

BARTLETT AND CHANDLER ELEVEN YEARS ON: PRIVATE INVESTORS AT THE ANNUAL GENERAL MEETING

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Abstract

This paper reports from a field-level study of 67 annual general meetings conducted between 2004 and 2008. The focus is on private shareholders and the questions they pose to company representatives at the annual general meetings. By comparing these results with earlier research, the study concludes that this group of investors asks questions mostly about the company's operations followed by questions concerning the income statement and corporate governance. The latter finding is not consistent with earlier studies showing a low interest in financial accounting and corporate governance. One plausible explanation to account for the current finding is that the annual general meeting enables shareholders to be active in their roles as shareholders.

Keywords: accounting; annual general meetings; private investors; Sweden.

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1. Introduction

The regulatory ambition that accounting should be useful for investors to make "resolved choices among alternative courses" (APB, Statement nr 4, 1970) is the main argument to which accounting regulatory bodies should focus their attention. For accounting researchers, this statement has typically equated accounting with the annual report and investors as professional market participants (cf. Hellman, 2000; 2005). Yet, research from Lee & Tweedie's (1975a; 1975b; 1976) seminal works on non-professional investors' use and understanding of annual reports has led to a number of studies about non-professional users of accounting information.²¹ One general finding in Lee and Tweedie's research was that the annual report is neither widely used nor well understood by non-professional investors. More recent work found that the formal accounting report is "largely ignored by shareholders, or at best is read only briefly" (Bartlett & Chandler, 1997, p. 254).

The argument that researcher should study the role of accounting in society at various sites is widely acknowledged in the sociological field of accounting research (Hopwood, 1976). Accepting such a focus for accounting research, the finding that accounting is not widely used or understood among certain groups of investors suggests that the role of accounting for large groups in society is questionable. Further, interpreted against the backdrop where an increasing number of Western households rely on the stock market for their future welfare (IOSCO, 2000), the

role of annual reports for investment decisions seems unclear. In fact, it may seem as though the textbook guide over investment decisions, in which accounting leads to investments or opinions about management's stewardship, only holds for certain groups of investors. Such a view is shared by stock market regulators and institutions (cf. IOSCO, 2000; FI, 2001;3; OECD, 2005).

This study follows the work of Lee & Tweedie and Bartlett and Chandler on how non-professional investors use accounting information. In particular, the argument developed here is that accounting researchers need to move away from formal accounting reports and individual decision situations to sites where accounting is communicated and discussed among groups in order to analyse its role in relation to non-professional investors. The present paper reports a field-level study approach of 67 annual general meetings. Such a forum is dominated by non-professional investors who pose questions about accounting and other company information. The question addressed in this paper is the following: *What accounting information do non-professional investors use at the annual general meeting?*

The paper is organised as follows. In section two earlier studies in the field are presented, including a summary of their findings. From that overview, I argue for a field-level approach to study how non-professional investors use accounting. Section three discusses the role of the annual general meeting and its ability to potentially overcome problems of accounting use among non-professional investors. Section four describes the study's methodology while

²¹ Throughout the paper, the terms non-professional investors and private investors are used synonymously.

section five reports on the results from this study and compares those results to results from earlier studies. The final section, section six, considers the contribution of this paper in relation previous work.

2. Earlier works

The works of Lee and Tweedie came in response to a perceived decline in the use of the annual report among private shareholders (1975a, 1975b). With new channels of reporting and the development of the business press, their original survey has been brought up to date to incorporate new channels of communication (cf. Bartlett & Chandler, 1997). Earlier research has generated useful knowledge of the private investor's use of accounting information; still it is fair to claim that this group of investors remain under-researched. The present paper contributes to this research in two ways.

First, survey-based studies do not account for the use of information in connection with actual investment/stewardship decisions. The fact that a respondent indicates that a certain type of information is used for an investment decision may not correspond to his/her actual investor action. Although such prestige bias is present in all types of interview- and survey-based research, there seems to be reason to study investor use of accounting information in action. To focus on what kinds of questions investors pose in investment/stewardship situations overcomes the problem of prestige bias by focusing on the information that investors actually use. To exemplify, one puzzling finding from Bartlett and Chandler's (1997) study, in which such prestige bias may have influenced the respondents' answers, is that most of the participants (84%) indicated that they only read the annual reports briefly while claiming that they make their investment decisions independently. If that were the case, a plausible conclusion would be that the annual report has little or no role for private investors and hence company efforts and money spent to improve the annual reports are wasteful investments. Furthermore, one interpretation of that finding could be that the respondents answered according to what they sensed to be the correct answer (e.g., on individual decision making) rather than how they really act in investment decisions. The current methodology differs from the methodology used in earlier studies by focusing on observed investor behaviour at the annual general meeting. To my understanding, such a methodological approach has not been used previously.

