existing measures contained 7- or 11-point scales, all measures in the present study were designed to include 5-point scales. Five-point scales were used to obtain relatively detailed data from participants, while also accommodating their tight agendas. Cronbach's alpha (α) was calculated to establish the reliability of scales; Cronbach's alpha qualifications were drawn from Rietveld and van Hout [62].

Corporate image was assessed with regard to the full English letters to the shareholders (see Sections A and B in Appendix A). Two instruments were applied to map the mean scores for corporate image as perceived in the Dutch-English and British-English letters. First, the Fortune corporate reputation (H1) scale allowed participants to express their opinion about the company based on corporate attributes reflected in the written text [58]. After reading an English letter, they were asked to indicate how they would rate the company on the

following eight items: (1) quality of management; (2) quality of products or services; (3) long-term investment value; (4) innovativeness; (5) financial soundness; (6) ability to attract, develop, and keep talented people; (7) community and environmental responsibility; and (8) use of corporate assets [58]. For each item, participants responded on the basis of a 5-point scale ranging from 1 = poor to 5 = excellent. For the Dutch-English and the British letters, the reliability of the 8-item, 5-point scale was adequate ($\alpha = 0.80$ and $\alpha = 0.72$, respectively). Second, Smith's purchase intention scale was used to measure the willingness to invest (H2) after reading a letter to the shareholders [59]. Although Smith initially introduced this scale to study participants' willingness to buy a given consumer good [59], it was also considered to be relevant for the investment-related role of the analysts involved in this study. Based on the information presented in the letter to the shareholders, analysts were asked (1) how likely they would be to invest money in the company represented and (2) how likely they would be to recommend the company to a professional colleague. The degree of likelihood was indicated on a 5-point scale ranging from 1 = zero likelihood to 5 = certain. The reliability of this scale was good for the Dutch-English and the British letter ($\alpha = 0.90$ and $\alpha = 0.85$, respectively).

To test the persuasiveness of the text in the full Dutch-English and British letters to the shareholders (see Sections A and B in Appendix A), the experiment focused on attitude towards the text, credibility of the text, and text comprehensibility. After reading an English letter, participants were asked how they would rate the text on a mix of items related to attitude, credibility, and comprehensibility. For each item, an answer was given on the basis of semantic differentials and a 5-point scale. Attitude towards the text and perceived text credibility were analyzed with the help of MacKenzie and Lutz's instrument [60]. Attitude towards the text (H3) was measured by the following items: (1) good/bad, (2) pleasant/unpleasant, and (3) favorable/unfavorable. The reliability of the scale for attitude towards the text was adequate for the Dutch-English letter ($\alpha = 0.79$) and moderate for the British letter ($\alpha = 0.62$). Text credibility (H4) was measured by the following items: (1) convincing/unconvincing, (2) believable/unbelievable, and (3) unbiased/biased. The text credibility scale showed an insufficient result for the Dutch-English letter ($\alpha = 0.50$) and an adequate result for the British letter ($\alpha = 0.71$). The instrument used to analyze

perceived text comprehensibility was based on van Meurs, Korzilius, and Hermans [61]. Text comprehensibility (H5) was measured by the following items: (1) difficult/easy, (2) simple/complex, (3) unclear/clear, (4) poorly organized/well organized, (5) logical/illogical, and (6) concise/lengthy. The reliability of the scale for text comprehension was good for the Dutch-English letter to the shareholders ($\alpha = 0.83$) and adequate for the British-English letter ($\alpha = 0.77$).

The analysis of preference was fourfold. First, participants pointed out to what degree they had an overall preference for the full letter to the shareholders (H6) of either CorpA or CorpB (Section C in Appendix A), where the cultural origins of the letters and the companies—that is, Dutch or British—depended on the versions of the questionnaire (see Design and Procedure). Analysts answered this question on a 5-point scale, with extremes labeled "Letter CorpA" and "Letter CorpB." Second, participants had to indicate their preference for individual culture-specific features on the basis of five text-related propositions (H7) commencing with "The Letter to the Shareholders should include details about..." and ending with the following text features: board details, corporate social responsibility, dividend, corporate strategy, and future aims (see Section D in Appendix A). Answers were given on a 5-point scale (1 = absolutely agree to 5 = absolutely disagree). The preference for culture-specific text features was also tested by means of three pairs of text fragments (H7), each comprising one excerpt with and one excerpt without a typical Dutch-English or British feature (Section E in Appendix A). Based on a 5-point scale polarizing the two fragments in each pair, participants were asked to express to what extent they preferred either one of the excerpts. A similar instrument was applied to three pairs of management photographs (H7), which were typical of either the Dutch-English or the British management statements (Section F in Appendix A). For each pair of photos, participants were asked to indicate on a 5-point scale to what degree they preferred either one of the culture-specific portraits as an illustration to the letter to the shareholders.

