VOLUNTARY DISCLOSURES AND TRUST IN CORPORATIONS
- A study of listed corporations in Sweden

FRIVILLIG INFORMATION OCH TILLIT GENTEMOT FÖRETAG
- En studie om börsnoterade bolag i Sverige

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Frivillig information och tillit gentemot företag
- En studie om börsnoteradebolag i Sverige

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Härmed intygas att allt material i denna rapport, vilket inte är vårt eget, har blivit tydligt identifierat och att inget material är inkluderat som tidigare använts för erhållande av annan examen.

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Abstract

Over the past decades, major changes have been noticed in annual reports. For instance, annual reports have become more comprehensive. Today, corporations can partly decide what to include in their annual reports. This is called voluntary disclosures. Furthermore, corporations chose to disclose pictures, narratives and other graphics material in their voluntary disclosures. This, to give an image of the corporation. Moreover, voluntary disclosures could impact shareholders’ trust towards corporations. Therefore, it is of interest to investigate whether shareholders trust is affected by the voluntary disclosures in annual reports.

The purpose of this study is therefore to examine in what way shareholders have increase trust in corporations based on the voluntary disclosures, including marketing aspects, that corporations publish in their annual reports. Furthermore, corporations view of the voluntary disclosures in their annual reports connected to shareholders trust are also examined.

This study was conducted with a qualitative research method. The empirical findings were collected through semi-structured interviews with both shareholders and listed corporations in Sweden. During these interviews, both shareholders and corporations answered questions regarding their view of the annual report, its voluntary disclosures and trust.

After completing this study, the authors identified parts of the voluntary disclosures that shareholders consider more interesting in trust purposes. For instance, more information about the CEO and managers increase trust among shareholders. Moreover, all shareholders emphasized that transparency and honesty were two factors that have a positive effect on trust. This is something the corporations showed awareness of. They disclose succinct and informative voluntary disclosures rather than increasingly comprehensive.

**Key words:** annual report, voluntary disclosures, trust, marketing aspects, shareholders, disclosure theory.
Sammanfattning

Under de senaste årtionden har stora förändringar i årsredovisningen skett. Ett exempel är att de ökat i omfattning. Företag har idag delvis frihet att själva bestämma vad som ska ingå i deras årsredovisning. Denna del kallas för den frivilliga informationen. Vidare kan företag med hjälp av bland annat bilder, berättande text och annat grafiskt material måla upp en bild av sig själva. Detta är något som kan ha en påverkan på aktieägarnas upplevda tillit gentemot företagen. Därför är det av intresse att studera huruvida aktieägarnas tillit påverkas av den frivilliga informationen i årsredovisningar.

Syftet med studien är således att undersöka hur aktieägares tillit påverkas av ökad frivillig information som företag väljer att publicera i sina årsredovisningar. Studien kommer även att undersöka om marknadsföringsaspekter i årsredovisningar ökar aktieägarnas tillit. Vidare kommer det även undersökas hur företag ser på den frivilliga informationen och marknadsföringsaspekterna i deras årsredovisningar som ett sätt att öka aktieägarnas tillit.

Denna studie genomfördes med en kvalitativ forskningsmetod. Därmed samlades studiens empiri in genom semistrukturerade intervjuer med både aktieägare och svenska börsnoterade företag. Under dessa intervjuer fick både aktieägarna och företagen svara på frågor gällande deras syn på årsredovisningen, dess frivilliga information och tillit.

Efter genomförde studie har författarna identifierat delar i den frivilliga informationen som anses vara mer intressant i tillitssyfte. Ett exempel är att ökad information från VD:n skulle öka tilliten hos aktieägarna. Vidare pratade samtliga aktieägare om att transparens och ärlighet är två faktorer som påverkar tilliten positivt. Detta behöver inte innebära mer information utan det kan även betyda att det ska vara kvalité på den information som företagen publicerar i deras årsredovisningar. Detta är någonting som företagen även identifierat och satsar därför på att publicera kortfattad och informativ frivillig information i sina årsredovisningar.

Nyckelord: årsredovisning, frivillig information, tillit, marknadsföringsaspekter, aktieägare, disclosure teori.
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1 Introduction

This introductory chapter contains background information and a problem discussion, which forms the groundwork for the research problem and the purpose of the study. Lastly, this chapter describes the study’s delimitations and structure. The ambition is to give the reader an introduction and an overview of the research topic.

1.1 Background

Today, the annual report is one of the most essential documents a corporation has to prepare (Bolagsverket, 2017). According to the Annual Accounting Act (SFS 1995:1554), an annual report must contain a balance sheet, an income statement, notes to the accounts, a management report and a cash flow statement. The annual report’s purpose is to provide a corporation’s shareholders with useful information (Sundgren, Nilsson and Nilsson, 2013) to minimize the information asymmetry between both parties (Brealey, Myers and Allen, 2011).

In the last three decades, the content of the annual report has changed dramatically in Swedish corporations. The annual report has become increasingly comprehensive but contains less information at the same time. In the past, corporations tended to be more distinct with their disclosures of data and facts. For instance, corporations used statements like “the corporation is now divided into the following four divisions” or “we invested X billion in a factory in country Y”. Now, corporations seem to use less distinct concepts that tend to have a broad significance with the use of concepts like “sustainability” and “core business” (Marton, 2014). Examples are: a corporation within the fashion industry writes in its annual report “sustainability in everything we do” (H&M, 2016, p. 12); a car-industry corporation writes “We regularly evaluate our businesses in order to identify ways to simplify operations and focus our investments on the core business” (Volvo Group, 2016, p. 7).

Adam and Frost (2006), as well as Stanton and Stanton (2002) emphasize that the annual report is one of the most important communication channels for a corporation, and it has resulted in an increasing amount of voluntary disclosures. Voluntary disclosures are
different types of narrative information, images and graphs the corporation has chosen to publish together with the mandatory disclosures in the annual report (Beyer, Cohen, Lys and Walther, 2010). Both Marton (2014) and Stanton and Stanton (2002) argue that the increasing amount of voluntary disclosures in an annual report has transformed it from being an uncluttered financial report to a brochure-like marketing tool. Bretton (2009) claims it has become more common for corporations to include narrative information as a tool to promote their business towards their existing and potential shareholders. Therefore, visual elements, like pictures and graphs, are used by corporations to build an identity, using strategies, to position itself as an attractive actor (Adams and Frost, 2006; Ditlevsen, 2012). In addition, Lönnqvist (2011) claims that corporations spend a lot of resources on the preparation and development of their annual reports. This indicates that the content and presentation of an annual report is important, and this includes voluntary disclosures.

Annual reports are not only increasingly extensive but also more complex (Dyer, Lang and Stice-Lawrence, 2016). Firms with extensive annual reports tend to provide more voluntary disclosures to lighten any negative effects from their mandatory disclosures. With voluntary disclosures, corporations try to influence investors and shareholders by strategically using information to project themselves more positively (Beyer et al., 2010). Beyer et al. (2010) emphasize that investors and shareholders are conscious about the fact that corporations usually disclose information that are beneficial to the corporation.

The development of voluntary disclosures made by corporations have been studied and discussed in a number of scientific articles over the past thirty years (Cooke, 1989; Meek, Roberts and Gray, 1995; Banghøj and Plenborg, 2008; Broberg, Tagesson and Collin, 2010). Previous research has shown that corporations are dependent on shareholders’ opinions of the activities that the corporation is committed to. If a corporations’ activities are seen in a positive light, shareholders show confidence and trust towards the corporation. This also consequently affects the market position and reputation of the corporation (Fryxell and Wang, 2016). Due to this positive impact on the corporation, corporations use pictures and other types of graphic design to position themselves, hoping to influence existing and potential shareholders to view them more positively and to make financial decisions that will benefit the corporations (Stanton and Stanton, 2002).
1.2 Problem discussion and purpose of study

It is said that all economic exchanges rely on trust (Pevzner, Xie and Xin, 2015). For instance, Guiso, Sapienza and Zingales (2008) defines trust as “the subjective probability individuals attribute to the possibility of being cheated” which, in other words, can be described as the likelihood of an individual being deceived. Despite knowing the likelihood of being cheated or deceived by another party, if a person still positions herself in a vulnerable state with the other party, this person is said to be trusting of the other party. In other words, this person trusts the other party will not inflict harm on her (Pevzner et al., 2015). Previous studies have shown a significant connection between trusting individuals (potential shareholders for instance) and the probability of buying different kinds of risky assets and shares. Individuals who trust more tend to invest a bigger proportion of their wealth compared to individuals who trust less. According to the statistics in the study, the probability of buying stocks increases by 50% if an individual has more trust in the corporations they intend to invest in (Guiso et al., 2008). This implies that corporations benefit when shareholders have more trust in them.