The second way by which the present study contributes to earlier research is that it extends the notion of financial knowledge. One of the practical implications from the Lee and Tweedie studies was that companies needed to exert more resources in order to increase the usefulness of the annual report (Bartlett & Chandler, 1997). This attitude developed as a response to general scepticism of the quality of the annual report. The most notable changes were the

introduction of a cash flow statement, a statement of recognised gains and losses and an operating and financial review. Furthermore, as a general trend in financial reporting, the annual report has expanded in volume, especially the narrative sections. Yet, despite these efforts in improving the usefulness of the annual reports, Bartlett and Chandler (1997), like Lee and Tweedie, concluded that the annual reports were not widely read among large groups of investors. One plausible explanation concerns the ability among these investors to understand the financial accounts as well as the narrative sections. This explanation is corroborated by Jones and Shoemaker (1994) who reviewed studies on the content and readability of annual reports. What is noted from their study is that annual reports are typically written at a level above the capacity of its intended audience (see also Nilsson, 1997; Courtis, 1999). Hence, one conclusion is that attempts to increase the usefulness of the annual report have not been successful because the financial knowledge among certain investor groups is insufficient. On the other hand, evidence from Sweden (Bohlin, 1987) shows that abbreviated reports increase the perceived usefulness of the annual report, a finding also reported by Bartlett and Chandler. Such efforts suggest that part of the story of financial knowledge relates to the way the information is packaged. For instance, the traditional annual report may present accounting information that does not accommodate the non-professional investor. This view would reasonably explain that respondents indicate that, for example, business news is an important source of information because the business press performs an editing process of the original information.²² This editing process of accounting information illustrates the importance of the professional actor's role in interpreting accounting information to other investors (see Lidén, 2005 for a discussion along similar lines). This way of locating financial knowledge has not been the focal point in earlier research and most studies that studied financial knowledge among non-professional investors have done so by directly examining the use of accounting information among individual investors. Taking the argument that financial knowledge may depend on how accounting is presented and where it is presented, the current focus offers an opportunity to gauge the financial knowledge among individual investors by researching it at a site where companies have invested a good deal of thought, time and money to contextualise the financial accounts. Hence, the second contribution of the current methodology is that it focus non-professional investor's use of accounting at a site where there exist opportunities for verbal explanation in relation to the financial accounts.

²² This is similar to investment reports produced by brokers and banks, which are also found to be an important source of information (cf. Bartlett & Chandler, 1997).

3. The context of the empirical setting: private investors and the annual general meeting.

Households save differently today than they did 20 years ago. Through pension system reforms, households are encouraged to save in shares and share-related products as a way of taking on personal responsibility for their future welfare. This change in savings patterns has led regulatory bodies in both Sweden and Western Europe to focus attention on consumer rights and protections (IOSCO, 2000; FI 2005:13). For example, the U.K initiative of promoting “financial awareness” among the public is now considered one way of increasing consumer protection among the Swedish public (FI 2005:13). In addition, the OECD (2005) has released a policy document with respect to principles and practice in promoting financial awareness.

For Sweden and the Swedish Financial Supervisory Authority (hereafter referred to as the FI), the focus on consumer rights came about in response to the rapid downturn of the stock markets after the millennium (FI:2001:3; FI:2002:1). The regulatory reports document problems such that private investors hold less diversified portfolios than professional investors (*ibid*). Available statistics demonstrate that during the past eight years the average portfolio contains only about 2.4 shares and between 45% and 51% of all shareholders (2.2 million individual shareholders) hold shares in one single company (NCS, 2008). In finance theory, Karlsson (2005) explains the empirical pattern among non-professional investors with reference to educational background and private wealth. In addition to holding few shares, the FI sees this investor group as being at an informational disadvantage as compared with professional groups because they are less likely or capable of making use of financial information in their investment decisions. The following quote nicely illustrates how FI oversees the situation with non-professional investors and their dependence on professional investors:

The majority of the actors at the stock market have fairly rudimentary information and their single most important source of information is the market price. At the same time, there is another group of actors that have invested resources and elicited specific information about an asset's value. (...). If the well informed investors have elicited positive information, they will buy that asset, which, in turn, will lead to the fact that the less informed will revise their assessment of an asset's value (FI, 2001:3, p. 14)

The above quote, together with empirical research, points to one important feature of the non-professional investor's investment situation, namely that it is contingent on other actors' processing of information (Clark-Murphy & Soutar, 2004). As argued above, to track the use of accounting to sites where accounting is communicated and contextualised offers an opportunity to perform a

study on how accounting may be used to make decisions concerning investments and stewardship. The annual general meeting is one such site where accounting faces a predominantly non-professional community of investors. In addition to the fact that the annual general meeting attracts non-professional investors, the meeting is a useful forum because recent regulatory efforts (such as codes of conducts and policy documents) urge public companies to devote their energy in advancing transparency at the annual general meeting (OECD, 2004; The Swedish Code of Conduct, 2004). In Sweden, this view is upheld by regulatory efforts where, for example, the Swedish Companies Act (2005:551) states that shareholders with one single share may take part in a debate or submit proposals to the meeting. One particular point of the meeting's agenda is devoted to the shareholders asking management questions.²³ Moreover, unlike the U.K setting, in Sweden the auditor is always present at an annual general meeting and therefore shareholders have an opportunity to pose questions directly to the auditor. Because the annual general meeting includes the most important actors around the public company, the meeting potentially offers an opportunity for private shareholders to relate the financial accounts to the corporation's operations. In summary, given a socioeconomic transformation in which more and more households come to rely on the stock market, a focus on how these groups use accounting is warranted. The present paper contributes with such account by documenting how private shareholders at annual general meetings use financial accounting in their role as shareholders.

4. Methodological considerations and field material.

This study uses field material collected during visits to annual general meetings during the spring of 2004 (financial year 2003) and the spring of 2008 (financial year 2007). For the first study, a research group of seven persons collected the data from 36 annual general meetings. The research group visited one meeting together (not included in the 36) and each of us took notes and then we later verified the notes against one another to ensure consistency.²⁴ We recorded the shareholders' questions as well as management's responses. This participation gave us a unique opportunity to record the questions and answers because such material is not found in the minutes from annual general meetings. After the study, we filed the information regarding the

²³ The listing agreement prohibits that any value-relevant information may be communicated in that this would mean insider information (Stockholmsbörsen, Listing Agreement, 2001).

²⁴ We gained access by mailing the investor relations department and explaining the purpose of the study. Four companies denied us access.

questions' topic, the person who asked the questions and the person who answered the question into a database. (Because investors typically present themselves and the number of shares they represent, we were able to file their questions into different investor categories.) From that study, we recorded 265 questions (115 or 43% of these were asked by private shareholders). The remaining questions were asked by the Swedish Shareholders Association (141 or 53%), institutional investors (7 or 3%) and NGOs (2 or 1%). The session with questions from shareholders and answers from management occupied almost 18% of the annual general meetings' total time, indicating that shareholders show a willingness to ask questions. In addition, we recorded only three questions in which management denied shareholders an answer, indicating that annual general meetings offer a useful place for private shareholders to discuss and debate with top management. Here, I use the 115 questions from the private shareholders because they are the main focus of this paper.

In 2008, I initiated a new round of field visits. On this occasion, the field material was gathered by me alone. In all, I attended 31 annual general meetings. Again, I focused on the session with questions and answers and recorded who asked the question, the respondent and the topic of the question. Similar to the first round of site visits, the session with questions and answers took up a substantial part of the total time. From this second round, I also gathered 151 questions asked by private investors, giving me a database of 266 (115 + 151) questions. Companies included in the final sample came from the following sectors: consumer discretionary, energy, financials, health care, industrials, information technology, materials and telecommunication.²⁵ This data set was then used as a corpus for analysing how private investors use accounting and corporate information at the annual general meetings.²⁶

Because the present study makes use of data collected inductively, whereas earlier studies generated data from shareholder population surveys, certain measures were needed to make the present study and previous studies comparable. The first step taken to produce comparable results involved the coding of the current data set. Based on Bartlett and Chandler's elaboration of their data (p. 255), I derived the following six categories: Income statement, Balance sheet, Cash flow, Board and Corporate matters, Operations²⁷ and Directors responsibility.