At the end of the questionnaire, participants were asked to answer several open questions on personal details, that is, professional function, years of experience as a financial professional, gender, country of birth, first language, and age (see Section G in Appendix A).

Pretest The validity and accuracy of the culture-specific research materials and the questionnaire were checked in a pretest. Four Dutch academics in finance judged the authenticity and interpretational effect of the corporate activities described in the preliminary versions of the full letters to the shareholders and in the text fragments. They also evaluated the authenticity of the management portraits and the comprehensibility of the questionnaire. One professor in business communication studies looked at the academic quality of the questionnaire, and one British lecturer in academic writing specifically evaluated its linguistic quality. Although the English letters, text fragments, and photos were believed to be realistic, the finance academics suggested that a slight cross-textual difference in profit details needed to be included in the full letters. They argued that identical figures would suggest one corporate sender, which, in turn, could cause transference in meaning-making across the two letters presented to the participants in the experiment (see Design and Procedure). The pretest results required no major changes to the English-language questionnaire.

Design and Procedure The experiment consisted of a within-subjects design. Each of the 35 participants read and evaluated the Dutch-English as well as the British version of the letter to the shareholders, without any clues as to the cultural or corporate origins of the letter. As such, the design minimized the impact of individual differences in the evaluation of the letters and allowed for a research setting that was ecologically valid, that is, financial analysts commonly compare information sources of peer companies. In the questionnaire, the order of presentation of the full English letters and the order of presentation of the paired text fragments were reversed to counterbalance sequence effects. This resulted in four versions of the questionnaire. Although the number of participants in each version was relatively small, a general linear model (GLM) was performed to test whether the text version affected the scores on the dependent variables. No differences among the text versions were found. Participants completed the questionnaires in London in June 2007. All participants worked individually, filling in their questionnaire during work breaks. Completion of the questionnaire took 15–20 minutes. To help avoid carryover effects, participants were asked not to leaf backwards (or forwards) through the pages of the questionnaire. After reading one of the full English letters,

participants answered a series of questions about corporate image and text persuasiveness. This procedure was repeated for the second letter in the questionnaire. The experiment continued with preference-related questions in the form of propositions, text fragments, and management photos; it ended with an inquiry about personal details. The experiment was executed within a controlled environment (e.g., a corporate conference room) for 20 participants and in an uncontrolled environment (e.g., at home) for 15 participants. Independent-samples' *t*-tests showed no significant differences between the results of participants inside and outside a controlled research setting.

Statistical Analyses The experimental data for the Dutch-English and British-English texts were analyzed and compared using SPSS (version 15). Paired-samples' *t*-tests were performed to analyze the results for corporate reputation (H1), investment willingness (H2), attitude towards the text (H3), text credibility (H4), and text comprehensibility (H5). With regard to the overall text preference (H6), propositions (H7), text fragments (H7), and photographs (H7), one-sample *t*-tests were used, with a theoretical mean or test value of 3. Test value 3 was assumed in order to measure the extent to which the sample mean deviated from the most neutral reader evaluation in the scales. (In all scales, score 3 represented “no preference” or “no opinion.”) In line with hypotheses 1–7, we conducted one-sided tests (see [57, pp. 154–158]). This means that the focus was on results pointing in the direction assumed in the hypotheses, that is, a higher appreciation of British discourse features. In cases where participants' evaluations pointed in the opposite direction, the results were considered as “not significant.”

RESULTS

H1–H2 Perceived Corporate Image Participants' mean scores on the two corporate image-related variables—that is, corporate reputation (H1) and willingness to invest (H2)—are shown in Table II. A paired samples *t*-test indicated that the different variants of English letters to the shareholders significantly affected perceptions of corporate attributes: The corporate reputation represented in the British-English letter was rated more positively than the reputation represented in the Dutch-English letter ($t(34) = 2.52, p < 0.01$, one-tailed).