There is also a more pervasive benefit of trust. Studies have shown that a higher amount of trust, among other things, ease social efficiency and economic growth within a country. This means that if a population has more trust in the corporations in the surroundings, it will benefit all socially and economically (Pevzner et al., 2015). One study has highlighted the complications of the increasing amount of disclosures and denotes it as a disclosure overload (Iannaconi, 2012). Iannaconi (2012) points out that “quality may be more important than quantity” (p. 28) with regards to information disclosures. Iannaconi (2012) is of the opinion that the increasing amount of regulations, standards and demand for disclosure and transparency generate pressure on the financial executives and their ability to adapt these changes.

From the early 2000s and beyond, many shareholders lost trust in the audit and accounting systems, as well as in corporations, in the wake of the many financial scandals that occurred. Due to all these financial scandals and the severe negative impact it had on economies and personal lives, more regulations were implemented with the hope of preventing such scandals (Unerman and O’Dwyer, 2004). However, regulations alone cannot guarantee that future crimes will not occur. To regain trust from shareholders,
corporations had to make more effort towards their shareholders. One such effort towards earning shareholders trust is for corporations to provide more disclosure voluntarily than is required by law. By publishing more disclosures, corporations appear to be transparent and this gives the impression that they are not hiding much about their businesses (Schnackenberg and Tomlinson, 2016). Furthermore, Schnackenberg and Tomlinson (2016) defines transparency as “the perceived quality of intentionally shared information from a sender”. The definition emphasizes the perceived quality in disclosures, which further means the importance of relevance in the information disclosed.

There are a few previous studies that have linked shareholders’ trust and corporations. However, these studies have only been limited to studying the level of trust investors have towards corporations and how this affects their perception towards corporations’ earnings announcements (financial disclosures) in different countries (Pevzner et al., 2015). Another study claims that the lack of trust from investors towards corporations can also affect investors participation in the stock market (Guiso et al., 2008). There have been few studies questioning shareholders’ trust towards corporations based on the disclosure corporations make in their annual reports. Therefore, this study intends to examine shareholders’ trust and the disclosure corporations publish in their annual reports. More specifically, the main purpose of this study is to examine in what way shareholders have increase trust in corporations based on the voluntary disclosures, including marketing aspects, that corporations publish in their annual reports.

1.3 Research question

Since the aim of this study is to examine in what way shareholders have more trust in corporations based on the voluntary disclosures in the corporations’ annual reports, the authors have formulated the following research questions:

Main research question:

• In what way do more voluntary disclosures in annual reports increase shareholders’ trust in corporations?

Sub-questions:

• In what way do marketing aspects in annual reports increase shareholders’ trust towards corporations?
In what way do corporations view voluntary disclosures including marketing aspects in their annual report as a way of increasing shareholders trust in them?

1.4 The thesis delimitations

This study is delimited to Swedish corporations listed on the Stockholm Stock Exchange. The reason for delimiting to the Stockholm Stock Exchange is because this study aims to investigate corporations operative and listed in Sweden (Stockholmsbörsen, n.d.). This, also because of the location of the interviewed shareholders and the fact that listed corporations are more brand conscious since their brands are used as a competitive strategy. Since their brand and image are important to these corporations, what these corporations publish in their annual reports are important because what gets publish can enhance (or destroy) their brands (Davey, Schneider and Davey, 2009). To be able to answer the study’s research questions, the authors intend to interview shareholders and selected personnel of listed corporations. The reason for choosing shareholders is based on the higher likelihood of them reading annual reports in comparison to other actors in an economic population (Penrose, 2008). Furthermore, shareholders are one of the main target audience annual reports are prepared for (Stittle, 2003; Beattie and Smith, 2012). Since corporations prepare their annual reports, it is reasonable for the authors to interview them to obtain their views on voluntary disclosures. These delimitations have been made to create a distinct content throughout the study and also to increase its relevance.

1.5 Structure of the thesis

The first chapter of this study contains a delineation of the background, problem discussion and purpose, research question and delimitations. The following chapter describes key concepts and the theory selected to understand the study’s research problems throughout the report. The third chapter contains the chosen research methodology which describes the procedure of how the authors are going to study the problem. Thereafter, the empirical chapter will be presented. This chapter contains the primary data and information collected from interviews with shareholders and corporations. Lastly, the collected empirical data, together with the conceptual framework, are discussed and analyzed. Finally, the authors conclude their analysis and give proposals for future research.
2 Conceptual framework

This chapter accommodates the conceptual framework which defines the chosen theory, the key concepts and the frames of reference. This conceptual framework is later used to analyze the study’s empirical findings.

In order to have a good understanding of this study, it is important to understand the main concepts related to this study’s purpose and research questions. As such, the authors will begin by defining the main concepts followed by the theory that will be used to analyze the study’s findings later. Since the study’s main focus is on a corporation’s annual report, the authors begin by giving a description of what an annual report consist of.

2.1 Key Concepts

2.1.1 Annual reports

The purpose of an annual report is to present economic data and information about the corporation’s activities towards its shareholders. In Sweden, all the public limited corporations, among others, have to publish an annual report (Lönnqvist, 2011). According to Lönnqvist (2011), the extent of the annual report varies due to the corporations’ size. Furthermore, Lönnqvist (2011) claims that annual reports in smaller corporations tend to be more stencil structured and consists of less information. Large corporations, on the other hand, invests a lot of resources to produce their annual reports. For instance, they use four-color printing and combine the financial information with own comments and pictures connected to their operations (Lönnqvist, 2011). After every fiscal year, corporations in Sweden have to send their annual reports to Bolagsverket for a review and approval (Bolagsverket, n.d.). Bolagsverket is a fee-financed authority that, for instance, registers corporations and receives annual reports from all corporations (Bolagsverket, 2018). According to Bolagsverket (2012), many listed corporations publish their annual reports on their public sites. This is to enable their shareholders to have easy access to their annual reports.

Corporations began to use annual reports as an economic summary of their corporations’ business transactions. At the beginning, the annual report was a short description of
different kinds of smaller projects, for instance, when ships traveled between different harbors to trade different kinds of culinary herbs. As corporations grew, it became increasingly significant to report their financial statements. The reason for this, among other things, was because of the increasing demand of information from shareholders (Lönnqvist, 2011). Lönnqvist (2011) highlights that the first accounting law regarding annual reports was implemented in the 1670s in France and in 1855 in Sweden.

In accounting research, disclosure signifies a corporation’s total publication of information to their external environment. In other words, disclosures cover a broad spectrum of information, for instance, mandatory and voluntary information in printed reports, economic analysis and numbers in narrative financial reports which describe how the corporation complies with rules and regulations. The main purpose of disclosure is to give the corporation’s shareholders an overall picture of its operation and performance. Over the last couple of years, accounting researchers have focused their disclosure studies on identifying different kinds of components which affect the content and appearance of the disclosures. Examples of these components are investor relations, Chief Executive Officer (CEO) statement and disclosure about sustainability (Rimmel and Jonäll, 2016). Today, there are numerous regulations and recommendations regarding annual reports and how corporations should report their financial statements (Lönnqvist, 2011). The parts of an annual report that are regulated or specified by law are generally known as mandatory disclosures, which is explained in the next section.

2.1.2 Mandatory disclosures

As legally required, the annual report must contain a management report, a balance sheet, an income statement and explanatory notes. These are considered mandatory or compulsory sections of information that must be included in an annual report. These sections include financial information as well as non-financial information. While the balance sheet and income statement present a quantitative expression of the corporation, the explanatory notes offer descriptions and detailed explanations about the quantitative information presented. At the end of a corporation’s fiscal year, the corporation presents their total assets, liabilities, equity and provisions. A corporation’s total costs and revenues are reported in their income statement and the management report informs the reader about the corporation’s position and business developments (Redovisningshandboken, 2011). If the corporation is classified as a large one, a cash flow statement must be included in the
annual report as well. According to the Annual Accounting Act (SFS 1995:1554) a large corporation is either a corporation listed on a stock exchange or a corporation which fulfills more than one of the following three conditions: (1) the number of employees is higher than 50 for each of the last two fiscal years, (2) the reported balance sheet total is more than 40 million SEK for each of the last two fiscal years and (3) the reported net sales is more than 80 million SEK for each of the last two fiscal years. In addition to these mandatory information, the corporation is allowed to include in their annual report other types of information, viewed as voluntary in nature. Voluntary disclosures is described in the next section.

