TOWARD A COMPREHENSIVE THEORY OF SHAREHOLDER LETTERS: THEORETICAL FRAMEWORK, TAXONOMY DEVELOPMENT, AND PROPOSITIONS

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ABSTRACT

Using text mining software, this study takes as sample of 252 shareholder letters and develops a three-class "natural language" taxonomy. Then this study couples this taxonomy with the topic of organizational impression management to develop a sequence of propositions. The uniqueness of this study is demonstrated in two ways. First, this is one of the first studies to use text mining software to create a taxonomy from the actual language used rather than from predefined classes. Second, this is the first to create a taxonomy of shareholder letters and the development of this taxonomy may be a step toward establishing a more comprehensive theory of strategic communication.

INTRODUCTION

Strategic communication is the utilization of a medium of communication that focuses upon the goal of an organizational initiator and ignores the reception by the target (Dulek & Campbell, 2015; Thomas & Stephens, 2015; Hallahan, Holtzhausen, van Ruler, Vercic, & Sriramesh, 2007). This description alters the traditional view of communication from a multiple party interaction to a one-way transmission, potentially with the purpose of organizational impression management (Mohamed, Gardner, & Paollillo, 1999). As a result, any correspondence from the organization to the public could be classified as strategic communication (Henderson, Cheney, & Weaver, 2015).

Letters to shareholders, generally a portion of a firm's annual report, are a part of strategic communication. Research has shown these letters to communicate to stakeholders information such as organizational strategy (Karagozoglu & Fuller, 2011; Landrum, 2008; Pegels & Baik, 2000), organizational imagery (Abrahamson & Park, 1994; Craig & Amernic, 2005; Patelli & Pedrini, 2014), and even personal imagery (Clapham & Schwenk, 1991; Courtright & Smuddle, 2009; Brennan & Conroy, 2013). In short shareholder letters are a vehicle for organizational management to convey a diverse and complex set of messages to the stakeholders.

The contribution of this paper is threefold. First, this paper presents a literature review, part of which develops a theoretical framework through which researchers can view shareholder letters. Second, this paper discovers a taxonomy for shareholder letters that allows the classification and testing of letters in research. This taxonomy is derived using the currently unique process of text analytics using natural language rather than predetermined groups. Finally, this paper designs some propositions linking shareholder letters and organizational impression management.

LITERATURE REVIEW

Definition And Meaning

Hallahan, et al. (2007) formally define strategic communication "as the purposeful use of communication by an organization to fulfill its mission" (p. 3). Equally important are the specific characteristics mentioned. First, this type of communication is purposeful, designed for a specific goal. Second, at the center of strategic communication is delivering a specific message to an identified target. Hallahan, et al. (2007) go further by presenting an organization as a potential influencer of societal issues.

Dulek and Campbell (2015) offer similar characteristics. These authors note that strategic communication shifts the focus of communication from the receiver of the message and from the context to the communicator and to the goal of the communication. In addition Dulek and Campbell (2015) state this one-way communication can incorporate ambiguity into the message for the purpose of leading the receiver to a desired conclusion.

Thomas and Stephens (2015) do not define strategic communication themselves but rather refer to four articles that define the term or offer refinements of the definition. These definitions and refinements include communication that promotes firm positioning, fulfilling the firm's mission, connecting a firm and its constituents, and strategically interacting with those outside the firm. However, these authors stop short at recommending a definition so as to not restrict research in the field.

Given this information, this paper offers a definition. The definition of strategic communication is unidirectional communication of an intentional message for a strategic purpose to those outside the firm. This definition keeps the important elements mentioned previously such as one-way communication, strategic maneuvering, purposefulness, and a target outside the firm. However, this definition also is broad enough to allow research to focus upon areas within the construct.

Shareholder Letter Research

Research into shareholder letters is quite extensive and has been occurring for more than two decades. This section examines the various types of research for which the letters have been used. Much of the research focuses on the obvious – the use of this form of strategic communication to maintain the image of the organization or to maintain the image of management. Some research has focused upon the mental models that management has revealed through this mode of communication. Other research has shown that letters often reveal strategic information about the firm due to the language in which the letter was written. Each of these will be addressed.

