IMPRESSION MANAGEMENT IN CHAIRMEN'S LETTERS: AN EMPIRICAL STUDY OF BANKS' ANNUAL REPORTS IN MENA REGION

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Abstract

The study aims to investigate the extent of existence of strategies of impression management (IM) in the narrative section of 200 annual reports of a sample of 50 banks in five different countries of Middle East and North Africa (MENA) region (Egypt, Jordan, Lebanon, Saudi Arabia, and United Arab of Emirates) for 2011-2014. Seven variables were employed to identify the existence of IM strategies in the chairmen's letters of the bank's annual reports. By employing descriptive statistics, frequency distribution and proportion test, it was found that four out of the seven strategies have existed in the chairmen's letters. These strategies are reading ease manipulation, visual and structural manipulation, performance comparisons, and performance attribution. It is interesting to note that the annual reports narrative of major banks in MENA region were very difficult to read. This result may perhaps encourage more consideration to the obstacles of effective communication that is the basic mean of facilitating rational resource decision making. Moreover, the results demonstrated that management of banks in MENA region choose benchmarks that portray current bank performance in the best possible light; further they highlight good news rather than bad news and placing these good news in the most emphasized sections of the chairmen's letters; also they prefer to blame the environment for bad news, but take the credit themselves for good news. Therefore, the study recommends auditing regulators to issue a new standard in which auditors are required to confirm reliability of the information in the accounting narratives of banks annual reports.

Keywords: Impression Management, Accounting Narrative, Annual Report, Chairman's Letter, Bank, MENA Region

1. INTRODUCTION

The Asian economic crisis took place in year 1997 along with the breakdown of the enormous corporate accounting scandals as in Enron, Parmalat, WorldCom, and many others in year 2001 have placed accounting and auditing profession under inspection and have shaken not only trust in financial reporting, but also into the financial system on the whole (Berndt and Leibfried, 2007; Ramli et al., 2013; Adekunle and Taiwo, 2013). Thus, after a progressive rise of these corporate accounting scandals and financial crises, investors, academicians, regulators and other stakeholders asked for higher transparency from the business world by better and more comprehensive information disclosure through diverse media; for instance, press releases, prospectuses, corporate web sites, and annual reports (Uyar et al., 2013). Although there are a wide variety of media for information disclosure, however; the annual report is regarded to be the chief source of information disclosure and significant communication tool to diverse user groups (Marston and Shrives, 1991; Uyar, 2011).

In fact, an organization's annual report encompasses quantitative information, accounting narratives, financial graphs, photographs, and tables (Stanton et al., 2004) and are generally includes a quantitative section and a narrative section (Kloptchenko et al., 2004). The quantitative section consists of the financial statements and the related notes to it; the format and content of this section are governed by law and regulation; moreover, independent auditors have to confirm and declare whether the financial statements of this section provide a real and honest view of the organization's results and financial position (Hooghiemstra, 2003). On the other hand, the narrative section is unregulated, not subject to audit requirements and inclusion of information in this section is at the discretion of the management (Clatworthy and Jones, 2001; Merkl-Davies and Brennan, 2013). Consequently, organizations have a great extent of freedom in the demonstration of their performance in this section (Thomas and Gup, 2009). Thus, firms tend to provide additional voluntary information in their narrative sections in an attempt to convey their own side of the story on matters and issues of public concern (Cerin, 2002). In doing so, firms may impact readers' impressions by manipulating the content and managing the presentation of information (Merkl-Davis and Brennan, 2007).

Therefore, the narrative section offers management with an outstanding opportunity to clarify events to their own welfare (Ginzel et al., 1993). That is, management appears likely to emphasize the positive news, while the negative news is hidden or excluded to strengthen their corporate reputation (Baker and Kare, 1992; Idowu and

Papasolomou, 2007). This “selective way of presenting information may be seen as part of managers’ IM” (Hooghiemstra, 2003:4). As such, IM is a wealthy and multifaceted phenomenon since it has a negative influence on shareholders, stakeholders and society; hence, it represents an essential area of research, as it not only has the possibility to weaken financial reporting quality but may also promote to social and political inequality (Merkl-Davies and Brennan, 2013). Although this fact, however, IM in corporate reporting from a narrative perspective is an issue that is still quite fresh in accounting literature, the dearth of research in this area is even more evident in the case of MENA countries, which means that a gap exists in the accounting research (Chang, 2014). Consequently, a research to convey insights regarding this spring of research specifically in MENA countries is needed.