TABLE II
PERCEPTIONS OF CORPORATE IMAGE

Perceived Corporate Image (n = 35)	Mean	SD	t (df = 34)	p-value
<i>Corporate reputation</i>				
Dutch-English letter	3.18	0.56	2.52	0.01**
British-English letter	3.45	0.47		
<i>Investment intentions</i>				
Dutch-English letter	2.77	0.98	1.15	0.13
British-English letters	3.00	0.95		

Note: 1 = poor/zero likelihood and 5 = excellent/certain

** $p < 0.01$ (one-tailed)

TABLE III
PERCEPTIONS OF TEXT PERSUASIVENESS

Perceived Persuasiveness (n = 35)	Mean	SD	t (df = 34)	p-value
<i>Attitude towards the text</i>				
Dutch-English letter	3.55	0.81	1.31	0.10
British-English letter	3.80	0.61		
<i>Text credibility</i>				
Dutch-English letter	3.15	0.60	0.84	0.21
British-English letters	3.30	0.82		
<i>Text comprehensibility</i>				
Dutch-English letter	3.52	0.71	1.88	0.03*
British-English letters	3.86	0.63		

Note: 1 = negative and 5 = positive

* $p < 0.05$ (one-tailed)

TABLE IV
REPORTED PREFERENCE

Text Preference (n = 35)	Mean	SD	t (df = 34)	p-value
<i>Overall text preference for full English letters</i>				
Letter to the shareholders	3.51	1.46	2.08	0.02*
<i>Preference individual textual and visual features in English letters</i>				
<i>Propositions text: Letter should include...</i>				
Contents: board details	4.03	0.89	6.83	0.00***
Contents: CSR	3.31	0.99	1.87	0.04*
Contents: dividend	4.23	0.84	8.62	0.00***
Contents: corporate strategy	1.63	0.77	10.53	0.00
Structure: preview future performance + future aims	1.83	0.99	7.04	0.00
<i>Text fragments: Preference for...</i>				
Structure: (no) reader orientation (e.g., headings)	3.94	1.26	4.43	0.00***
Style: (no) text staggers (e.g., <i>first</i>)	2.89	1.30	0.52	0.30
Style: (no) reader address + salutation (e.g., <i>Dear...</i>)	2.97	1.07	0.16	0.44
<i>Photographs: Preference for...</i>				
Style: management team (not individual manager)	2.54	1.40	1.93	0.03
Style: (no) focus on sincerity of company	3.43	1.22	2.08	0.02*
Style: (no) focus on intimacy with company	2.03	1.07	5.37	0.00

Note: 1 = Dutch-English and 5 = British-English

* $p < 0.05$ (one-tailed); *** $p < 0.001$ (one-tailed)

H3–H5 Perceived Persuasiveness of the Text

The persuasiveness of the two English letters to the shareholders was analyzed in terms of attitude towards the text (H3), text credibility (H4), and text comprehensibility (H5). As displayed in Table III, participants' responses revealed a statistically significant difference for text comprehensibility. Participants perceived the British-English letter to

be more comprehensible than the Dutch-English letter ($t(34) = 1.88, p < 0.05$, one-tailed).

H6–H7 Reported Preference Preference for culture-specific communication strategies was first studied on the basis of participants' overall text preference (H6) with regard to either the full Dutch-English or British-English letter to

the shareholders. The scores in Table IV show that UK-based professionals had a significantly higher preference for the full-text version of the British-English letter than for the complete Dutch-English letter ($t(34) = 2.08, p < 0.05$, one-tailed).

Furthermore, preference was also mapped in relation to judgments of individual textual and visual features (H7). Table IV also shows participants' scores for the preference-related questions about individual features. The results for the propositions on textual elements indicate that the UK-based participants expressed a significantly higher preference for letters including the following typically British themes: board details ($t(34) = 6.83, p < 0.001$, one-tailed), CSR ($t(34) = 1.87, p < 0.05$, one-tailed), and dividend ($t(34) = 8.62, p < 0.001$, one-tailed).

The participants liked British text fragments with headings and informative previews better than Dutch-English text fragments without headings and with additional operational information ($t(34) = 4.43, p < 0.001$, one-tailed).

The results for the management photographs showed that participants typically rated British pictures of managers looking away from the camera as significantly more preferable than typically Dutch-based pictures of managers looking into the camera ($t(34) = 2.08, p < 0.05$, one-tailed).

CONCLUSION

The experiment presented in this study compared the intercultural effectiveness of texts and photos in native and nonnative English annual reports. More specifically, it analyzed the influence of typical textual and visual features of Dutch-English and British-English management statements on UK-based readers' evaluations of corporate image, persuasiveness of the text, and text preference. Overall, the research results indicated that financial analysts in the UK evaluated the British-English management statement more positively than the Dutch-English statement.

According to H1 and H2, UK-based analysts would ascribe a more positive image to the sender of the British-English letter to the shareholders than to the sender of the Dutch-based letter. In terms of perceived corporate reputation (H1), the British letter was indeed evaluated more positively than the Dutch-English letter. However, culture-specific text features did not have an impact on the financial

readers' reported willingness to invest (H2) in either one of the companies represented in the texts. Thus, H1 was supported, whereas H2 was not.