One use of letters to shareholders is to positively influence the public image of the organization – a form of organizational impression management (Mohamed, et al., 1999). Early research showed that organizations may hide negative information from stakeholders while accentuating positive information (Abrahamson & Park, 1994; Brown, 1997). Specifically, letters have shown success in firm privatization (Craig & Amernic, 2005), to influence financial analysts' recommendations (Fanelli, Masangyi, & Tosi, 2009), and to deflect oil firm investor attention to OPEC and away from domestic oil difficulties (Prasad & Raza, 2002). Research has shown this deflection of attention to be salient in other industries where negative occurrences are attributed to environmental factors (Tessarolo, Pagliarussi, & Mattos da Luz, 2010). Much of the organizational impression management may depend heavily upon phraseology (Craig & Brennan, 2012; Geppert & Lawrance, 2008).

Organizational impression management through letters to shareholders may be a passive method for promoting personal impression management. Research has shown that letters can be mechanisms for conveying management vanity and narcissism (Brennan & Conroy, 2013; Craig & Amernic, 2011). On a positive note, research has also shown management can enhance reputation by communicating and explaining core values (Courtright & Smuddle, 2009) and can support fidelity in management where there are large unexpected financial results (Yuthas, Rogers, & Dillard, 2002). As with organizational impression management, management uses personal impression management to take credit for good results while attributing bad results to environmental factors (Clapham & Schwenk, 1991).

Shareholder letters also can reveal management mental models. Barr, Stimpert, and Huff (1992) tied flexible management cognitive patterns found in letters to survivability while Cho and Hambrick (2006) found the same flexibility adaptation to environmental shifts such as deregulation. These positive mental models also have been found in letters with regard to emerging technology (Eggers & Kaplan, 2009). However, negative cognitions have also been discovered in the submissions to shareholders. Such negative mental models include management myopia (Ridge, Kern, & White, 2014), avoidance of information technology (Peslak, 2005), and dysfunctional models about reality (O'Connor, 2013).

Finally, shareholder letters can provide clues to organization strategy. The letters sometimes reveal the strategic cognitions of management (Karagozoglu & Fuller, 2011; Pegels, 2005). In a more focused study, Landrum (2008) found that strategic intent may be sometimes found in letters. This study was a longitudinal case study of Nike and Reebok that not only showed the presence of future strategy but also the style of writing reveals management sensemaking.

Theoretical Framework

Courtright and Smuddle (2009) maintain shareholder letters are probably the most read part of the annual report. While most publically traded companies have many shareholders, there are many other stakeholders that would be interested in the strategic communications of management. As such, the shareholder letters become an important vehicle for stakeholders to understand the climate of the organization. For example, management has used letters for stakeholder sensemaking (Landrum, 2008), for revealing strategic thinking (Pegels & Baik, 2000; Landrum, 2008), and for providing information about the future (Smith & Taffler, 2000).

However, management can shape the language and information presented. The review of the literature of shareholder letters reveals several extraneous factors used by management can mold a shareholder letter. The first of these is organizational impression management. Connolly-Ahern and Broadway (2007) define impression management as intentional actions designed for shaping information about a focal point. Thus, for organizational impression management, management would be shaping information about the organization. Several studies (Tessarolo, Pagliarussi, & Mattos da Luz, 2010; Geppert & Lawrence, 2008; Craig & Brennan, 2012) have demonstrated that management can intentionally choose language and design of information to create a desired organizational image. Abrahamson and Park (1994) showed that management can hide negative information so that investors will see a firm in a more positive light and continue to invest.