1.1. Research Problem

Annual reports consist of two different parts, that is, the voluntary part containing of narrative information and the statutory financial statements part (Stanton et al., 2004). Previous studies have indicated that investors are depending on the information disclosed in the annual reports for decision making (Wills, 2008). However, many investors find the financial statements section is complex and complicated; hence it is easier for investors to concentrate on the narrative section of the annual reports (Rogers and Grant, 1997; Henderson, 2004). Indeed, narratives are an essential section of contemporary annual reports (Jones, 1996) and a significant complement to the financial statements section (Wills, 2008). They include twice the quantity of information than the statutory financial statements part (Smith and Taffler, 2000); and it has been found, especially the chairman’s statement, to be one of the most excessively read parts of the corporate annual report (Subramanian et al., 1993).

This growing significance of the narrative sections in corporate documents provides organizations with the opportunity to overcome information asymmetries by disclosing more information, thereby increasing their decision-usefulness (Merkl Davies and Brennan, 2007). However, this section is discretionary, unaudited and not governed by any regulation (Clatworthy and Jones, 2001). Given this fact, it is easier for managers to manipulate such information (Axelsson and Leufstedt, 2014) to depict a more advantageous view of the organization’s performance than is warranted (Beattie and Jones, 2002). This can be applied in a number of methods include reading ease manipulation (REM), rhetorical manipulation (RM), thematic manipulation (TM), visual and structural manipulation (VSM), performance comparisons (PC), choice of earnings number (CEN), and performance attribution (PA) (Merkl Davies and Brennan, 2007)..

Although the importance and benefits of research into IM strategies; research in IM is still in its infancy even in developed countries (Merkl-Davies, and Brennan, 2007; Cen and Cai, 2013). The dearth of research in this area is even more evident in the case of MENA countries. In MENA region**,** very limited research if any has been done in the extent of existence of IM in banking sector. Realizing this gap, this study aims to investigate the extent of existence of strategies of IM of selected countries of MENA region (Egypt, Jordan, Lebanon, Saudi Arabia and United Arab of Emirates) for 2011-2014.

1.2. Research Questions

This study responded to a call for a more research studies into the extent of IM strategies in MENA countries. Thus, in order to investigate the problem of this study, the study subsequently providing answer to the following research question: *To what extent do REM strategy; RM strategy; TM strategy; VSM strategy; PC strategy; CEN strategy; and PA strategy exist in the annual reports narrative of major MENA banks?*

1.3. Research Objectives

The main objective of the current study is to contribute to the understanding of IM in corporate reporting context through investigating the extent of IM strategies in the narrative section- chairman’s letter- of the annual reports of major selected banks in MENA region. Hence, this research tries to achieve the following specific objective: *To determine the extent of existence of REM strategy; RM strategy; TM strategy; VSM strategy; PC strategy; CEN strategy; and PA strategy in the annual reports narrative of major MENA banks.*

1.4. Research Significance

As there are no studies known to the researchers that investigated the extent of existence of IM strategies in annual reports narrative of MENA banks, this study aids to encourage horizontal and longitudinal comparisons to other similar international studies - such as Clatworthy and Jones (2003, 2006) and Bhana (2009) - which may provide some indication of how trends in voluntary disclosure and application of IM are developing in the discretionary section of corporate annual reports. It is hoped that this study would contribute to the body of knowledge in the area of financial disclosure by providing a new dimension on the usage of IM strategies in annual reports narrative and would trigger future research in other countries.

The results of this study would also be beneficial to investors as it informs them managers of the banking sector in MENA region are practicing IM in the chairmen’s letters of the annual reports narrative using various strategies; thus investors should exercise concern when reading these documents before making their decisions. As well the results would be of practical significance to regulators and policy makers as it informs them that the chairmen’s letters of the annual reports narrative does not comply with the principle of neutrality; therefore, they should actively intervening to ensure that the voluntary status of the annual reports narrative is more closely scrutinized by auditors.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Since 1980 IM has been regularly examined in a business setting (Cen and Cai, 2014). In this context, IM “occurs when management selects information to display and presents that information in a manner that distorts readers' perceptions of corporate achievements" (Godfrey et al., 2003:96). Four substantial ways by which they perform this namely: accounting narratives, financial graphs, photographs and tables (Jameson, 2000; Courtis, 2004; Davison and Skerratt, 2007; Ibrahim, 2011). Indeed, due to the documented use, growth, and significance of the accounting narratives included in the front section of the annual reports, and their susceptibility to manipulation (Wills, 2008), this form of manipulation was selected for investigation in this study.

In fact, Merkl-Davies and Brennan (2007) pinpoint two principal IM manners utilized in accounting narrative documents that are attribution (the propensity to declare more responsibility for successes and accomplishments than for failures and defaults) such as PA; and concealment (attained either by hiding negative news or by strengthening positive news) such as REM, RM, TM, VSM, PC, and CEN.