2.1.3 Voluntary disclosures

Asides from mandatory disclosures, the corporation has the possibility to share further information about their business in their annual report. This information is known as voluntary disclosures and it is any information published by the corporation beyond what is required of them by law. The corporation decides on the type of information they want to disclose. Voluntary disclosures can include information such as how the corporation addresses environmental issues, human resources and sustainable efforts. Voluntary disclosures are usually significant disclosures about the corporation’s activities, which the corporation considers may be interesting for their shareholders’ decision-making purposes (Beyer et al., 2010). Since there is no limit to the amount of voluntary disclosures a corporation can publish, it has resulted the annual report to be used as an informatic communication channel and a tool to create a positive perception of the corporation among shareholders (White and Hanson, 2002). White and Hanson (2002) also claim that the content of annual reports, especially voluntary disclosures, are used by corporations to control what is being said about them.

Besides the numerical aspects of the annual report, today’s listed corporations choose to add different kinds of graphics material (Beattie, 2005) to strengthen their messages to their external environment (Preston and Young, 2000). This has resulted in annual reports being used as a presentation tool to shareholders who associate themselves with the corporation (Bernandi, Bean and Weippert, 2002). Bernandi et al. (2002) also argue that pictures, used in annual reports eases the understanding of the messages transmitted through the report.
Today, annual reports can easily be obtained through the internet. This has resulted in corporations being able to reach a larger audience, extending their number of readers and possible shareholders. Corporations can customize their voluntary disclosures to satisfy their shareholders’ needs (Rowbottom and Lymer, 2010). Furthermore, a number of studies have analyzed the proportion of voluntary disclosures due to external pressure and internal needs for investors' decision making (Rimmel and Jonäll, 2016). Hence, the structure of the annual reports and voluntary disclosures have become increasingly important because they function as a communication channel to the corporation’s external environment (Preston, Wright and Young, 1996). Most commonly, the managers in corporations decide on the content of the voluntary disclosures (Beyer et al., 2010). Since voluntary disclosures are not regulated, managers can decide on what information to include, type of information and amount of information to include. In addition to follow different trends within their industry or the market, the amount of voluntary disclosures is also affected by what is demanded from shareholders. Generally, the more information published, the higher the costs for a corporation. However, corporations seem to be willing to spend on these costs as they perceive this can positively influence current shareholders (Meek et al., 1995; Beyer et al., 2010) and potential shareholders. To corporations, especially listed corporations, shareholders are one of the most important groups to satisfy. As such, the next section explains the role of shareholders.

2.1.4 Description of a shareholder
Today, corporations have a number of external stakeholders with different interests in the corporation, and shareholders are one of them (Johnson, Whittington, Scholes, Angwin and Regnér, 2017). According to Bolagsverket (2016) and Johnson et al. (2017), a shareholder is a legal or a physical individual who possess at least one share in a corporation listed on a stock exchange market. If a corporation is able to convince an investor to buy its shares, the corporation receives capital from the price paid for the share by the investor. This capital received can be used by the corporation for many purposes. There is rarely any obligation for the corporation to repay this capital to the shareholder. In essence, the corporation is borrowing capital from the shareholder with no obligation to repay them. This can be argued to be advantageous compared to the corporation borrowing from a bank, where there is an obligation to repay the amount borrowed plus any interest accrued. Due to this arrangement, shareholders are considered important to corporations because of the
possible amounts of capital shareholders can bring them. Naturally, corporations try to entice as many investors to become their shareholders (Palepu, Healy and Peek, 2013).

By owning shares, the shareholder becomes a part-owner of the corporation (Aktiekunskap, 2012) and the size of the ownership depends on the amount of shares the shareholder possesses. Johnson et al. (2017) claim that shareholders have an interest in the corporation’s decision making. For instance, a corporation’s strategy development is of great influence on whether a shareholder chooses to invest in a corporation or not. Generally, shareholders also use financial information from annual reports to, for instance, access information about future dividends. By using knowledge about future dividends, shareholders are able to make decisions about their investments, such as whether to sell currently held shares, buy more shares, invest elsewhere or do nothing (Thomasson, Arvidson, Carrington, Johed, Lindquist, Larson, and Rohlin, 2010). However, shareholders are not involved in most decisions taken by corporations. On the other hand, they are allowed to participate in the corporations’ Annual General Meetings (Sveriges Riksdag, n.d.). During these meetings, shareholders have the right to make decisions regarding how the reported profit should be disposed and if the income statement and balance sheet are acceptable (Thomasson et al., 2010). Furthermore, shareholders who own a larger number of shares in a corporation also have the right to vote for future business matters, for instance, who they want on the corporation’s Board of Directors. They also have the right to question the corporation and sue them for irregularities. These, among others, shareholders’ right can be found in the corporations’ articles of association. Moreover, if a corporation would go into bankruptcy, shareholders who owns shares in the bankrupt corporation are entitled to have a distribution of income in proportion to the number and value of the shares owned (Sveriges Riksdag, n.d.).

Due to the financial benefit shareholders can bring to corporations, corporations try hard to make shareholders happy to maintain their loyalty so that they may invest further in the corporation. Further, happy shareholders may convince potential investors to become shareholders. To keep shareholders happy, corporations not only want to perform well financially; corporations also try to give shareholders information beyond what is required by law in order to make shareholders continually interested, and perhaps even trust in the corporation. One way of providing this information is through the corporate annual report and voluntary disclosures (Zeller, Stanko and Jin, 2012).
2.1.5 Marketing aspects in annual reports

Since annual report have become more than a financial tool, corporations use them today to promote themselves and also to reach out to current and potential shareholder. Therefore, the following section will consider marketing as well as how corporations can communicate through different channels.

“Marknadsföring handlar om att skapa, kommunicera och leverera kundvärde”, translated in English “Marketing is about creating, communicating and delivering customer value” (Parment, 2015, p. 9). Through marketing, corporations can attract new customers, and retain and develop relationships with existing customers (Kotler, Armstrong and Parment, 2017). Kotler and Keller (2009) describe marketing as an important part of a corporation's strategy and survival. Kotler and Keller (2009) also mention that it is not only about maintaining competitiveness among other corporations, it is also about communicating and delivering value to the corporation's shareholders. Parment (2015) points out that marketing is also about creating added value to its owners (i.e. shareholders) aside from creating and maintaining relationships with customers. Theron, Terblanche and Boshoff (2008) mention that effective communication, reliability, trust and shared value are important key concepts in the relationship between the corporation and its environment. In the following sections, the authors explain in more detail about marketing communication.

2.1.5.1 Marketing communication

Generally, marketing communication means that corporations, through different marketing channels, inform and attract shareholders (Kotler and Keller, 2009). Marketing communication functions as a “voice”, between corporations and their stakeholders (i.e. shareholders). For instance, the annual report is one example of such a “voice”. The annual report is used to inform and to build relationships between the corporation and its shareholders. Kotler and Keller (2009) mention that marketing overall is important, both for the financial statement and other business functions (i.e. production). Without any demand for products and services, the corporation will not be able to make profit. Therefore, different parts of a corporation’s marketing have to match with each other, in order to gain a unified mediated image of itself. It is also important that well founded
strategies are implemented in the corporation, such as marketing channels, marketing communication, marketing and market profiling of product and services (Parment, 2015).

Clarke and Murray (2000) claim that through marketing communication, corporations can influence their shareholders confidence to build a relationship between both parties. This is done, by marketing the corporation through the annual report. It is also important for a corporation to build its unique identity, which in other words can be described as how the corporation choose to differentiate themselves from other corporations. Depending on how, for instance, the CEO statement, the report’s layout, the appearance and how legible a corporation’s annual report is, trust can be created in shareholders towards the corporation. Therefore, corporations use their annual reports as tools to promote themselves and to communicate with their shareholders, which in turn may influence shareholders to have more trust in the corporations (Clarke and Murray, 2000).