²⁵ Based on the GICS classification.

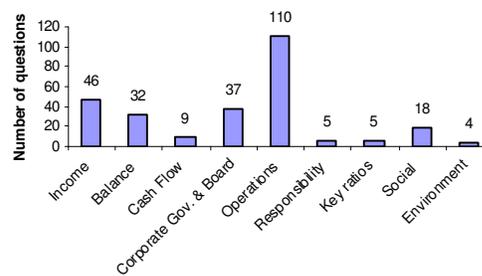
²⁶ To test for differences between the two samples I conducted a Mann-Whitney U test. The test revealed no significant differences between the two years and hence it allows me to combine the two samples. Test results are available upon request.

²⁷ In Bartlett and Chandler's study the categories Board and Corporate matter and Operations appear as subgroups to the main category "Directors report". However, for the purpose of this study, I use these as two main categories.

Using these pre-existing categories improves reliability because it aligns the study to earlier theoretical work (Ragin, 1994).²⁸ Some questions were about financial key ratios; when these metrics contained one component from the income statement and one from the balance sheet, I constructed an additional category called key ratios. (Key ratios such as solidity were assigned to the category balance sheet and, for example, a question about Time Interest Earned to the category Income statement.) This inductive move then improves the validity of the coding (ibid.). Finally, because a number of questions concerned social and environmental questions, I created two new categories (Environment and Social). I also recorded 10 questions that could not be fitted into any of these categories; these questions ranged from one shareholder asking the board to enlarge a photo in the annual report to a question about one member of the board being involved in a charity organisation. In short, I deemed these 10 questions to be irrelevant for the current focus. In summary, based on previous studies and the nature of the field material, I had nine categories to which I assigned the questions recorded. The Appendix contains selected coding examples for each category.

5. Results and analysis

Coding the field material according to the categories derived from Bartlett and Chandler suggests the following: private investors asked most questions about the (1) company's operations, followed by (2) income statements (3) corporate governance and issues (4) balance sheet issues and (5) social issues. Little attention was devoted to questions about cash flow, responsibility and environmental issues.



In this study I chose to analyse the categories Operations and Corporate governance and board issues individually, whereas the categories Income statement, Balance sheet and Cash flow were analysed together. There are three reasons for using this particular strategy. First, the Operations category is the most frequent category, which is consistent with previous research. Second, Corporate governance and board issues is the third most frequent category. These results, however, do not agree with those of earlier

²⁸ Questions about dividends and buy backs can be coded as either balance sheet or cash flow. I coded these four questions as cash flow.

studies and hence I use this category as an example of how the annual general meeting performs a valuable place for private investors to get involved in corporate governance issues. Third, I combine the three categories that constitute the financial reporting package and use examples from all three. Such a treatment allows a more focused analysis than if I would have concentrated on all nine categories.

Operations

Private investors generally ask most questions about the company's operations. Bartlett and Chandler (1997, p. 253) reported a similar pattern in that their respondents indicated that the section that reviews the company's operations is the third most important section and that it is read thoroughly by the private investors. Additionally, studies on annual general meetings reported that shareholders often ask about a company's products at the annual general meetings (cf. Strätling, 2003; Apostolidis, 2007). Regarding the section referred to as operations, earlier studies suggest that one plausible explanation for why shareholders prefer narrative sections is due to their lack of financial education, which inhibits shareholders from fully understanding the financial sections (Jones & Shoemaker, 1994; Nilsson, 1997). Clearly, a shareholder may equally be a consumer, which is nicely illustrated by the following question to a telecommunication company: "I have had major problems with my broadband connection. It is really slow and your customers support team cannot help. Why should I pay for that and what are you going to do to rectify this problem?" (Private shareholder at Telia's annual general meeting, 2008.)