The accounting literatures that have discussed the strategies of IM have identified the existence of these strategies in the various corporate official documents. For instance, Smith and Taffler (1992); Courtis (1995); Courtis (2004); Mohamad and Abdul Rahman (2006); Abdul Rahman et al. (2012); Abdul Rahman (2014); Malafronte et al. (2015); as well Moreno and Casasola (2016) found that the readability of the accounting narrative of organizations matches to a level that regards them to be either difficult or very difficult.

Moreover, Thomas (1997); Hyland (1998); Jameson (2000); Yuthas et al. (2002); Watson (2005); Clatworthy and Jones (2006); Chariri (2007); Laine (2009); as well Yan and Aerts (2014) revealed that organizations prefer to use passive structure in the narrative section of the annual reports to obscure negative performance.

Additionally, Deegan and Gordon (1996); Clatworthy and Jones (2003); Tauringana and Chong (2004); Rutherford (2005); Clatworthy and Jones (2006); Bhana (2009); as well Richards et al. (2015) indicated that the narrative section of the annual reports include more good news rather than bad news.

Furthermore, Staw et al. (1983); Courtis (1996); Baird and Zelin (2000); Courtis (2004); Kelton (2006); Davison (2008); and Brennan et al. (2010) demonstrated that that the narrative section of the annual reports contain several sentences that displayed different degrees of visual emphasis, which served to grant greater or lesser degrees of prominence to the information conveyed by company management.

Besides, Schrand and Walther (2000); Cassar (2001); Short and Palmer (2003); Krische (2005); as well Rosenkranz and Pollach (2016) show that managers are more likely to pick the lowest previous year comparative benchmark earnings number that allows them to report the highest year-on-year growth in earnings.

Similarly, Frederickson and Miller (2004); Johnson and Schwartz (2005); Bowen et al. (2005); Guillamon-Saorin et al. (2009); Cameron et al. (2012); as well Vargas et al. (2014) confirmed that firms include profit figures from the profit and loss account that show increases in earnings while they include profit figures not selected from the profit and loss account when they have decreases in earnings.

Further, Staw et al. (1983); Aerts (1994, 2001); Tsang (2002); Clatworthy and Jones (2003); Halim and Chew (2008); Bhana (2009); Tessarolo et al. (2010); as well Li (2012) indicated that accounting narratives in annual reports are biased; with success being confirmed and failure being charged on external uncontrollable and unmanageable factors.

In general, the results of the previous studies show the existence of the IM strategies in the narrative section of the corporate official documents in developed countries. Hence, following the literature, this study will investigate the extent of existence of these strategies in the chairman's letter of banks annual report in some MENA countries. As to enrich the body of knowledge, this study will examine the existence of these strategies for a period from 2011 to 2014. In order to achieve its objectives, this study developed seven hypotheses based on different theories of IM discussing how information is disclosed in the corporate official documents. These hypotheses are highlighted in the next section.

2.1. Reading Ease Manipulation

Readability is "what makes some texts easier to read than others" (Dubay, 2004: 7). It is "the ease of understanding or comprehension due to style of writing" (Klare, 1963:1). Hence, organizations should "use plain language, only well-defined terms, consistent terminology and an easy-to-follow structure" (Financial Reporting Council, 2009: 48). However, prior studies have demonstrated that annual reports mainly are difficult or very difficult to read (Smith and Taffler, 1992; Courtis, 1995; Courtis, 2004; Mohamad and Abdul Rahman, 2006; Abdul Rahman et al., 2012; Abdul Rahman, 2014; Malafronte et al., 2015; Moreno and Casasola, 2016). These studies consider reading difficulty as a deputy for obfuscation, with obfuscation being interpreted as "a narrative writing technique that obscures the intended message, or confuses, distracts or perplexes readers, leaving them bewildered or muddled" (Courtis, 2004: 292). This indicates that management distorts the decisions and perceptions of annual report readers in a manner that making them more difficult to read (Merkl-Davies et al., 2005). Based on these arguments, this study tests the following hypothesis:

H_1: Higher percentage of banks in MENA region uses very difficult to read language in their chairmen's letters.

2.2. Rhetorical Manipulation

Rhetoric as an IM strategy" is the art of persuasive discourse and the one-way flow of argument to influence the reader in favor of a particular perspective" (Brennan et al., 2010:6). Its aim is to obscure, convince, and alter the attention of the readers (Warner, and Rowley, 2013). More specifically, this strategy considers persuasive language as a deputy for obfuscation (Brennan et al., 2009). It presumes that managers hide negative organizational results utilizing the passive voice since it has emphasized not on what is said, but how it has been said (Merkl-Davies and Brennan, 2007; Khanna and

Irvine, 2012). The accounting literatures that have been discussed the existence of the RM in various corporate official documents have identified the existence of this strategy by using passive verb in the narrative section of the annual reports to obscure negative performance (Thomas, 1997; Hyland, 1998; Jameson, 2000; Yuthas et al., 2002; Watson, 2005; Clatworthy and Jones, 2006; Chariri, 2007; Laine, 2009; Yan and Aerts, 2014). Based on these discussions, this study formulates the following hypothesis:

H_2: Higher percentage of banks in MENA region uses passive verbs in their chairmen's letters.