H3–H5 assumed that financial readers in the UK would rate the British-English letter to the shareholders as more persuasive than the Dutch-English letter. Although they rated the British text as more comprehensible (H5) than the Dutch-English text, there was no significant difference in their attitude towards the texts (H3) and in their perception of the credibility of the British-based and Dutch-based texts (H4). The research results therefore confirmed H5 but did not support H3 and H4.

In H6, it was hypothesized that UK-based participants would have an overall preference for the British-English letter to the shareholder. In line with this hypothesis, financial analysts in the UK responded more favorably to the full British-English text, as compared to the full Dutch-English text.

Finally, H7 assumed that analysts in the UK would have a higher preference for individual UK-based communication strategies in texts and visuals than for individual Dutch-based strategies. As expected, they showed more appreciation for the typically British text themes, board details, CSR, and dividend, for the structural component reader orientation (e.g., headings), and for the portrayal of engaged managers looking away from the camera. Since they did not have a higher preference for other British strategies (e.g., the omission of the text theme corporate strategy), it can, however, be concluded that there was partial empirical support for H7.

The results for H1–H7 indicate that UK-based analysts' higher appreciation for the British-English management statement was related to impressions of the company and to the multimodal design of the texts. The fact that the British company sending the British-English letter to the shareholders received better ratings for perceived corporate reputation—including the quality of its management, products, performance, and responsibility—indicates that the international prestige of the Dutch company in the Dutch-English letter and its ability to communicate internationally may not be as effective as was supposedly hoped for [27], [28]. On the other hand, the significant differences in the assessment of corporate reputation did not seem to have serious consequences for reported investment behavior: The scores for investment willingness

were relatively low for the Dutch-English and British-English letter. Accordingly, culture-specific communication strategies did not trigger home bias for the UK-based analysts (see [25]). The low scores for the Dutch-based and for the British-based text may imply that the management statement in itself is not of overriding importance in investment decision making. An explanation for this may be analysts' use of additional and rich information sources, both inside (e.g., review of operations) and outside (e.g., communications with management) the annual report (e.g., [39]).

As for the multimodal design of the letters to the shareholders, it would seem that UK-based analysts' preference for the British text can be motivated by practical and cultural factors. Considering analysts' general liking for a clear and straightforward supply of information (e.g., [21]), for example, it seems plausible that the participants in this study responded more favorably to a text that included devices enhancing reader orientation. Unlike stylistic text organizers typically used in Dutch-based management statements (e.g., first, finally), headings offer quick and easy access to the content of the text. Furthermore, the research results showed that participants highly appreciated typically British text themes on corporate leadership, responsibility, and dividend; equivalent themes were absent in the Dutch-English letter. This finding appears to be in line with previous studies, which have observed that analysts generally value data such as the quality of leadership, the business environment, or dividend [40], [42].

A finding that might be more clearly related to cultural factors concerns UK-based analysts' preference for the portrayal of managers looking away from the camera lens. Although this observation could be attributed to analysts' general interest in candid—unposed and informal—images within annual reports [21], it could also be the result of the more indirect communication style that marks the UK [63]. Here, typically Dutch photos of managers looking straight into the camera lens and, thus, directly addressing the reader would seem to be less appropriate.

Although some of the results related to text design may refer to analysts' preferences in general, they also suggest that participants' preferences were not culture free. They imply that the relationship between the culture-dependent creation of professional English texts and their culture-dependent interpretation would seem to be

of particular importance in the international use of these texts. In line with the conceptual model illustrated in Fig. 3, the current findings show that a substantial number of typical British-English communication features have a stronger positive effect on UK-based analysts than the typical Dutch-English features. Since the British versions of the research materials scored considerably better on qualities like corporate reputation, text comprehensibility, and full text preference, the Dutch-English letter to the shareholders appeared to be less effective than the British-English letter. It may thus be concluded that the present results largely support the theoretical assumption that (communicative) values and norms imprinted in the national culture (or professional community) to which one belongs affect one's evaluation of perceived objects, that is, business texts or the corporate senders of these texts [51]. Members of a given culture possess a special familiarity with texts that conform to the views shared within their culture. Texts conforming to such views will be recognized more easily and are likely to elicit a more positive response than nonconforming texts [47].