2.1.5.1.1 Integrated market communication
The purpose with marketing communication and Integrated Marketing Communication (IMC) is to give an understanding of how corporations choose to interact marketing in different channels, such as newspaper and social media (Kotler et al., 2017). This helps to send a clear message and image of the corporation through these different communication channels. Furthermore, marketing communication and IMC gives an acknowledgement about a corporation’s usage of marketing in their annual reports, and also how it can affect shareholders’ trust towards the corporation. For instance, by communicating the same message through different channels (Broderick and Pickton, 2005).

According to Kotler et al. (2017) IMC involves a corporation using different communication channels that are linked with each other to provide a clear and consistent message about the corporation. Today, marketing communication is one of the most changing marketing aspects. Communication through newspaper, television and other mass media have been important and relevant tools for corporations, but lately, their importance have diminished because of developments in technology (Kotler et al., 2017). In recent years, the technological developments have resulted in new communication channels, which have made it possible for corporations to reach out to more shareholders (Adam and Frost, 2006). One disadvantage of the technological developments is that it will be more difficult for corporations to control what is being said by others about them and their brand
This is due to the fact that today’s customers express themselves much more through social media. Therefore, customers’ opinions can have a huge impact on corporations (Kitchen and Burgmann, 2015).

IMC was initially developed because customers and shareholders where exposed to messages from more than one channel (Finne and Grönroos, 2017). Finne and Grönroos (2017) mention that by using IMC, the message sender, in this case the corporations, should use the same “voice” through different marketing channels. Therefore, it is important that the messages that have been sent through different communication channels are the same. Otherwise the communication will be perceived by the shareholders as confusing (Kotler et al., 2011). This is why IMC is so important for corporations. It is crucial to provide a clear and correct picture of what the corporation stands for in a convincing and consistent manner (Kotler and Keller, 2009). By being convincing and consistent, trust can be developed in shareholders towards the corporation. However, trust is not an easily defined concept and the authors describe this in the next section.

2.1.6 A description of trust

The phenomenon of trust has been studied in different contexts and fields, especially by management and marketing researchers (Mayer et al., 1995; Nooteboom, 2002; Hampton-Sosa and Koufaris, 2005; Guiso et al., 2008). Nooteboom (2002) refers to trust as a slippery and complex notion. Throughout history, many of its intricacies have been recognized. For instance, when economics began to acknowledge the importance of trust, they tended to misconstrue it because of its complexity. Furthermore, Mayer, Davis and Schoorman (1995) mention that it must be a meaningful incentive at stake and that the trustor must be aware of the risk involved before someone should study the phenomenon of trust. On the other hand, scientists believe that trust is an important part of understanding people's relationship to one another, both in social and political relationships (Hosmer, 1995). Nooteboom (2002) claim that it is time to incorporate a clear and systematic understanding of trust in economic analysis. However, there is no agreed upon definition.

Hosmer (1995) mentions that trust can be defined as a person's expectation over the conduct of another party, which requires honesty and without exploitation of the situation. Crosby, Evans and Cowles (1990) define trust as the belief among customers that a corporation’s
actions deserve their interest. According to Mayer et al. (1995), trust can be defined as the willingness of the shareholder (trusting party) to rely on the corporation (the trustee). The shareholders belief in the corporation depends on the shareholder’s belief regarding the corporation’s benevolence, integrity and ability. Benevolence is defined as the trustee’s intentions and motives. Integrity refers to the trustee’s behavior governed by principles. Finally, ability is the technical skill and knowledge the trustee possesses (Mayer et al., 1995). Trust can also be defined as the possibility of an individual being tricked or misled by another party, and thus creating a certain degree of trust for the other party (Guiso et al., 2008). Moreover, Guiso et al. (2008) state in their article that a high level of trust from shareholders towards corporations facilitates the collection and dissemination of disclosures in annual reports. More trusting shareholders believe more easily the information perceived by corporations than shareholders who mistrust corporations. Tomasic and Akinbami (2011) claim that there is a certain definition more relevant to the financial market discussion. The definition is “faith or confidence in the loyalty, strength, veracity... of a person or thing... without examination” and the reason for this definition being more relevant is because it presents the link between confidence and trust (Tomasic and Akinbami, 2011, p.371). Tomasic and Akinbami (2011) argue that a decrease in confidence in the financial market is akin to a collapse of trust in the financial markets. However, this study aims to investigate whether trust among shareholders is affected by the amount of voluntary disclosures in annual reports and not the relationship between trust and confidence in a corporation. Since the study by Guiso et al. (2008) relates to trust in the stock market, which is a more specific part of the financial market (Sveriges Riksbank, 2018), the authors will be relying on this definition in this study.

Pevzner et al. (2015) claim that more trusting investors are more positive to perceive disclosure credibility. Disclosure credibility can be defined as “investors’ perceptions of the believability of the disclosure to broadly encompass its fairness of representation” (Gordon, Henry, Peytcheva and Sun, 2008, p. 1), which in other words can be described as shareholders’ perception of the liability and the representation of the information disclosed. Additionally, the positive effect of trust on investors’ reactions to earning announcements is more pronounced in countries where the average education level is low and the information asymmetry on a firm-level is high. Less educated individuals have to rely on trust when making economic decisions. This is partly because of the lack of knowledge but also because of the information asymmetry between the individual and the corporation.
(Pevzner et al., 2015). Figure 1 shows the relationship between the average level of trust and the participation among the top 5% of the wealth distribution in twelve different countries. From the figure, it is possible to see a positive correlation between the two variables, which means that increased sense of average trust in a country also increase the stock market participation. This study is delimited to Sweden and by looking at the figure, the average level of trust and the stock market participation among the top 5% wealthy individuals are very high. Guiso et al. (2008) highlight that the variable trust alone can explain half of the variation between the twelve countries.

![Figure 1. Stock market participation of the wealthy and trust (Guiso et al., 2008, p. 2591).](image)

Although there are numerous definitions of trust, they are not so different from one another. Nooteboom (2002) claims that the definitions presented in his book, among other things, both have similarities and conflict each other. Overall, the definitions indicate a reliance between a trusting party and the trustee, depending on what he or she feels towards the trustee. As mentioned, Guiso et al. (2008) definition of trust will be used in this study. Now that the key concept of this study has been described, the authors will describe next the theory that will be used in this study.

### 2.2 Theoretical reference

Theory, which comes from the Greek term *theoria*, is an assumption or statement that describes how different phenomenon are connected to each other. Unlike the empirical, theory can explain given facts and also presuppose new ones (Teori, n.d.). This is similar
to Stewart, Harte and Sambrook’s (2011, p.222) definition of theory, which is “a supposition or a system of ideas intended to explain something”. By looking at the definitions, it is clear that theories are used to explain something. Stewart et al. (2011) further explain “something” as a phenomenon that is independent and separate to the theory. In this case the phenomenon is trust. Moreover, theories offer expositions of why and how certain things are as they are. To clarify, theory is claimed not to be data, diagrams, predictions or references (Stewart et al., 2011). However, this study aims to investigate whether more voluntary disclosures in annual reports increases trust among shareholders. Therefore, one of the key concepts in this study is voluntary disclosures. To be able to understand the phenomenon of trust towards corporations and their information disclosures, the authors have chosen to use disclosure theory in an attempt to find explanations to shareholders’ and corporations’ perceptions of voluntary disclosures in annual reports. In the following paragraphs, the chosen theory is presented in more detail.

2.2.1 Disclosure theory

Over the last three decades, different kinds of disclosure theories have been developed to explain various approaches (Cooke, 1989, 1992; Inchausti, 1997; Debreceny, Gray, and Rahman, 2002; Watson, Shrives and Marston, 2002; Oyelere, Laswad, and Fisher, 2003; Marston and Polei, 2004; Von Alberti-Alhtaybat, Hutaibat and Al-Htaybat, 2012; Rimmel and Jonäll, 2016). This includes mandatory provision required by law, narratives, financial information and voluntarily shared insights and accounting standards (Von Alberti-Alhtaybat et al., 2012). Examples of these different types of approaches are disclosure and regulation theory, disclosure and reward theory, disclosure and legitimacy theory and disclosure based on market ratio. This study uses disclosure based on market ratio. Disclosure based on market ratio is divided into two in to categories. One of the categories is disclosure when the market is imperfect, which is used in this study (Rimmel and Jonäll, 2016). The authors explain next way this theory is chosen.