2.3 Thematic Manipulation

This strategy emphasizes on positive words and themes (Merkl-Davis and Brennan, 2007). It is presumed that every management utilizing this strategy is seeking to hide the bad news, either by not reporting it, or reporting it to a lesser extent so that it is concealed by the overemphasized good news (Ibrahim, 2011). This situation is designated as the 'Pollyanna Principle' (Hildebrandt and Snyder, 1981). The accounting literatures that have been discussed the existence of the TM in various corporate official documents have identified the existence of this strategy by emphasizing more good news in the narrative section of the annual reports (Deegan and Gordon, 1996; Clatworthy and Jones, 2003; Tauringana and Chong, 2004; Rutherford, 2005; Clatworthy and Jones, 2006; Bhana, 2009; Richards et al., 2015). Based on these debates, this study develops the following hypothesis:

H_3: Higher percentage of banks in MENA region emphasizes more good news in their chairmen's letters.

2.4. Visual and Structural Manipulation

VSM involves the method in which information is disclosed (Ibrahim, 2011). Hence, management may utilize a diversity of visual effects to make certain information more attractive to the readers (Merkl-Davis and Brennan, 2007). This includes highlighting to emphasize, presenting text in bold, the use of color, placement of information, the use of bullet points, and the size of the font (Courtis, 2004; Bowen et al., 2005; Elliot, 2006; Guillamon-Saorin, 2006; Brennan et al., 2009). The accounting literatures that have been discussed the existence of the VSM in various corporate official documents have identified the existence of this strategy by highlighting positive financial performance in words and themes in the narrative section of the annual reports (Staw et al., 1983; Courtis, 1996; Baird and Zelin, 2000; Courtis, 2004; Kelton, 2006; Brennan et al., 2010). Based on these arguments, this study postulates the following hypothesis:

H_4: Higher percentage of banks in MENA region highlights positive financial performance in their chairmen's letters.

2.5. Performance Comparisons

PC comprises selecting benchmarks to enhance the good performance (Ibrahim, 2011). Thus, firms are presumed to present a positive bias by selecting performance comparisons that enable them to depict their present performance in the best possible light (Cassar, 2001; Brennan et al., 2009; Khanna and Irvine, 2012). Related to this, firms manipulate the PC by selectively comparing performance indicators against a base year to the degree that the performance for the present year seems as favorable (Merkl-Davis and Brennan, 2007). The accounting literatures that have been discussed the existence of the PC in various corporate official documents have identified the existence of this strategy by selecting favorable benchmarks for more favorable depiction of financial performance in the narrative section of the annual reports (Schrand and Walther, 2000; Cassar, 2001; Short and Palmer, 2003; Krische, 2005; Rosenkranz and Pollach, 2016). Based on these discussions, this study formulates the following hypothesis:

H_5: Higher percentage of banks in MENA region selects favorable benchmarks in their chairmen's letters.

2.6 Choice of Earnings Number

This strategy involves the cautious choice of a favorable performance numbers to disclose in corporate narratives, specifically earnings related numbers (Guillamon-Saorin, 2006; Brennan and Conroy, 2013). Hence, companies may particularly select certain earnings number and skipping others to regard their performance more favorably (Rahman, 2012). Therefore, management disclosed the earnings number that produced the highest number, to show more profitability than had actually been realized thereby impacting the perception of performance (Johnson and Schwarz, 2005; Guillamon-Saorin, 2006; Brennan et al., 2009; Khanna and Irvine, 2012). The accounting literatures that have been discussed the existence of the CEN in various corporate official documents have identified the existence of this strategy by selecting favorable earnings numbers for disclosure in the narrative section of the annual reports Johnson and Schwartz, 2005; Bowen et al., 2005; Guillamon-Saorin et al., 2009; Cameron et al., 2012; Vargas et al., 2014). Based on these debates, this study develops the following hypothesis:

H_6: Higher percentage of banks in MENA region selects favorable earnings numbers in their chairmen's letters.