In this particular case the Chief Executive Officer – hereafter referred to as the CEO - told the upset shareholder/customer that he could not comment on individual cases; however, he urged the shareholder to get in contact with the person in charge of the customers support team (at this time, the person from the support team stood up to present himself). Still, the majority of the questions fitted into the Operations category did not concern the company's products. Rather, these questions pertained to geographical presence, strategy and business models. Annual reports characteristically devote considerable attention to these topics. Equally, a large portion of a CEO's speech at the general meetings is devoted to the company's operations. Coupled with the fact that most shareholders seem to prefer narrative sections in annual reports and that a substantial part of the CEO's speech is occupied with non-financial aspects of the company's operations, it seems likely that this is the part best understood and thus most likely to be evaluated by shareholders. Yet, different from the annual report, a face-to-face meeting allows the shareholders to ask questions and discuss concerns. For instance one shareholder who had not fully understood the company's (an Internet company) business model asked the following question: "More basically, what are you doing?" (Private shareholder at Cybercoms's annual general meeting, 2004.) This

individual received an explanation from the CEO about their operations as well as how they charged their customers.

Board and corporate governance

The third most frequent category was corporate governance, constituting 14% of all recorded questions, a figure that sharply differs from the results of Bartlett and Chandler, of which 75% indicated that they pay no attention to this section in the annual report. Moreover, a number of studies have raised concerns that accounting reports and other corporate communication distance shareholders and stakeholder groups from the company (Bartlett & Chandler, 1999; Froud, Haslam, Johal, and Williams, 2000). There are at least two plausible reasons for why the present study found private shareholders prone to ask questions about corporate governance issues. First, there have been recent debates in the media on the low representation of women on company boards (E24, 2007-03-08). The question about positive discrimination has been raised from politicians, media and corporate profiles but has never been incorporated into praxis or legislation. Yet, this question has been raised on a number of occasions and in 2004, and in 2008 a number of shareholders asked questions about what corporate efforts were being made to promote women in their organisation or questioned why there were no women nominated to the new board being elected at the meeting. The second reason, which also has been discussed frequently, concerns remuneration to top management. In addition to general complaints that executives are paid unreasonably high salaries, it was revealed in 2001 that an insurance company, Skandia, had paid their top executives bonuses that had not been fully accounted for in the annual reports. The media wrote extensively on this financial misconduct and some shareholders even formed an activist group in an attempt to press charges against the company (cf. Gruptalan.com). With the debate on the low representation of women on company boards and the financial scandal on excessive and unaccounted remunerations (that was still topical in 2007-2008), an opinion quickly formed regarding the lack of proper corporate governance in Sweden, which reasonably influenced my results. Expectedly, a large number of questions were directed toward management on these two issues, which are illustrated in the following two quotes: "Is there any survey that has been conducted that supports your argument that your top executives work harder with a variable component to the salary?" (Private shareholder at Nobias's annual general meeting, 2008.)

This question came after the Chairman of the board had presented the new incentive programme. In this particular case the question seemed to have surprised the Chairman because he first answered "We ask them!" After a few seconds, he entered into a standard explanation that they had seen positive effects from it, and because they acted on a global market, they needed to offer attractive compensation to their top executives in order to recruit new

executives and retain those already in the company (Nobia, 2008). The second type of question that was representative of questions about corporate governance was, "Don't you think we need legislation to have a more equal board in Nordea?" (Private shareholder at Nordea's annual general meeting, 2004.)

In other words, public attention to these aspects of corporate governance influenced shareholders to ask questions about these matters.

The second reason to why the present results differ from earlier findings relates to the forum itself. When a company such as Skandia announces a possible fraud affair, it is plausible to suspect that shareholders will want to attend the annual general meetings to air their protests and discontent. In this way the large numbers of questions recorded in 2004 on corporate governance vis-à-vis other questions may not be representative of shareholders true interest in this issue. Still, whereas the questions that emerged in 2008 were less disconcerting than those raised in 2004, questions on remuneration programmes were frequent and typically pertained to the design of the incentive programmes. Furthermore, given the strong pressure on companies to report on their governance programme (e.g., Power, 2004), the present results suggest that remuneration questions are preferably addressed on a face-to-face basis. A face-to-face encounter implies direct communication and while an annual general meeting is both well rehearsed and designed, the human component place a degree of tension to questions concerning stewardship (Apostolidis, 2007).