By using disclosure theory when the market is imperfect, the authors will be able to identify reasons and explanations to the content of the collected primary data. This is partly due to the image of society the theory provides, and also because of its relevance to the main purpose in this study. By image the authors refer to the imperfect market, which consist of different kinds of market failures according to the theory. It is important to take these market failures into consideration when collecting and analyzing primary and secondary
data. By *relevance* the authors refer to the focus on disclosure in both theory and research questions, which signifies experienced trust among shareholders due to the information disclosed in corporations’ annual reports.

The other category is disclosure when the market is perfect (Rimmel and Jonäll, 2016). The reason why the authors use the first category and not the second is described in the following paragraphs.

### 2.2.1.1 Disclosure when the market is imperfect

A world consisting of a perfect market is a utopia. To achieve a perfect market, two assumptions must hold. First, the capital market has to be under ideal conditions, and secondly, the financial information should be useful for everyone. Also, a perfect market is based on the ability to distribute society’s resources as effectively and suitable as possible, and the market prices should reflect all information available (Rimmel and Jonäll, 2016).

However, there are difficulties when it comes to applying these assumptions in the real world. This is due to the complexity and diverse market failures prevailing in societies. Reality reveals an accumulation of failures which are the result of unsettled markets. This part of disclosure theory focus on, and define, the different kinds of implicit and explicit market failures (Rimmel and Jonäll, 2016).

#### 2.2.1.1.1 Explicit market failures

The word explicit derives from the Latin word *explicare*, which, among other things, means “exfoliate” and “distinct”. A definition of the vocable *explicit* could be a point of view that is directly and distinctly pronounced (Explicit, n.d.). In this context, explicit market failures presume to occur when there are differences between the official accounting information and the costs and benefits of its disclosures. This kind of failures can be divided into three different principal groups: adverse selection, information asymmetry and public good. Moreover, only adverse selection and information asymmetry are described and used in this study. This, because public good derives to the difficulty of restraining the utility to the person who has paid for the right to use the information (Rimmel and Jonäll, 2016). Furthermore, this study focuses on information provided through annual reports, which is an official document. Therefore, this type of market failure will not occur in this context.
2.2.1.1.1 Adverse selection

In this study, adverse selection indicates that a person exploits an information advantage at the expense of somebody else. For instance, this kind of relationship could exist between a business owner (seller) and an investor (buyer) where the seller has more information about for example, the product than the buyer. Rimmel and Jonäll (2016) suggest that increased amount of voluntary disclosures and stricter requirements could minimize the information gap between sellers and buyers. Leuz and Wysocki (2016) mention that increased corporate disclosures can mitigate the adverse selection among shareholders and therefore increase market liquidity. Furthermore, market liquidity means that an asset is sold or purchased without a dramatic change of its price due to transaction costs (Baker and Stein, 2004). Bourveau and Schoenfeld (2017) agrees with Leuz and Wysocki (2016) and Rimmel and Jonäll (2016) when it comes to the assumption that voluntary disclosure reduce adverse selection among shareholders in the capital market.

2.2.1.1.2 Information asymmetry

Similar to adverse selection, the second market failure, information asymmetry, is also based on the disparity in information possession. The asymmetry emerges when, for instance, one of two parties has access to more information than the other during a business transaction (Rimmel and Jonäll, 2016). When the information asymmetry between shareholders and corporations is high, it indicates that the shareholders do not have incentives, access to information to monitor corporation’s actions or other sufficient resources. For instance, a corporation with debt contracts may have incentives to handle earnings over time. This, to avoid debt covenant violations. Furthermore, these corporations could manage to circumvent these debt contracts when the information asymmetry is high, which decreases the possibility of being detected (Richardson, 2000). Moreover, if a corporation has varying performance across business segments they can choose to conceal these differences by reporting aggregate performance only (Healy and Palepu, 2001). Therefore, information asymmetry reduction should be in focus when developing disclosure theory. Furthermore, it is claimed that corporations have incentives to offset the negative effects of information asymmetry on market efficiency. This, by revealing private information truthfully towards the corporations’ shareholders (Beattie and Smith, 2012). Market efficiency is when the price reflects all the relevant information disclosed from corporations (Urquhart, 2014).
2.2.1.1.2 Implicit market failures

The opposite of explicit is *implicit* and the term can be defined as a term which does not have an explicit definition and is not directly proclaimed (Implicit, n.d.). An implicit market failure focuses on shortcomings in corporations’ disclosure, which leads to incorrect investment decisions among shareholders for instance. More specific, it is the disclosure through the corporations’ accounting information, their annual reports for instance, which affect the decision-making among investors. One example of an implicit market failure is naive investors (Rimmel and Jonäll, 2016).

2.2.1.1.2.1 Naive investors

According to Berglund, Gatehouse, Orrevall, Thiel and Wiman (2011) the meaning of the adjective *naive* is when an individual is unsuspecting and almost childish in their behavioral pattern. In this context, a naive investor is an individual who does not possess the knowledge of the prevailing and complex accounting regulations, which in turn have underlying accounting methods. If there is a change in those underlying methods the naive investor risks to execute disadvantageous investments. This, because of the unsuspecting behavior due to lack of experience and understanding (Rimmel and Jonäll, 2016). According to Smith (2010), increased information quantity and consistency results in naive investors who trade more aggressive and more confident. However, Smith (2010) result also showed that increased disclosure could reduce the welfare among naive investors due to lack of knowledge about information quality. Furthermore, Smith (2010) points out that an increase of information quantity does not necessarily increase the information quality. Chung, Lee and Park (2014) mention in their article that uninformed shareholders are individuals who have psychological biases and informational disadvantages. This results in a decrease of returns in comparison to other investor groups, such as institutional investors. Chung et al. (2014) concluded that there is information asymmetry among different investor groups, such as individual investors and institutional investors. Moreover, institutional investors are claimed to possess more information than individual investors. Instead of selling of shares, as the institutional investors do, individual investors buy shares in unfaithful corporations, despite of the unfaithful information disclosed.

Now that the conceptual framework has been presented, together with the chosen theory, the study’s research methodology and approach is presented in the next chapter.
3 Method

The third chapter discusses the chosen research methodology. Besides motivating the choice of method, a description of argumentation about the data collection, sample selection, trustworthiness, ethical considerations and method criticism are presented.

3.1 Choice of method

This study aims to examine if the voluntary disclosures and marketing aspects in annual reports affect shareholders’ trust towards corporations. The study also explored how corporations listed on the Stockholm Stock Exchange publish and work with voluntary disclosures in their annual reports. To achieve the purpose of this study the authors have conducted a qualitative study. Merriam (2009, p.13) defined a qualitative research as “understanding the meaning people have constructed”, which means that people have a specific interpretation of the world they live in based on their experiences. Merriam (2009) claimed that one of the main purposes in a qualitative study is to accomplish an understanding of how individuals experience their surroundings.

According to Alvehus (2013), a qualitative study can be described as having a significant interest in a phenomenon. In this study, the phenomenon of interest is trust and how it is affected by the amount of voluntary disclosures in annual reports. Therefore, the authors have chosen to use a qualitative method instead of a quantitative. In qualitative research, an interpretation of data is required, and this offers the possibility to contribute with further understandings about the phenomenon under study, which might be of great importance to others interested in the same phenomenon (Alvehus, 2013). Furthermore, in a qualitative study, there is the opportunity to capture details in the form of rich descriptions from participants in the study (Merriam, 2009). Considering the purpose of this study, a qualitative approach would be suitable since the authors wanted to seek out participants’ personal experiences with regards to the topic. Therefore, a qualitative method was suitable to investigate whether shareholders’ trust is affected by disclosure in corporate annual reports.
3.2 Data collection - Interviews

According to Bryman and Bell (2013) one commonly used qualitative data collection method is interviews. Interviews are conversations between two or more people, where one person can integrate with another and, for instance, finding out how a phenomenon is experienced through narrative (Alvehus, 2015). Interviews can be conducted in different ways. An interview can be done face-to-face, by telephone or by video chat (Alvehus, 2015). A face-to-face interview is most advantageous since both the interviewee and the interviewer can see each other, making the interview more personal in nature. An interviewer can also gather data through facial expressions or gestures during the interview. If a face-to-face interview is not feasible, the next best way is to have a video chat or telephone interview. Another advantage of an interview is that it enables the interviewers to ask follow-up questions, clarify unclear answers and to ask further questions on new topics that are brought up during the interview (Merriam, 2009).