2.7. Performance Attribution

Attribution is the process whereby a firm clarifies the causes for its performance (Khanna and Irvine, 2012). Thus, this strategy indicates that management will act in a 'self-interested' way to maximize their self-interest (Brennan et al., 2009; Khanna and Irvine, 2012). Indeed management usually assigning positive results to organizational or internal factors thus engaging in 'self-enhancement' and justifying negative results to external factors hence giving excuses for negative performance (Hooghiemstra, 2000; Clatworthy and Jones, 2003; Barton and Mercer, 2005; Brennan et al., 2009; Rahman, 2012). The accounting literatures that have been discussed the existence of the PA in various corporate official documents have identified the existence of this strategy through the tendency of the managers to shift the blame and assert positive outcomes in the narrative section of the annual reports (Staw et al., 1983; Aerts, 1994, 2001; Tsang, 2002; Clatworthy and Jones, 2003; Halim and Chew, 2008; Bhana, 2009; Tessarolo et al., 2010; Li, 2012). Based on these arguments, this paper tests the following hypothesis:

H_7: Higher percentage of banks in MENA region shifts the blame and asserts the positive outcomes in their chairmen's letters.

3. RESEARCH METHODOLOGY

3.1. Data and Data Source

The objective of the study is to investigate the extent of existence of seven strategies of IM in MENA banks for the period from 2012-2014. Data is collected from the published annual reports of a sample of banks from 5 separate countries in MENA region from their official website. A sample of 50 banks was selected for the period 2012-2014. The sample includes (Egypt: 7; Jordan: 10; Lebanon: 14; Saudi Arabia: 7; and United Arab of Emirates: 12). The banks included in the sample had produced annual reports in their websites in the English language for a period of four consecutive years (2011-2014) (see appendix: 1).

3.2. Content Analysis

To measure the extent of IM strategies in the annual reports narrative, a mixture of computer and manual content analysis of the chairmen's letters of bank's annual reports was undertaken. This mixture of manual and computer-assisted coding through the most appropriate supported software for the methodological approach of this study would be valuable.

3.3. Measurement of Variables

The measurements of the seven IM strategies are chosen based on previous studies. REM is measured by flesh readability ease score (FRE) that is calculated by the following formula: Readability Score = 206.835- 1.015SL – 0.846WL; where, SL = Average sentence length (Number of words/number of sentence) and WL = Average Word Length (Number of syllables/100 words) (Flesch, 1960:309) (see appendix: 2). If FRE<70, the strategy exists; otherwise the strategy is not exists (Courtis, 1995; Abdul Rahman, 2014). RM is measured by the percentage of passive sentences to total sentences (%PS/TS) (Cen and Cai, 2014) (see appendix: 3). If %PS/TS >10; the strategy exists, otherwise the strategy is not exists (Amdur et al., 2010; Foster, 2012). TM is measured by sentiment score (SC) that is available in a computerized format (sentiment analysis software) (DanielSoper.com, 2016) (see appendix: 4). If the tone of SC is positive, the strategy exists; otherwise the strategy is not exists (Pagliarussi et al., 2016). VSM is measured by four presentation techniques (location, repetition, visual, and reinforcement). If any of these techniques exist, the strategy exists; otherwise the strategy is not exists (Beattie et al., 2004; Brennan et al., 2009). PC is measured by the percentage or amount change of performance indicators over the prior year together with the current year. If positive benchmark (PB) > negative benchmark (NB); the strategy exists; otherwise the strategy is not exists (Beattie et al., 2004; Brennan et al., 2009). CEN is measured based on which amount of profit is disclosed in the chairmen's letters (profit before tax, net profit for the year, and profit attributable to equity holders). If largest amount of profit is disclosed in the chairman's letter, the strategy exists; otherwise the strategy is not exists (Beattie et al., 2004; Brennan et al., 2009). PA is measured by 'self-referring pronouns' (SRP) and 'other- referring pronouns' (ORP) that is available in a computerized format (Linguistic Inquiry Word Count Software). If SRP>ORP, the strategy exists; otherwise the strategy is not exists (Li, 2012).

4. EMPIRICAL RESULTS AND ANALYSIS

4.1. Descriptive Statistics

The descriptive statistics (DS) for the quantitative variables (FRE, %PS/TS, and SC) are presented in Table (1).

Table 1. Descriptive Statistics for Flesh Reading Ease, % of Passive Sentences /Total Sentences, and Sentiment Score

Variables	*Minimum*	*Maximum*	*Mean*	*St. Dev.*
FRE	5.23	39.38	24.29	6.67
%PS/TS	0.02	0.21	0.11	0.04
SC	(70.38)	81.28	1.18	27.65

The DS for FRE indicates that the average and SD was found to be 24.29 and 6.67 with a range of 39.38 as a maximum and 5.23 as a minimum. The average FRE score of 24.29 was lower than the cut -off point for the range of very difficult language (FRE 0-30); this indicates that all the sampled banks uses very difficult to read language in their chairmen's letters of the annual reports. On the other hand, the DS for %PS/TS indicates that the average and SD was found to be 0.11 and 0.04 with a range of 0.21 as a maximum and 0.02 as a minimum. The average %PS/TS of 11% was higher than the cut-off point for the acceptable level of passive sentences (%PS/TS≤ 10%); this indicates that all the sampled banks uses percentage for passive sentences higher than the acceptable level in their chairmen's letters of the annual reports. However, the DS for SC indicates that the average and SD was found to be 1.18 and 27.65 with a range of 81.28 as a maximum and (70.38) as a minimum. The average SC of 1.18 was within the ranges of neutral tone (SC 0-10 and -10-0); this indicates that all the sampled banks uses neutral tone in their chairmen's letters of the annual reports.