A second extraneous factor management may use in crafting a shareholder letter is personal impression management. Using the Connolly-Ahern and Broadway (2007) definition, the individuals in management intentionally shape language and information for the purpose of creating their own positive image. Part of the rationale in management using shareholder letters for personal impression management comes from what Gupta, Dutta, and Chen (2014) illustrated – there is a link between management capability and overall organizational performance. Unsurprisingly then, Clapham and Schwenk (1991) demonstrated that management can use shareholder letters to take personal credit for good outcomes and blame the environment for bad outcomes. Craig and Amernic (2011) showed outright narcissism in some letters. In cases of large earnings surprises, management has used shareholder letters to communicate their own veracity and trustworthiness (Yuthas, Rogers, & Dillard, 2002).

A third extraneous factor for molding a shareholder letter is management's faulty mental model of the organization. In some cases management does not visualize the environment correctly nor does management evaluate the firm correctly. Ridge, Kern, and White (2014) demonstrated that at certain times management can experience a temporal and spatial myopia that affects the content of the shareholder letters. Letters have also been distorted in the banking industry due to dysfunctional organizational mental models (O'Connor, 2013). Management attention upon facets of the industry can also limit the comprehensiveness of the letters (Eggers & Kaplan, 2009; Cho & Hambrick, 2006).

A final extraneous factor for crafting the content of the shareholder letter is to elicit a desired behavior from a reader of the information. Previously mentioned was Abrahamson and Park (1994) where the letter was shaped to get investors to continue to invest. Other letters studies show management has used a diversionary situation to deflect stakeholder attention from another situation (Prasad & Raza, 2002) and has used language to massage analysts' earnings forecasts of the firm (Fanelli & Misangyi, 2009).

In summary a basic shareholder letter is designed to share organizational climate information. However, there are extraneous factors that may influence the language and appearance of the letter. Extraneous factors may also directly influence the actual climate information presented. Evidence of this is present in such notable scandals such as that created by the management at Enron. Figure 1 is a model that represents these relationships.

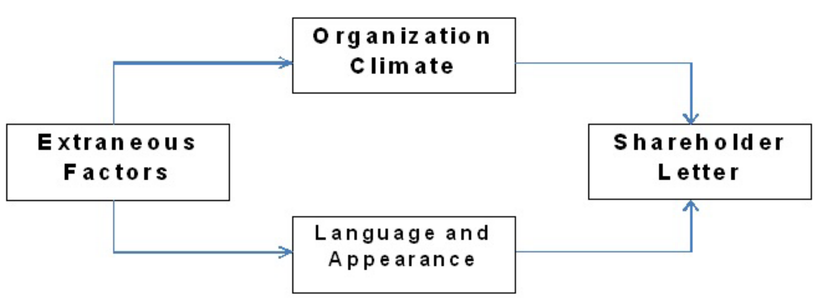

Figure 1: A model of the factors involved in creating shareholder letters.

One of the great difficulties in testing such a model is because the data, the actual shareholder letters, is unstructured text rather than numeric data. Consequently, there are no readily noticeable relationships between the shareholder letters. One thing that would greatly help in testing is a taxonomy of shareholder letters which would then allow research to find relationships between the classes of letters and other variables.

The studies mentioned previously that point to organizational impression management (OIM) -- Tessarolo, Pagliarussi, and Mattos da Luz (2010); Geppert and Lawrence (2008); and Craig and Brennan (2012) -- do not overtly identify OIM, much less identify what types of shareholder letters work with certain types of OIM. A taxonomy of shareholder letters would allow the testing of the relationships between shareholder letter types and impression management tactics, such as those given by Tedeschi and Norman (1985) and Cialdini (1989).

Similarly, the studies that point to personal impression management (PIM) -- Clapham and Schwenk (1991); Craig and Amernic (2011); and Yuthas, Rogers, and Dillard (2002) – also do not indicate a relationship between types of shareholder letters and PIM types. Thus, a taxonomy of shareholder letters would help determine types of shareholder letters that utilize certain tactics of impression management under given conditions.

Finally, looking at the larger perspective of a taxonomy of shareholder letters within strategic communication, the taxonomy would aid in the general understanding and instruction regarding shareholder letters as a component of strategic communication. This taxonomy combined with others in strategic communication would allow relationships to be examined between types of one form of strategic communication and another.