Income statement, balance sheet and cash flow

The study by Bartlett and Chandler (1997) confirmed the finding in Lee and Tweedie (1975a; 1975 & 1976) that the formal accounting report is "largely ignored by shareholders, or at best is read only briefly" (Bartlett & Chandler, 1997, p. 254). Versions of the original Lee and Tweedie study have been replicated in various national settings, generating similar results (cf. Bohlin, 1987; Clark – Murphy & Soutar, 2004). In Bartlett and Chandler's study financial accounting information (i.e. the income statement, balance sheet and cash flow statement) rank below the narrative sections on, for example, operations. Furthermore, it seems that non-professional investors prefer the financial summary section over the more comprehensive sections. The results from the present study can, on the one hand, be interpreted as being in accordance with earlier reports in that non-numerical information is more often debated than strict numerical financial information. On the other hand, questions concerning the income statement, the balance sheet and the cash flow statement are more frequent than, for example, social and environmental information, which is predominantly non-numerical. Further, the present results, that private investors ask questions about the financial accounts of the company, suggest that financial accounting plays a role for this group, as

indicated by the finding that questions about the income statement ranked second in this study.

There is one major reason as to why the results of this study are not in agreement with those of previous studies. Since the beginning of 2000, the Swedish Financial Supervisory Authority has urged companies to promote trust and transparency through other channels than their financial reporting (FI: 2001:3). As mentioned above, one such venue is the annual general meeting and the importance of this forum is reinforced in the Swedish code of conduct that was first published in 2004 (SOU, 2004:46). Furthermore, a recent survey on shareholders' attitudes toward the annual general meeting indicates that these meetings have increased in importance over the past years (FAR SRS, 2008). In summary, one explanation to why almost 33% of all questions recorded in the study concerned financial accounting (categories Income statement, Balance sheet and Cash flow) is that the meeting itself has been promoted as the forum where public companies should communicate with their shareholders.

On a number of occasions, the companies devoted time to contextualise the financial accounts. For example, in 2004 the transition to IAS/IFRS from Swedish GAAP led to a number of questions. Virtually all speeches from the CEO and the auditor referred to the transition and its implications. A typical question in this respect is one taken from a mining company: "How is the change from depreciations to impairment tests of goodwill going to affect the result?" (Private shareholder at Tricorona's annual general meeting, 2004.) The answer to this question was that it would not have any great impact because goodwill's part of the balance sheet was low and therefore the subsequent impact on the income statement was minimal.

Further, at SJR's meeting (a consultancy company) a shareholder was puzzled about the generous dividends that were barely supported by current earnings. The shareholder also found it awkward to pay out such high dividends because 12 months prior to the decision the company issued shares. Therefore, one of the questions the shareholder posed was, "You have very generous dividends. Isn't this a threat to the solidity of the company?" (Private shareholder at SJR's annual general meeting, 2008.)

These two examples were representative of the questions recorded about the information found in the income statement and balance sheet. The most interesting question regarding the cash flow statement concerned a debate between the CEO of Tricorona and a private shareholder:

Shareholder: When do you expect a positive cash flow from operations?"

CEO: We expect a positive cash flow from operations for the first six months this year. During this year, we will also report a profit."

Shareholder: "But is cash flow the same as profit"?

CEO: "Yes, it is!"

In summary, it seems that private shareholders take the opportunity to ask questions about financial accounting. However, the present study also corroborated earlier research in showing that there is considerable interest in a company's operations. In the next section I discuss the results and the limitations of the present study, particularly the problems concerning how to compare the results of this study to other studies.

6. Discussion and limitations

In line with earlier research the current study reports that non-professional investors prefer qualitative corporate information rather than quantitative information. Furthermore, previous research has reported that non-professional investors make most use of information about a company's operations, a finding in accordance with the present study. Previous research has explained this finding by arguing that professional investors have greater financial knowledge than non-professional investors and that annual report is typically written above the general level of many investors. Although this study did not test or seek to assess an individual investor's financial knowledge, it seems reasonable to suggest that background variables (such as education and training in financial knowledge) among the entire population is lower than for professional investors and this, in turn, results in more questions being asked about operations as compared with financial accounting.