4.2. Frequency Distribution

The frequency distributions (FD) for the categorical variables (VSM, PC, CEN, and PA) are presented in Table (2).

Table 2. Frequency Distributions for Visual and Structural Manipulation, Performance Comparisons, Choice of Earnings Number, and Performance Attribution

Variables	*Existence*		*Inexistence*	
	Frequency	*Percent*	*Frequency*	*Percent*
VSM	119	59.5	81	40.5
PC	145	72.5	55	27.5
CEN	31	15.5	169	84.5
PA	155	77.5	45	22.5

The FD for VSM indicates that the majority of banks 119 out of 200 banks- representing 59.5% - applied this strategy using single emphasis. On the other hand, 81 out of 200 banks- representing 40.5% - applied this strategy using variety of emphasis. Thus, it was concluded that all the sampled banks were applying this strategy. However, the highest number of those banks using single emphasis that is placing good news in the most emphasized section in the chairmen's letters of the annual reports. On the other hand, the FD for PC indicates that the highest number of banks 145 out of 200 banks- representing 72.5% - have PB greater than NB; that is they applied this strategy. Whereas, 55 out of 200 banks- representing 27.5% - have PB less than NB; that is they did not apply this strategy. However, the FD for CEN indicates that the highest number of banks 169 out of 200 banks- representing 84.5% - have disclosed net profit for the year as it is in the income statement; that is they did not apply this strategy. While, 31 out of 200 banks- representing 15.5% - have disclosed a profit figure that is higher than profit figure for the year; that is they applied this strategy. As well as, the FD of PA indicates that the highest number of banks 155 out of 200 banks- representing 77.5% - used more SRP than ORP; that is they applied this strategy. On the other hand, 45 out of 50 banks- representing 22.5% - used more ORP than SRP; that is they did not apply this strategy.

4.3. Hypotheses Testing

To test the extent of existence of the seven IM strategies in the chairman's letter of the bank's annual reports in MENA region; a proportion test was employed to determine whether there is a sufficient evidence to conclude that the higher proportion of MENA banks applied those strategies in their annual reports narratives. *The results of this test are presented in Table (*3).

Table 3. Results of Proportion Test of Impression Management Strategies

Variables	*Sample Size*	*# of Banks Using IM*	*Proportion*	*Test Statistics*	*P-Value*
REM	200	154	0.77	7.64	0.0000000000000111*
RM	200	111	0.56	1.56	0.0599
TM	200	79	0.395	-2.97	0.9985
VSM	200	119	0.595	2.69	0.0036*
PC	200	145	0.725	6.36	0.0000000000983*
CEN	200	31	15.5	-9.76	1
PA	200	155	0.775	7.78	0.00000000000000366*

For REM, the test was found to be significant at 0.01 level (P-value=0.00< 0.05). That is according to the sample data there is very strong evidence to support H_1. That is these findings provide very strong evidence that all banks in MENA region are applying this strategy in their chairmen's letters. Moreover, they are applying that strategy by using very difficult language (FRE is between 0-30). Hence, these findings regarding REM confirm the findings of previous studies which have been examined in the USA (Pashalian and Crissy, 1952); UK (Smith and Taffler, 1992); Hong Kong (Courtis, 2004); Malaysia (Mohamad and Abdul Rahman, 2006; Abdul Rahman et al., 2012; Abdul Rahman, 2014); and Spain (Moreno and Casasola, 2016).

For RM, the test was found to be not significant at 0.01 level (P-Value=0.0599>0.05). That is according to the sample data there is no sufficient evidence to support H_2. That is these findings provide evidence that not all banks in MENA region are applying this strategy in their chairmen's letters. Specifically, not all banks in MENA region are using passive verbs in their chairmen's letters to distance from the message rather they are using the active verbs 'doing' more often than verbs of 'being'. Unexpectedly, these findings regarding RM contradict the findings of previous studies which have been examined in the USA (Thomas, 1997; Watson, 2005) and UK (Clatworthy and Jones, 2006; Yan and Aerts, 2014).