Interviews can be formatted to be structured, semi-structured or unstructured (Alvehus, 2013). Structured interviews are conversations which are strictly ruled by particular questions and follow-up questions are not allowed. An example of a structured interview is a survey. The benefit with this interview method is that a higher quantity of interviews can be done, since it is not as time consuming. However, the interviews will appear superficial (Alvehus, 2013). The opposite of a structured interview is an unstructured interview. The conversation during this kind of interviews will appear more relaxed since there is no script to follow (Kvale and Brinkmann, 2014). The disadvantage with an unstructured interview is that the respondent gets a bigger role in the conversation, while the interviewer ends up in the background (Alvehus, 2013). Furthermore, it could result in a conversation not directly applicable to the research problem. Semi-structured interviews are a mixture of unstructured interviews and structured interviews (Kvale and Brinkmann, 2014). The advantage of a semi-structured interview is the flexibility since the interviewer does not have to strictly follow the script. Instead, follow-up and further questions can be asked (Bryman and Bell, 2013). However, in a semi-structured interview the respondent has the opportunity to influence the interview and its content. Therefore, the interviewer must be active in listening to have the ability to ask the correct questions (Alvehus, 2013).
In this study, the authors decided to use face-to-face interviews and telephone interviews. However, four of the participants were unable to meet face-to-face as they were located in different cities. As such, the authors had to conduct a telephone interview instead. The authors choose to format the interviews in a semi-structured way. By doing so, questions were prepared in advance to ask the interviewees. These questions were arranged in a thematic way in relation to the research problem. This became the interview guide that navigated the interviews (Bryman and Bell, 2013). The purpose of the guide is to function as a tool to create a certain structure during the interviews. However, since the topic involved trust, which is a form of behavioral disposition (Nooteboom, 2002), the authors wanted some flexibility while asking questions. Hence, although there was an order to the interview questions, it was not strictly followed during the interviews. This allowed the authors to ask additional questions as and when it was suitable to do so during the interview. This flexibility or semi-structured approach also allowed for the authors to gather data that were not considered in the interview questions. The interview guide used during the interviews are attached as Appendix 8.1.1 and 8.1.2 at the end of this study. There are two interview guides as the authors interviewed two groups of participants (i.e. shareholders and corporations). The interviews were conducted in the Swedish language but for the purpose of this study, the questions have been translated into English in the Appendix.

Before each interview with a corporation, the authors prepared by (1) reviewing the study’s research problem and questions, (2) anticipating the type of answers that is desired and (3) reading the corporation’s annual report with a focus on voluntary disclosures, structure of the annual report and graphics (Ghauri and Grønhaug, 2010). This helped the authors to have a better understanding of the corporations and to be able to ask further questions during the interviews. All interviews were also audio-recorded and permission from the participants were received before the recording started. The authors found recording the interviews useful since this allowed them to listen to the interviews again at a later time and also transcribe the recordings. This enabled the authors to evaluate if they have missed any aspects during the interview and to be able to remember what was said during the interview. These recordings have also been kept safely and have only been available to both the authors for confidentiality purposes (more is explained in the section regarding ethical considerations). In the next section, the authors explain how the selection of participant was done.
3.2.1 Sample selection

In this study, the selection of participants was done through purposeful sampling, which means the interviewees were chosen based on certain criteria. In other words, the authors chose the participants who they thought could give the best answers to fulfil the research purpose (Merriam, 2009). Two groups of participants were selected for this study: shareholders and listed corporations. The participants consisted of eight shareholders and four listed corporations. The authors decided to interview these two groups because it could give a wider spectrum of perspectives to the issue of trust and voluntary disclosures in annual reports. This was also necessary to be able to answer the research questions in this study. The details of how the selection of these two groups is described next.

3.2.1.1 Selection of shareholders

According to the latest statistics, private individuals own most of their shares listed on the Stockholm Stock Exchange's large cap category (Statistiska centralbyrå, 2017). Furthermore, the Stockholm Stock Exchange mainly consist of three different lists; Large cap, Mid cap and Small cap. To be a part of the Large cap the corporation must have a market capitalization over one billion euros. For Mid cap, the corporations must have a market capitalization between 150 million and 1 billion euros, while Small cap corporations have a stock market value of less than 150 million euros (Avanza, 2018).

In this study, the authors decided to interview shareholders because they are the most likely group of people who would read or at least know about a corporate annual report. Instead of only selecting shareholders from Large cap corporations, the authors also included shareholders from Mid cap and Small cap corporations. This was done just in case shareholders from Large cap corporations were not available. The shareholders who were interviewed were randomly selected and consist of eight individuals. The authors contacted two Swedish share associations, Aktiespararna and Unga Aktiesparare to get access to shareholders. Furthermore, the chairman of the associations was contacted, who provided the authors with contact information to shareholders from the associations. After receiving this contact information, the authors emailed these shareholders and asked them if they wanted to participate in this study. Also, the chairman of Safir was contacted. Furthermore, Safir is an economic association at the University of Skövde. The chairman provided the authors with contact information to shareholders who studies at the University. These
shareholders were contacted by email. The authors received a total of eight positive responses. During the interviews, the shareholders requested for their names not to be published. The authors have agreed to this and have decided to label the shareholders as Shareholder 1, Shareholder 2, etcetera, where necessary in the text.

3.2.1.2 Selection of corporations

The other group of participants in this study consisted of corporations. The selection of these corporations was made through a type of purposeful sampling called criterion-based selection. This means that the corporations were selected based on some criteria (Merriam, 2009). These criteria are (1) the corporation has to be large according to the definition in the Annual Accounting Act (SFS 1995:1554), (2) the corporation must have audited annual reports, (3) the corporation’s annual report must be accessible in digital form on their website, (4) the corporation has to be listed on the Stockholm Stock Exchange and (5) the corporation has to be a part of the Stockholm Stock Exchange’s Small, Mid or Large cap categories. The number of corporations which fulfilled these criteria were 252 (Aktiekurs Nasdaq OMX Stockholm, 2018). By random selection, the authors contacted 21 of these listed corporations by email or by phone. Only four agreed to participate in this study. Of these four, two are Large cap corporations, one is a Mid cap corporation and one is a Small cap corporation. From the beginning the authors intended to do a study regarding the fashion industry. This is because the fashion industry is known for the usage of pictures and other graphic materials in their annual reports. Unfortunately, almost all the requests for interviews were rejected and due to the time limitation, the authors decided not to study any particular industry. Considering that this study relates to annual reports and voluntary disclosures, the authors decided to interview employees in these corporations that were involved in the decision making and preparation of annual reports and voluntary disclosures. As such the author's intended to interview employees who are accountants, Chief Financial Officer (CFO), marketing or communication managers such as director of corporate communication and investor relationship.

3.3 The thesis trustworthiness

According to Trost (2005), trustworthiness is a concern in qualitative studies. It is important to ensure that a study is trustworthy. Trost (2005) believe that the choice of method for collecting data and its relevance are of great importance when it comes to
ensuring the study’s trustworthiness. In this study, the participants were given the opportunity to read the transcribed interview. This allowed the participants to read and agree (or disagree) with the transcribed raw data. This was also done, to minimize misunderstandings and misinterpretations by the authors (Bryman and Bell, 2013). By doing so, the authors obtained the participants’ validation of the data.

The presentation and usage of certain data collected through interviews with the shareholders and corporations have been made anonymous, both because of ethical and notable aspects. This was also done at the request of some of the people the authors interviewed. Furthermore, Bryman and Bell (2013) highlight that anonymity can lead to broader answers from the participants. This is something that can be appreciated in qualitative research since it probably allowed for more data to be collected during interviews.