Taxonomy Research

Definitions for the term taxonomy are many. Nevertheless, these definitions have a unifying concept of reducing a complex group of items to a simplified classification system using relevant attributes of the items being classified (Andersen, 2010; Autry, Zacharia, & Lamb, 2008; Duarte & Sarkar, 2011; Rich, 1992). Although the practice of creating taxonomies began in the life sciences (Duarte & Sarkar, 2011), other disciplines have utilized the technique. Organizational management theorists have used taxonomies to reduce complexity for the purposes of instruction (Autry, et al, 2008), to provide a basis for developing comprehensive theory (Bunn, 1993; Rich, 1992), and to serve in construct measurement (Marks, Mathieu, & Zaccaro, 2001).

Marketing research has utilized taxonomies for market segmentation (Lessig & Tollefson, 1971), formats for advertising (Lamb, Pride, & Pletcher, 1978), strategies for marketing (Hawes & Crittenden, 1984; El-Ansary, 2006), advertising for television (Laskey, Day, & Crask, 1989), and customer methods for making buying decisions (Bunn, 1993). Other management areas have developed taxonomies. Some of the management topics include turnover of employees (Bluedorn, 1978; Dalton, Tudor, & Krackhardt, 1982), strategic groups (McGee & Howard, 1986), organizational justice (Greenberg, 1987), team processes (Marks, et al, 2001), organizational knowledge (Chua, 2002; Dinur, 2011; Huang, Luther, & Tayles, 2007; Ramirez & Nembhard, 2004), logistics (Kuo-Chung & Li-Fang, 2004), and global firms (Knight & Cavusgil, 2005). Most recently, studies have been done to classify organizational ethics statements (Allison, 2015a) and to classify organizational ethics statements (Allison, 2015b). The latter two studies employed the use of natural language to develop the taxonomies in the same fashion as this study.

METHOD

Choice Analytical Method

Taxonomy research is not new and, therefore, there is a traditional process for discovery. Duarte and Sarkar (2011) state the general process is generate a classification system based on object similarity, empirically analyze the system, and then place the objects into their respective classes. Historically, this process has been operationalized by a three step process. First, the researcher uses theory to create the system's classes. Second, quantitative techniques are employed to determine if the objects cluster along the theoretical classes. Finally, the researcher creates rules by which objects are then placed into the classes. A major concern in this process is the classification system is created prior to data analysis and, as such, the system may not have usefulness (Duarte & Sarkar, 2011). In this case the creation of the classes may be a result of error or bias on the part of the researcher. Thus, the results generated from the process may not represent reality and in some cases may not even agree with theory (Kuo-Chung & Li-Fang, 2004).

Instead of creating a classification scheme using theory, a more natural way is to create the scheme by using the characteristics of the items being classified (McGee & Howard, 1986). A researcher might obtain better results in creating a taxonomy by inductively basing the classification upon patterns found in the data derived from item characteristics (Autry et al., 2008). The inference from these statements is that a taxonomy should be discovered in such a way as to minimize the possibility and the appearance of bias and error on the part of the researcher. One method available to accomplish a "better" taxonomy when the classification is focused upon written documents is text analytics. This is a relatively new analysis tool that "helps analysts extract meanings, patterns, and structure hidden in unstructured textual data" (Chakraborty, Pagolu, & Garla, 2013, p. 1). By using this tool, one can discover what can be called a natural language taxonomy.

Text analytics has been applied practically for decision making regarding drug patents (Yang, Klose, Lippy, Barcelon-Yang, & Zhang, 2014), for discovering satisfaction levels of hotel guests (Xiang, Schwartz, Gerdes, & Uysal, 2015), and for decision making in developing products (Markham, Kowolenko, & Michaelis, 2015). Research has used text analytics to analyze manager orientations (Helmersson & Mattsson, 2013), to categorize student course drops (Michalski, 2014), and to identify workplace issues for nurses (Bell, Campbell, & Goldberg, 2015). In studies similar to the one presented in this paper, text analytics has allow a taxonomy to be created for organizational ethics statements (Allison, 2015a) and for organizational values statements (Allison, 2015b). Finally, Alshameri, Greene, and Srivastava (2012) classified mission statements and vision statements using text mining.