Clearly, the present results indicate that the use of English in Dutch-based annual reports may not always produce the desired effect among members of an important international audience. Different from Dutch companies' perceptions about the functionality of English as an international financial language [28], the use of Dutch-English strategies in their annual reports does not always enhance the effectiveness of intercultural communication; on the contrary, it may negatively influence the perceived reputation of the company, or the persuasiveness of the texts.

The question then arises as to how important cultural adaptation is in relation to English annual reports of Dutch firms. It seems that this depends on the company's target markets. Within a global context, where Dutch-English reports are used for multiple international markets, cultural adaptation may only be relevant when target groups from different national cultures share a preference for English-language features that are similar to the typical features of British-English annual report texts. Within the Anglo-Dutch context of the present study, however, cultural adaptation could be highly relevant for Dutch companies that heavily depend on stakeholders in the British market (e.g., AEGON insurance company) or that have an interest in expanding their share in the UK market (e.g., TNT mail) [64], [65]. In the process of intermediating information between company

and investors, analysts also form opinions about the company based on nonfinancial performance indicators such as impressions of the company and transparency of the corporate texts [40], [43]. Hence, the present experiment implies that the (further) accommodation of Dutch-English annual report texts to the standards of British-English will enhance their chances of positive responses from analysts in the UK and, thus, improve stakeholder relationships in Anglo-Dutch business settings (e.g., [48]).

SUGGESTIONS FOR FURTHER RESEARCH

The results of our experiment suggest that there are still many opportunities to broaden the scope of research on the assessment of international annual reports. Successive analyses could measure the effect of textual and visual features in Dutch-English annual reports on reader perceptions in additional foreign markets that are important to the Dutch business community. As Packbier claims, these may be markets within Europe (e.g., France or Germany) or outside Europe (e.g., the US or China) [55]. Intercultural response analyses may also incorporate different target groups of the English annual report. They could focus on a more refined selection of financial analysts, for example, sell-side and buy-side analysts, or focus on a distinct audience altogether, for example, private investors or financial journalists [28]. Furthermore, the current study could open up research into the nature and effect of international annual reports published in other business cultures. Recent cross-cultural text analyses of English annual reports have also documented typical textual and visual reporting practices in other nations, such as Japan, the US, or France [30]–[32]. However, the intercultural readership or reception of these reports has not yet been explored. To conclude, research on the intercultural effect of financial communication could be expanded by incorporating other materials, that is, other types of annual report texts. Prior studies (e.g., [40]) have revealed financial readers' appreciation of nonfinancial information in other narrative annual report sections, such as the operational reviews. As these texts take up a substantial part of the annual report in explaining the corporate activities to stakeholders, it would also be relevant to study their international effectiveness. Assuming that annual reports are relevant information sources for different audiences in the financial community in general [37], the above suggestions for future research indicate that the role of English annual

reports in the international community is still in need of further clarification. Research on other national cultures, reader groups, and annual report texts could reveal whether the similarity-attraction paradigm holds for other financial communication contexts in this community.

PRACTICAL IMPLICATIONS

Finally, the results of the present study also have implications for both educators and practitioners in the field of international business communications. The research results indicate that professional writers need to be aware of the potential response to the international annual report, with regard to both the textual and visual realizations of the report. In accordance with the similarity-attraction principle [48], [51], readers of the international report were likely to interpret its multimodal design on the basis of their own culture-specific or profession-specific expectations about communication. And as their expectations could differ from the (English) verbal and visual communication norms used by the company, the international success of the standardized annual report may well be at issue. The responses of the UK-based analysts in the current study, for example, show that cross-cultural differences in textual features included in international annual reports yield corporate impressions that are most favorable for the company complying with the textual communication conventions the reader is most familiar with. Also, their responses suggest that the visual design of international annual reports—which is often kept consistent across cultures—may add to an unfavorable reception of these reports if this design is not in line with reader expectations.

Therefore, producers of English annual reports and other international business texts should be trained not only to consider the communicative goals of the company in their attempt to create a successful multimodal design of these texts, but also to take the potential response of the foreign audiences they need to reach into consideration. In other words, they should be locally sensitive, that is, in recognizing the cultural values and preferences that may impact the reception of this multimodal design [7]. Knowledge of the international effect of cultural characteristics incorporated in the English annual reports would help in understanding the potential barriers that exist in effectively communicating intercultural financial information, that is, in terms of the perception of differences in multimodal communication strategies. Subsequently, this will

allow professionals to make conscious decisions about whether it is necessary to adapt the international business text to the communicative expectations of particular overseas stakeholders. More specifically, it will help them determine

whether the money spent on managing their relationships and their reputation with financial stakeholders should be used for the production of standardized or culturally adapted international annual reports [1], [2].

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