For TM, the test was found to be not significant at 0.01 level (P-Value=0.9985 > 0.05). That is according to the sample data there is no sufficient evidence to support H_3 .That is these findings provide evidence that the highest proportion of banks in MENA region is not applying this strategy in their chairmen's letters. Specifically, the highest proportion of banks in MENA region is not emphasizing good news in their chairmen's letters. Therefore, there is no bias toward positive tone. Surprisingly, these findings regarding TM contradict the findings of previous studies which have been examined in the USA (Pava and Epstein, 1993); UK (Clatworthy and Jones, 2003, 2006; Tauringana and Chong, 2004; Rutherford, 2005); South Africa (Bhana, 2009); Australia; and New Zealand (Richards et al., 2015).

For VSM, the test was found to be significant at 0.01 level (P-Value=0.0036 < 0.05). That is according to the sample data there is very strong evidence to support H_4. That is these findings provide very strong evidence that all banks in MENA region are applying this strategy in their chairmen's letters. Moreover, they are applying that strategy by using a single type of visual manipulation, which is placing good news in the most emphasized sections in the annual reports. Hence, these findings regarding VSM confirm the findings of previous studies which have been examined in the USA (Staw et al., 1983; Baird and Zelin, 2000; Kelton, 2006); however, they contradict the previous studies which have been examined in the UK (Brennan et al., 2010); and Hong Kong (Courtis, 1996; 2004).

For PC, the test was found to be significant at 0.01 level (P-value=0.00 < 0.05). That is according to the sample data there is very strong evidence to support H_5. That is these findings provide evidence that the highest proportion of banks in MENA region is applying this strategy in their chairmen's letters. Specifically, the highest proportion of banks in MENA region is selecting favorable benchmarks in their chairmen's letters. In such a way that they are selecting the smallest previous-period comparative benchmark performance indicators to report the greatest year-on-year increases in performance indicators. Hence, these findings regarding PC confirm the findings of previous studies which have been examined in the USA (Schrand and Walther, 2000; Short and Palmer, 2003); Germany (Rosenkranz and Pollach, 2016); and Australia (Cassar, 2001).

For CEN, the test was found to be not significant at 0.01 level (P-Value=1 > 0.05). That is according to the sample data there is no sufficient evidence to support H_6. That is these findings provide evidence that the highest proportion of banks in MENA region is not applying this strategy in their chairmen's letters. Specifically, the highest proportion of banks in MENA region discloses the amount of net profit for the year as it appears in the income statement in their chairmen's letters. Surprisingly, these findings regarding CEN contradict the findings of previous studies which have been examined in the USA (Bowen et al., 2005); Australia (Cameron et al., 2012); Spain (Guillamon-Saorin et al., 2009), and Brazil (Vargas et al., 2014).

For PA, the test was found to be significant at 0.01 level (P-value=0.00 < 0.05). That is according to the sample data there is very strong evidence to support H_7.That is these findings provide very strong evidence that the majority of banks in MENA region are applying this strategy in their chairmen's letters. Specifically, they are applying that strategy by attributing the responsibility of positive news to internal factors and negative news to external factors. Hence, these findings regarding PA confirm the findings of previous studies which have been examined in the USA (; Staw et al., 1983; Halim and Chew, 2008; Li, 2012); UK (Clatworthy and Jones, 2003); Belgium (Aerts, 1994, 2001); Singapore (Tsang, 2002); Japan (Halim and Chew, 2008); South Africa (Bhana, 2009); and Brazil (Tessarolo et al., 2010).

5. CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS

This study aims to investigate the extent of existence of seven strategies of IM in the chairmen's letters of major MENA banks for 2011-2014. The importance of this study lies in providing an empirical evidence for users as it notifies them that many different strategies of IM have been identified as occurring in annual reports narrative and this may damage the provision of a fair view of organization performance, as a consequence, investors should exercise caution when reading these documents; as well as for accounting policy-makers as it informs them that accounting narratives do not always perform their potential to communicate financial information more effectively to external users and frequently display bias. Thus, regulators should consider more actively intervening to ensure that the voluntary status of the annual reports is more closely scrutinized by auditors.

To achieve the objective, proportion tests have been employed. Seven variables were employed to identify the extent of existence of IM strategies in the chairmen's letters of these banks. These variables are REM, RM, TM, VSM, PC, CEN, and PA. These variables are examined using a sample of 50 MENA banks from 2011 to 2014. The findings presented that REM, VSM, PC, and PA significantly exist in the chairmen's letters of the bank's annual reports of MENA countries while the other three strategies, RM, TM, and CEN are not exist in the chairmen's letters of the bank's annual reports. Specifically, the study found that management in MENA region is not neutral in its presentation of chairmen's letters in the annual reports narrative since they are presenting them using very difficult language; placing good news in the most emphasized sections; selecting previous-period comparative benchmark performance indicators; and attributing the responsibility of positive news to internal factors and negative news to external factors. Thus, REM, VSM, PC, and PA can be considered as the most important strategies that should be given more attention by users of annual reports. Therefore, the study recommends the auditing standards to expand the role of the auditors in reviewing accounting narratives, more specifically, the possible audit of these sections to reduce the negative effects of these strategies on annual reports users.