Sample

The sample started with letters from the thirty companies in the Dow Jones Industrial Average. To augment this sample, a web crawler was used to search and find as many letters to shareholders as possible. A web crawler has two functions: to follow Internet links and save the text from the pages found (Chakraborty, et al, 2013). In order to make this happen, the web crawler needed a seed page with which to start. This seed page was created by taking the result of an Internet search engine using the search parameters “letters to shareholders”, saving those results to a local computer, editing out of the page irrelevant information such as advertising and irrelevant links, and then reposting the page to the author’s website. The web crawler was given the parameter of going three layers deep meaning the crawler would search the seed page (layer one), follow the links found on the seed page (layer two), and then follow the links found in layer two (layer three). This allowed the crawler not to only search the web pages listed on the seed page but to also find on subsequent pages links to other pages that might have letters to shareholders. At each step the web page found was downloaded to the author’s local computer. Using a web crawler in this manner created the potential for a large number of items in the sample.

The web crawler produced over 5800 pages. Most of these pages did not have anything regarding shareholder letters but rather contained information irrelevant to this study. These irrelevant pages were removed from the sample leaving 222 pages containing pertinent information. These remaining pages were then examined and edited to remove all extraneous information from them. Many letters to shareholders are embedded inside company annual reports containing much more information than just the letters. When the shareholder letters from the Dow Industrial companies were combined with the 222 shareholder letters from the web crawler, the sample had a final total of 252 shareholder letters.

SAS Enterprise Miner was used to create two sequential models. The first model, called an unsupervised model, took the text documents and formed classes based upon natural characteristics of the data as well as parameters selected in the software. The second model that followed, called a supervised model, used the classification found from the first model as a guide for creating classification rules. This data set was split into a training set, for the purpose of creating the aforementioned rules, and a validation set, for the purpose of testing the rules. The rules were then used to predict the class for each item in the training set and the validation set. The parameters of the program were then altered one at a time to find a nontrivial classification system and rules with the lowest misclassification rate for both sets.

Results

The results of the previous analysis provide a three-group classification system. Each node variation in the text analysis was changed to obtain a nontrivial classification system and to obtain the lowest misclassification rate. For example, the Text Filter node has three choices for how the term frequencies are weighted – logarithmic, binary, and none. Each of these was selected to find the lowest misclassification rate. By changing every parameter in this way, the lowest misclassification rate of 14.4% of the model training data and 19.2% of the validation data was obtained to create the best model achievable with this sample. Also computed for each set was the mean squared error. For the training set the mean squared error was 0.027 and for the validation set the mean squared error was 0.022.

The largest of the classes is a grouping of 177 documents or 70% of the sample. The analytics software provides key words for each grouping and for this class, the top five key words are “build”, “business”, “company”, “continue”, and “financial”. A careful review of how these terms are used in the documents reveal documents concerned primarily with the organization. For example, some of the text snippets that include “build” are given below.

“…we continue to ***build*** a world-class company.” (Comcast)

“…to manage and ***build*** the company into a leading…” (Tempur Sealy)

"…our ability to ***build*** strategic partnerships in areas…" (Nike)

"…***build*** leadership brands and businesses…" (Proctor & Gamble)

A similar review of the other key words reveals a similar focus upon the organization. This classification of shareholder letters will be called Organicentrics.

The next largest grouping consists of 65 documents, or 26% of the sample. The top five key words in order for this grouping are "matter", "common", "statement", "stock", and "review". A reading of the passages where these terms are used revealed a sense of financial and regulatory issues. For example, some of the text snippets containing the first key word "matter" are given below.