Although studies have reported low interest among non-professional investors to read or ask about corporate governance information, the present results indicate that such information is discussed (third most frequent category). One plausible explanation for the discrepancy relates to the fact that questions raised at the meetings corresponded to the current debate regarding few women on company boards, unaccounted remuneration plans and high variable salaries. Another explanation could be that the Swedish Shareholder's Association, an organisation that attends all annual general meetings, asked questions about these three topics. Representatives of the organisation are often the first to ask questions at the meeting and their questions appear to have a contagious effect—leading the others at the meeting (i.e. the non-professional investors) to behave similarly. Theoretically, such an argument could be explained with reference to social status; however, when interpreted in the context of this study, it supports the initial argument that the role of accounting for non-professional investors depends on how accounting is edited by actors who (reasonably) possess greater knowledge to make use of it. Taken together, the results from the current study and those from earlier reports suggest the need to examine the role of accounting for non-professional groups in terms of the interplay with various actors that perform financial interpretations of the original annual report.

For this reason, the main contribution of this study is that it has studied accounting in a forum with a predominantly non-professional investor community.

One aim of this study was to compare the present results with those of earlier studies. Because the current methodology differs from that used in previous studies in a number of significant ways, the question of comparability must be raised. The most distinct difference between this and related studies concerns the way I gathered field material. In population surveys respondents are presented with a limited number of alternatives, whereas in this observational study the shareholders could ask an unlimited number of questions. Consequently, the present study could have generated different results if the participants would have been asked to choose from questions used in earlier research. Furthermore, earlier studies asked respondents to assign degrees of importance to the various sections of the annual report, an undertaking that was not possible in the present study. My way of measuring importance is a parallel to content analysis in which frequency is meant to measure the importance assigned to an issue. Such a way of measuring importance may be problematic though it does seem to be a generally accepted method (Silverman, 2001).

My way of reducing the problems associated with comparisons between studies has been to use the same types of category used in earlier studies when coding the field material. A further attempt to make this study more comparable with others involved only classifying questions that could be fitted into the categories generated from earlier research, plus the three categories generated from the field material to increase validity (this procedure is explained in detail in section 4).

In earlier studies respondent's answers have been related to background variables (e.g., gender, education and investor activity). In the present study this has not been possible and the only reasonable description of shareholders attending annual general meetings is that they are active in the sense that they actually attended the meeting. Still, overall statistics indicate that only 1% (median value) of all shareholders attended the meetings.

The last possible factor that may influence the present results concerns the setting. Although corporate governance practices are becoming more alike (cf. Wieland, 2005), some important differences still remain. It was indicated previously in this paper that the agenda and regulation of an annual general meeting is subject to Swedish legislation and hence the meeting differs from that of the UK and the USA. Moreover, the recent code of conduct and regulatory reports have promoted the annual general meeting and from that respect it may be that the Swedish setting better enables shareholder participation as compared with such countries as the UK and USA. Accordingly, similar studies that are conducted in varying contexts may generate different answers.

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Appendix

Selected Coding Examples

Question: Why don't you report the sickness absence in the annual report when the law proscribes that you do so?
Actors: Private investor, answered by CEO

Coded: Social

Question: How many years do the incentive programme cover, and is there a maximum bonus tied to it?
Actors: Private investor, answered by Chairman

Coded: Board & Corporate Governance

Question: Your industry is very sensitive to the general conditions of the economy. Are you planning to extend into new industries?
Actors: Private investor, answered by CEO

Coded: Operations

Question: Are you buying back shares to improve the ratio costs/income?
Actors: Private investor, answered by CEO

Coded: Key ratios

Question: Regarding corporate responsibility, what in your business has the most impact on the environment?
Actors: Private investor, answered by CEO

Coded: Environment

Question: Sales increased by 6% last year. Can we expect that figure to increase further?
Actors: Private investor, answered by CEO

Coded: Income statement

Question: How do you account for goodwill? Specifically, what assumptions are made for the impairment tests?
Actors: Private investor, answered by CFO

Coded: Balance sheet

Question: What are the main legal consequences of acts of embezzlements by board members?
Actors: Private investor, answered by Chairman

Coded: Responsibility. (The question concerned how the new board of directors should deal with the fact that the former board members were not discharged of liability)

Question: When do you expect positive cash flow?
Actors: Private investor, answered by CEO

Coded: Cash flow