3.4 Ethical considerations

Bryman (2016) and May (2001) highlight the importance of including ethical principles in a study. There are four main ethical principles that should be taken into consideration. These four ethical principles are: information, consent, confidentiality and usage of information. With information it means that the authors should inform the participants about the purpose of the study. Also, the participants should be informed that their participation is voluntary. When it comes to consent, the participants have the right to decide whether they want to participate or not. Confidentiality means that all the information regarding the participants are treated with confidentiality. This further means that all empirical data collected during the study should be handled with care and kept away from unauthorized people. The forth ethical principle is usage of information, which indicates that all collected empirical data only should be used for the purpose of the study (Bryman, 2016). All of these four principles have been taken into consideration during this study. All respondents received a request by email including further information regarding the purpose of this study. After receiving the email, the participants decided whether they wanted to participate in this study or not. For those who accepted the authors’ request, received information about the possibility of being anonymous throughout the study. However, if one respondent wanted to be anonymous, all of the respondents become anonymous. Before every interview, all respondents were asked if the authors were allowed
to record the interview. These recordings, together with information about the respondents, have been kept with caution. When the study was completed, all the recordings from the interviews were deleted.

### 3.5 Method criticism

According to Jacobsen (2002) and Bryman (2011), one disadvantage with this approach is that qualitative studies may be time consuming. As such, good studies require time and if time is short, the study may be somewhat limited in terms of depth. Bryman (2011) mentions that in qualitative research it is difficult to generalize the findings because these studies are often made by unstructured interviews or observations with a smaller number of participants. Since this study only consists of twelve interviews, the study’s findings cannot be generalized. However, the authors do hope that this study would at least provide some knowledge about the phenomenon of voluntary disclosures and trust. It has also been stated that qualitative studies, especially if based on interviews tend to become too subjective (Bryman, 2011). This means that that the findings based on the interviewed opinions and thoughts of different respondents may be biased or not objective. Furthermore, the interviewer (in this case, the authors) who is responsible for the data collection could be influenced by her own views while interviewing or interpreting the data. The authors of this study have been conscious of this. Therefore, during the interviews follow-up questions were asked to clarify certain answers to ensure that the authors’ understandings are correct. Since there are two authors in this study, they have also often used each other as sounding boards by discussing the study to ensure that they are not influenced by their own views and to remain unbiased.
4 Empirical findings

In this chapter the empirical findings are presented. Firstly, the results from interviews with the shareholders are introduced and secondly the findings from the corporations. The empirical findings are divided into different themes based on the research questions.

After each interview, the data collected through digital recording have been transcribed, this created order in the collected data. According to Bryman and Bell (2013), transcribing is a suitable way to commence the analyze of the collected primary data. Furthermore, Bryman and Bell (2013) claimed that active transcribing enable the authors to identify new topics which can be included in future interviews. The authors of the study were aware of how time consuming the transcribing of collected data is. Therefore, the authors started transcribing as soon as the interviews were completed. The recordings were carefully listen to and written down in a separate document. Finally, the transcribed material was used in the analysis of the study.

In order to facilitate the analysis of the collected empirical material, the authors used thematic analysis. This means that the replies received from the participants was divided into different themes, which in turn help the authors to see if any patterns are shown (Bryman, 2011). Bryman (2011) mentioned that the usage of patterns is advantageous to analyze the empirical material collected from interviews. Furthermore, Bryman (2011) claimed that through dividing the collected answers into different frameworks, it will be easier to perceive differences between the participants answers regarding the discussed issues and phenomenon. Hence, the authors used this method to simplify the analysis of the material. This, to identify where the participants agree or disagree. The usage of this method could, through observations, result in consistent answers.

4.1 Empirical findings from shareholders

A total of eight participants located in Skaraborg, seven males and one female, participated in this study. Four of the participants were students and the other four were from two different Swedish shareholder associations. All shareholders are anonymous. Therefore, each participant is labelled anonymously. The empirical findings are divided into different
themes. The first theme presented is regarding the shareholders view of annual reports. Second, the next theme presents shareholders usage of the annual reports before investing. The third theme is what the shareholders think about marketing through annual reports. Lastly, shareholders view on trust in a corporation, due to their annual reports, are presented.

In Table 1 below, the authors present a summary of the details of the interviewees who participated in this study. This includes their age, gender, number of years as a shareholder, purpose of investing, occupation, interview method and duration of interview.

<table>
<thead>
<tr>
<th>Participant code</th>
<th>Age (years)</th>
<th>Gender</th>
<th>Time as a shareholder (years)</th>
<th>How often the participants read the annual report</th>
<th>Why the participants own shares</th>
<th>Occupation</th>
<th>Interview method</th>
<th>Interview duration (minutes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>28</td>
<td>Male</td>
<td>14</td>
<td>Rarely</td>
<td>Earn money</td>
<td>Student</td>
<td>Face-to-face</td>
<td>Approximately 23</td>
</tr>
<tr>
<td>S2</td>
<td>36</td>
<td>Male</td>
<td>4</td>
<td>Rarely</td>
<td>Earn money</td>
<td>Student</td>
<td>Face-to-face</td>
<td>Approximately 29</td>
</tr>
<tr>
<td>S3</td>
<td>33</td>
<td>Male</td>
<td>15</td>
<td>Occasionally</td>
<td>Long-term savings</td>
<td>Student</td>
<td>Face-to-face</td>
<td>Approximately 25</td>
</tr>
<tr>
<td>S4</td>
<td>26</td>
<td>Male</td>
<td>3</td>
<td>Occasionally</td>
<td>Long-term savings</td>
<td>Unga Aktiesparare</td>
<td>Phone call</td>
<td>Approximately 29</td>
</tr>
<tr>
<td>S5</td>
<td>20</td>
<td>Male</td>
<td>&lt;1</td>
<td>Rarely</td>
<td>Long-term savings</td>
<td>Unga Aktiesparare</td>
<td>Face-to-face</td>
<td>Approximately 9</td>
</tr>
<tr>
<td>S6</td>
<td>22</td>
<td>Female</td>
<td>1</td>
<td>Occasionally</td>
<td>Long-term savings</td>
<td>Student</td>
<td>Face-to-face</td>
<td>Approximately 15</td>
</tr>
<tr>
<td>S7</td>
<td>22</td>
<td>Male</td>
<td>2,5</td>
<td>Rarely</td>
<td>Earn money</td>
<td>Unga Aktiesparare</td>
<td>Face-to-face</td>
<td>Approximately 13</td>
</tr>
<tr>
<td>S8</td>
<td>71</td>
<td>Male</td>
<td>45</td>
<td>Rarely</td>
<td>Earn money</td>
<td>Aktiespararna</td>
<td>Face-to-face</td>
<td>Approximately 31</td>
</tr>
</tbody>
</table>

4.1.1 Shareholders view of the annual report

During the interviews, the participants notified which sections in the annual report they mainly read. The majority of the participants pointed out that they do not read the entire annual report page by page, only the sections considered most important and informative.
Financial ratio and CEO statements are two examples of sections the shareholders showed interest in (S2; S3; S4; S5; S6; S8). Furthermore, S4, S5, S6 and S8 claimed that the CEO statement generates useful information and insights in a corporation’s operation and future prospects. Also, shareholders are able to identify if the CEO have incentives to bring the corporation forward and generate returns. Moreover, S8 claimed that most of the CEOs have incentives to bring the corporation forward. Firstly, because of the fact that the CEO is employed by the corporation. Secondly, because the CEO often owns a large number of shares in the corporation he or she works for. Therefore, the CEO has no other interest than to do what is best for the corporation. However, S2 is skeptical to some of the content in annual reports. He claimed that corporations, especially the Chief Executive Officer in the CEO statement, “klappar sig själva på axeln”, translated in English “pats themselves on their shoulder”, imply that CEOs seem to be boasting or showing off about the corporation and its achievements. In a way, CEOs are saying they have done a good job and congratulating themselves. This appears to be self-centered and overly optimistic. S2 was more interested in the financial ratios such as equity ratio and return on equity (ROE). This is because the numbers are more difficult to be modified according to S2.