"…and SEC-related regulatory ***matters*** described…" (NanoViricides)

"…professional experience in ***matters*** related to investments…" (SCOR)

"…resolution of this ***matter*** enabled our insurers to process…" (First Union)

A similar review of the other key words reveals a focus upon issues needing attention. This group of shareholder letters will be known as the Issuecentrics.

The last group, consisting of 10 documents or 4% of the sample, had as its top five key words "analyze", "assumption", "alternative", "analysis", and "agency". Other than all starting with the same letter, these terms are used to refer to the acquisition and analysis of data. Some of the text snippets containing the first key word "analyze" are below.

"…Chase, we analyze our performance against…" (JP Morgan)

"…company runs, analyzes, and grow its business…" (Cisco)

"…dedicated to the analysis of customer behavior…" (Teleperformance)

"…and predictive network analysis across fixed and mobile networks…" (EXFO)

A similar review of the other key words reveals a focus upon analyzing data and constructs. This final group will be known as the Datacentrics.

DISCUSSION

Analysis

This study is unique and fills a gap in the field of strategic communication. First, even though there has been much study on shareholder letters, this study is the first to examine these letters in a holistic fashion. Previous studies have either examined the intended usage of the letter or have examined the intricacies of language used in the letters. This study examines the entire document in terms of the language used. Second, this study creates a taxonomy of shareholder letters that has not been done before. For this taxonomy, three groups were discovered: the Organicentrics, the Issuecentrics, and the Datacentrics. Finally, this study used text analysis, a qualitative analysis tool that has seen little use in research thus far.

This study discovered three classes for shareholder letters. The Organicentrics are letters to shareholders explaining the state of affairs of the organization with the focus being solely upon the organization. The Issuecentrics are letters that portray issues of concern to shareholders. Finally, the last category, the Datacentrics, are letters that focus upon the portrayal of data and its analysis.

The findings in this study agree with existing theory. First, the findings here show that there are similarities in groups of letters as was also shown in Abrahamson and Hambrick (1997) and Barr, Stimpert, and Huff (1992). The Issuecentrics group is supported by theory showing that management uses letters to explain current outcomes (Clapham & Schwenk,1991; Fiol, 1995; Geppert & Lawrence, 2008).

Limitations

Any study has limitations and this one is no exception. One primary concern is the size of the sample. Although a sample of 245 shareholder letters is sizeable, multiple letters come from the same firms but from different time periods. Thus, there are not 245 organizations represented by the sample which may have an impact on the results. While the duplication of organizational presence was not significant, the issue is worth mentioning.

Another limitation is the sample was not created randomly. A search engine determined the initial links based on the formulas for relevance. The web crawler then went to each of these links and found other shareholders letters related to the initial link. Because of the lack of randomness, it is possible that entire taxonomic segments may have been missed and there are, in fact, more types of letters than what was derived in this analysis.

PROPOSITIONS

This section takes a brief look at impression management and its expansion to the organizational level. Also, there are three propositions developed regarding the types of organizational impression management tactics used with each of the classes of the taxonomy created previously.

Organizational Impression Management

Goffman (1959) originally introduced the concept that individuals and teams actively engage in tactics to control their image held by other individuals. He likened this management of image to a theatrical performance where the actor, trying to create a desired image, prepares before the presentation, implements the presentation, and then attempts to modify any misrepresentations. Impression management (IM) to Goffman (1959) was a strategic decision to create and maintain an image. Goffman's (1959) concept was further extended when Jones and Pittman (1982) developed a taxonomy for IM tactics.

Because Goffman (1959) had already provided the groundwork for team IM, it was only a matter of time before the construct was extended to organizations. Through the work of Elsbach and Sutton (1992), Elsbach (1994), and Elsbach, Sutton, and Principe (1998), organizational impression management (OIM) was developed. The first two studies provided evidence that organizations desire legitimacy, the image of conforming to a certain set of standards. The third study, and arguably the most significant, identified specific OIM tactics hospitals use to avoid certain circumstances and minimize others. These three studies fully instituted OIM as a viable construct.