Therefore, the evidences documented in this study highlights the importance of narrative section of the annual reports since it is in this front section of these reports that IM strategies are most likely to be found and thus fill the gap in the literature. This study can act as a catalyst to additional comprehensive and thorough researches on IM in any economic landscapes. However, this study has limitation. Firstly, the sample is small and focused only on one industry in some countries of MENA region. Secondly, other IM forms may also be investigated to give a better understanding of the IM. Hence, it is recommended that future research should represent other institutions in other countries also include other forms such as graphs, photographs, and tables in the study of IM.

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APPENDIX

Appendix 1. Sample of the Study

Saudi Arabia
1.Alinma Bank
2.Arab National Bank
3.Bank AlJazira
4.Banque Saudi Fransi
5.National Commercial Bank
6.Riyad Bank
7.Saudi British Bank
Lebanon
1.Bank Audi
2.Bank of Beirut and Arab Countries
3.Banque Bemo
4.Blom Bank
5.BLC Bank
6.Bank Med
7.Bank of Beirut
8.Byblos Bank
9.Credit Libanais
10.Fenicia Bank
11.First National Bank
12.Fransa Bank
13.Lebanon and Gulf Bank
14.Near East Commercial Bank
Egypt
1.Arab International Bank
2.Ahli United Bank
3.Bank of Nova Scotia
4.Commercial International Bank
5.Housing and Development Bank
6.National Bank of Greece – Egypt
7.Union National Bank
Jordan
1.Arab Bank
2.ABC Bank (Jordan)
3.Cairo Amman Bank
4.Housing Bank for Trade and Finance
5.Islamic International Arab Bank
6.Jordan Ahli Bank
7.Jordan Islamic Bank
8.Jordan Kuwait Bank
9.National Bank of Kuwait
10.Societe Generale de Banque – Jordanie
United Arab of Emirates
1.Abu Dhabi Commercial Bank
2.Bank of Sharjah
3.Commercial Bank of Dubai
4.Commercial Bank International
5.Dunia Finance
6.Emirates Islamic Bank
7.Emirates NBD
8.First Gulf Bank
9.Finance House
10.Mashreq Bank
11.National Bank of Abu Dhabi
12.National Bank of Fujairah

Appendix 2. Flesh Reading Ease in Microsoft Office

1. Click on the round button at the top-left and click on Word Options.
2. Click on Proofing, and then put a checkmark next to show readability statistics then click OK.
3. Copy and paste your content into Word.
4. Run spell check your document and at the end you'll find the Flesch-Reading Ease

Flesh Pattern of Reading Ease Ratings

Reading Ease Rating	*Description of Style*	*Educational Attainment Level*	*Typical Style of Magazine*
0-30	Very Difficult	Postgraduate degree	Scientific
30-50	Difficult	Undergraduate degree	Academic
50-60	Fairly Difficult	Grade 10–12	Quality
60-70	Standard	Grade 8–9	Digest
70-80	Fairly Easy	Grade 7	Slick fiction
80-90	Easy	Grade 6	Pulp fiction
90-100	Very Easy	Grade 5	Comic

Source: Courtis, 1995:7

Appendix 3. Use Microsoft Word to Find Passive Verb Forms

Step 1: Open the document to edit in Word.
Step 2: Click "File," and then click "Options" to launch the Word Options dialog box.
Step 3: Click "Proofing" in the Word Options dialog box.
Step 4: Click the "Settings" button in the When Correcting Spelling and Grammar in Word section. The Proofing Settings dialog box opens.
Step 5: Scroll down to the Styles section, and then click the "Passive Sentences" option. Select other options in the dialog box, as desired. Click "OK" to close the box.
Step 6: Click the "Mark Grammar Errors As You Type" check box in the Proofing dialog box to automatically check for passive voice. Click "OK" to save the settings and close the Proofing dialog box. As you type, a blue squiggle appears under sentences with passive verbs.
Step 7: Click the "Review" tab, and then click "Spelling & Grammar" to manually check the document.

Appendix 4. Sentiment Score Index

Sentiment Score	**Tone of the Text**
0-10	Neutral
10-50	Somewhat positive
50-80	Quite positive
80-100	Very positive
(10)-0	Neutral
(10)-(50)	Somewhat negative
(50)-(80)	Quite negative
(80)-(100)	Very negative

Source: DanielSoper.com, 2016