The next major step in developing OIM was the study by Mohamed, Gardner, and Paolillo (1999). They combined Cialdini (1989) and Tedeschi and Norman (1985) to characterize OIM tactics along two dimensions: direct versus indirect and assertive versus defensive. This created a 2x2 taxonomy of OIM. Providing even more utility with the study, Mohamed, et al. (1999) analyzed the taxonomy of Jones and Pittman (1982) and incorporated the older taxonomy into the newer 2x2 taxonomy. In doing this Mohamed, et al. (1999) established multiple ways of examining OIM.

Proposition Development

OIM has been linked to strategic communication, notably letters to shareholders, where firms use the communication to enhance its own image or the image of a group inside the firm (Mohamed, et al., 1999; Bansal & Clelland, 2004). Using Goffman's (1959) analogy, firms are actors portraying an image to stakeholders through the use of these letters. This implies extensive work to design the letters and, after presentation, resolve any misinterpretations there might be.

Tedeschi and Norman (1985) defined two general categories for IM: assertive and defensive. Assertive tactics "are used in situtaions [*sic*] that actors view as opportunities to boost their image" (Mohamed, et al., 1999). Once such situation is the one being presented in this paper – the publishing of the shareholder letter. Studies have shown companies have used shareholder letters for image enhancement (Craig & Brennan, 2012; Geppert & Lawrence, 2008; Tessarolo & Pagliarussi, 2010). Defensive tactics are used responding to situations that may have a negative impact on the desired image (Mohamed, et al., 1999). Clapham and Schwenk (1991) showed that management in regulated utilities may defensively blame the environment for poor financial results.

From the taxonomy previously stated, letters to shareholders in the Organicentric group focus upon the company itself as opposed to outside event and issues like the Issuecentric group and to data presentation like the Datacentric group. Companies that concentrate on themselves in a presentation such as this will present the most positive image possible. Clapham and Schwenk (1991) not only showed firms can react defensively by blaming the environment when there are bad outcomes, but also showed other firms will take credit for good outcomes. Thus, a firm can focus upon itself and be assertive to create a positive image from the good that is available.

Proposition 1: A shareholder letter of the Organicentric group is more likely to utilize assertive OIM tactics than defensive OIM tactics.

Cialdini (1989) originally categorized IM tactics into direct and indirect. Direct tactics involved the actor communicating an image of self to an audience without any associations. Indirect tactics, however, can occur when an actor communicates either a positive image about some entity or event and then associates with that entity or event in the hopes of attaining a positive image from the association. For example, an organization could extol the virtues of a societal cause and then state the organization's association with that cause. Thus, an audience that might value such a cause could assign an altruistic image to the organization making the association. This can also happen on the negative side. A firm could demonize some entity or event and then dissociate itself from the entity or event. The objective in this case is to obtain a positive image boost by dissociating from a negative object.

Referring to the taxonomy previous given, Issuecentric shareholder letters are primarily focused upon entities or events that have become relevant in the period since the previous shareholder letter. For a shareholder letter to contain information about an entity or event, there must be a significant positive or negative connected to the entity or event, otherwise the mention of it would be wasting space. The mention of an entity or event then would be for the purpose of association or dissociation, depending upon the valence of the entity or event. For example, shareholder letters in the U.S. oil industry have been shown to vilify OPEC for industry problems in order to divert attention away from the domestic oil problems (Prasad & Raza, 2002). Thus, by painting OPEC as bad and the U.S. firms as being dissociated from OPEC, the image created was the U.S. firms are "better" than OPEC.

Proposition 2: Shareholder letters that are members of the Issuecentric class are more likely to exhibit indirect OIM tactics than direct OIM tactics.

Tyler, Connaughton, Desrayaud, and Fedesco (2012) discuss two types of OIM tactics: remedial and anticipatory. Remedial tactics are used after stakeholders know about an event. If the event is a negative one where a firm could be associated, remedial tactics are used to mitigate the damage to the firm's image from being associated with the event. In the case of a positive event, remedial tactics are used to associate the firm with the event so as to gain a more positive image. Anticipatory tactics are those used before an event is known to stakeholders. If the event is bad, a firm may use these tactics to prepare the public for negative information. Elsbach, et al (1998) studied hospitals that used anticipatory tactics to avoid customer negative reactions to billing. Finally, if an event is good, an organization could use anticipatory tactics to provide an even larger public relations boost after the fact is known.

Returning to the taxonomy developed above, shareholder letters of the Datacentrics type have the characteristic of the presentation and analysis of data. Shareholder letters of this type may refer to financial data, for example. Nevertheless, the publishing of this data at the same time as the vehicle for the OIM implies the firm does not have time to prepare the audience for the implications of the data. As a result, the Datacentric shareholder letters will use fewer anticipatory OIM tactics in favor of remedial tactics when OIM is used.

Proposition 3: Shareholder letters that are members of the Datacentric class will exhibit more remedial OIM tactics than anticipatory OIM tactics.

DIRECTIONS FOR FUTURE RESEARCH

Even though shareholder letters have been studied extensively, the taxonomy discovered in this study can aid in future research. Primarily, this is a step toward the development of a more comprehensive theory for strategic communication. Vision statements and ethics statements have already be examined (Allison, 2015a; Allison, 2015b) and this work adds to the study of elements of strategic communication. However, there are more elements that need to be examined.

The taxonomy provided in this paper opens up the possibility to testing a contingency approach to using shareholder letter types. From an OIM perspective, this contingency approach is supported by Greening and Gray (1994) who developed a contingency model for organizational social performance. Furthermore, Abrahamson and Amir (1996) used content analysis to show that the wording of shareholder letters is related to the performance of the organization. It then make be just as likely that a firm use an Organicentric letter type when performance has a certain characteristic, use an Issuecentric letter type when performance has another characteristic, and use a Datacentric letter type when performance has a third different characteristic. Similarly, Abrahamson and Hambrick (1997) stated that management focus in shareholder letters is similar within the same industry while Osborne, Stubbart, and Ramaprasad

(2001) showed similar shareholder letters within strategic groups. Thus, it is possible that some industries or subgroups of industries might be more apt to utilize one type of shareholder letter while other industries might utilize another type. However, one factor such as firm performance or industry may not be enough to establish a contingency approach. Anwar (2015) demonstrated that during the banking crisis of 2008, banks did not converge upon similar language in the shareholder letters, but O'Connor (2013) did show they had similar dysfunctional thinking.

Proposition One stated that shareholder letters of the Organicentric type are more likely to exhibit assertive OIM tactics than defensive OIM tactics. Brown (1997), Craig and Amernic (2011), and Brennan and Conroy (2013) all discuss CEO narcissism found in shareholder letters. One method of displaying narcissism would be to take credit for good situations – an assertive OIM tactic. This statement is echoed in Clapham and Schwenk (1991). Thus, it is possible that self-serving management might be linked to the Organicentric type. If this is the case, then other management styles might have an association with a particular shareholder letter.

SUMMARY

The purpose of this paper has been to develop a theoretical framework, to discover a taxonomy for shareholder letters, and to design propositions linking letters to organizational impression management. The taxonomy was derived using the currently unique process of text analytics rather than from predetermined groups.

This paper is unique in both subject matter and methodology. Past research into shareholder letters has examined either the intent of the letters or the language of the letters. This study takes a more holistic approach and examines the letters individually and collectively as documents made up of language components. The result is a taxonomy of shareholder letters undiscovered until now. This paper also employs the relatively new qualitative technique of text analysis that has made few appearances in research. In addition this paper extends the taxonomy provided by introducing propositions the relate the letters and organizational impression management.

The shareholder letter taxonomy consisting of the Organicentrics, the Issuecentrics, and the Datacentrics, can now aid in teaching the construct as well as aid in simplifying future studies. This study, coupled with earlier studies of taxonomies of ethics statements (Allison, 2015a) and of vision statements (Allison, 2015b), is another step toward developing a more comprehensive theory of strategic communication.

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