When the participants were asked about voluntary disclosures, two of them recognized the concept and six did not. Moreover, the authors explained and gave examples of voluntary disclosures in annual reports to the participants unaware of the concept. S1 was skeptical to some sections in the annual report, such as pictures, graphs and CEO statement, which are categorized as voluntary disclosures. S2, S4, S6, S7 and S8 considered the voluntary disclosures useful. Participant S2 claimed that voluntary disclosures, such as pictures, make the annual report more satisfying to read and S4 used voluntary disclosures to analyze and assimilate information about the corporation’s management and their possessions. In the past, S6 prioritized the mandatory disclosures in annual reports. This is because such information contributed to an easier understanding of the corporation and its financial position. Nowadays, S6 pointed out that she would to read voluntary disclosures more often, such as the CEO statement. She does so because it reflects the corporation’s operation. On the other hand, S3 did not perceive the voluntary disclosures as useful. He claimed that annual reports filled with voluntary disclosures are too comprehensive to read, both from a time and motivation perspective, according to the participant. S2 pointed out that increased voluntary disclosures increase the probability of him not reading the annual report. S8 also indicated this during his interview. Moreover, S8 claimed that today’s
amount of voluntary disclosures is sufficient and that an increase of information disclosure would decrease the number of shareholders reading the annual report. During the interview, S8 pointed out that there is an increase of advertising in today’s annual reports compared to annual reports ten years ago. Furthermore, he claimed that the voluntary disclosures have increased during the past three years.

4.1.2 Shareholders view of the annual report when investing

Among the interviewed shareholders, four indicated that they read the annual report before they invest in a corporation and four indicated that they do not. Before every investment, S4 reads annual reports for the cash flow statement, profitability and the margins in corporations. He argued that this helped him to know what kind of corporation he is buying. Therefore, S4 makes an effort to find information about, for instance, the inside ownership in the corporation. During his interview, S4 pointed out “jag lägger inte någonting i bolag som inte går plus”, translated in English “I do not put anything in corporations that do not go plus”, which means he does not invest in corporations which he thinks will not make a profit. Moreover, the corporation must have reported a profit at least three years in a row, or S4 will not invest in the corporation. S1 and S7 claimed that they usually read the annual report before they invest in a corporation. According to S1, lack of time is one of the reasons for not reading the annual report before every purchase. When S1 does read the annual report, the cash flow statement is the most important source of information. He feels that this is the most useful sources of information, because corporations are not really able to modify the numbers in the cash flow statement. Furthermore, S6 read annual reports to establish a perception and an overview of the corporation. However, she is uncertain whether the annual report really contributed to her investment decisions. Other sources of information which affect her decision making are available.

During the interviews, S2, S3, S5 and S8 claimed they do not read annual reports before purchasing shares in a corporation. This is mainly because they are content with the information provided by the different internet banks, such as Avanza and Nordnet. According to S2, information presented on these websites are developed by their own analysts and predict on corporations’ annual reports. S3 pointed out that he read the information the analysts have published rather than the annual report when searching for information. He does this because he claimed that it would be a duplication of work for him. Before investing, S5 claimed he analyzes what kind of corporations he benefits from
in his daily life, supermarkets for instance. Furthermore, S8 use information in the form of numbers before he invests in a corporation. These numbers, or parameters, as he calls them, such as dividend price ratio and price earnings ratio (P/E ratio) helps him decide whether he should invest in the corporation or not. According to S8, these parameters are available in Svenska Dagbladet for instance which is easily accessible.

4.1.3 Shareholders view of marketing aspects in annual reports

When it comes to marketing aspects in annual reports, most shareholders thought that today’s corporations market themselves through their reports. Participant S3 pointed out that it almost feels like it has become a trend for corporations to marketing themselves through annual reports. This was also something that S1 commented on. Furthermore, S1 claimed that today’s corporations, and especially large ones, use their annual reports for marketing purposes. S1 stated that the amount of marketing aspects can differ between different industries. For instance, S1 claimed that the fashion industry tends to market themselves through annual reports more in comparison to consultancy corporations. This is something most of the participants agreed on (S2; S3; S4; S8). Participant S2 claimed that a sufficient number of pictures and graphs makes the annual reports more pleasant to read; “jag tycker inte att det är fel att ha lite marknadsföring i sin årsredovisning. Den blir lite roligare”, translated in English “I do not think it is wrong to have some marketing in their annual report. It makes it more fun”. However, S6 pointed out that she does not always notice the marketing aspects throughout annual reports and further claimed it to be hidden marketing aspects.

When the participants were asked about what they thought about pictures and graphs in annual reports, most of them were positive to it (S2; S3; S4; S6; S8). S4 and S6 claimed that pictures and graphs are preferred in annual reports because they make the reports more pleasant to read. Also, they give a better image of the corporation and what they do. This was something that S2, S3 and S8 agreed on. They further claimed that pictures and graphs in annual reports are preferable because they make it easier to understand the report. Generally, the participants mentioned that pictures in annual reports can be used as a resource to recognize corporations’ products. For instance, S4 mentioned during his interview “att de har liksom släppt Plopp Polka, men du vet inte hur den här ser ut, du har liksom ingen egen uppfattning av den här produkten [...] eller vart du nu har sett den någonstans [...] men då får man en sådan här liksom, ja juste, dem hade släppt den där
polka-Ploppen, ja juste. Sånt är lite kul kan jag känna”, translated in English “that they just have released Plopp Polka, but you do not know what it looks like, you have no idea about this product […] or where you have seen it before […] but then you get one of these, like ah yes, they had launched that polka-Ploppen. I feel that it is kind of fun”. However, S1 pointed out that the annual report nowadays consists of too much unnecessary pictures. S1 further claimed that corporations for instance, in the fashion industry did use lot of pictures to show and market their products. Both S1 and S2 claimed that they perceive some sections of the annual report as a product catalog rather than a useful source of information. For instance, S2 and S3 highlighted the comprehensive number of pictures in corporations’ annual reports. Furthermore, S2 said “första sidorna är bilder på tjejer och killar i olika kläder och så står det dessutom pris på vad produkterna kostar”, translated in English “the first pages are pictures of girls and boys in different clothes and also there is price tags on the products”. S8 claimed that if the corporations publish more voluntary disclosures in their annual report, the report will resemble a product catalog.

Images or pictures can give a different perspective than what text can provide. S8 points out that graphs give a better overview in comparison to the paragraphs of text presented in the annual report. Also, S8 mentioned that one benefit with graphs is the effectiveness when it comes to obtaining the information. This is because a graph is easier to read in comparison with paragraph after paragraph of text. S8 claimed that today’s society requires effectiveness and fast information rather than amounts of text that takes a long time to read. In addition, S4 mention that annual reports consist of different types of fact boxes, which is beneficial for shareholders who read the annual report.

4.1.4 Shareholders view on trust in corporations

Trust in a corporation was something that all the participants highlighted as important. They further claimed that they feel trust towards the corporations they have invested their money in. The reason why trust is important differs between the shareholders. According to S2, S3, S5 and S6, a high amount of trust towards the corporation creates a feeling that the corporation will conduct the money in a favorable manner. Furthermore, S3 emphasize the importance of corporations being honest and transparent in their annual reports. Moreover, S5 claimed that when he feels trust towards a corporation he does not have the same urge to follow its every move. S1 claimed that it is the trust towards the management and the CEO that is the main criterion when investing. However, S4 claimed that he can
trust the corporation despite his mistrust in the CEO. This, because the CEO can be replaced. S8 is of the opinion that the CEO statement in annual reports impacted trust among shareholders and corporations. The majority of the participants claimed that the CEO statement provided them with information about the corporation and the future prognosis of the corporation (S4; S5; S6; S7; S8) as the CEO is considered to have the best overview of the corporation.

S1, S2, S3, S4, S6, S7 and S8 perceived voluntary disclosures in annual reports as reliable, or they want to believe the information is reliable. Moreover, S8 pointed out that corporations do not dare to write something incorrect in their annual reports because the corporations are observed by many different stakeholders, including Finansinspektionen. According to S3, it would seem like the corporation is “som att skjuta sig i foten”, translated in English “like shooting your own foot” to publish untruthful information in an annual report. However, S8 did not think that corporations are motivated to provide false information. Moreover, S8 highlighted that trust in Swedish corporations is relatively higher in comparison with other countries such as, the United States for example.

S4 pointed out that more voluntary disclosures increased his trust towards corporations. He perceived the corporation to be more transparent when more information about the corporation is available. However, S4 claimed that it is unnecessary to disclose details regarding smaller purchases that do not affect the shareholders. At the beginning, S2 was unsure whether voluntary disclosures increase his trust towards corporations. But, S2 then claimed that voluntary disclosures had increased his trust in corporations. This is because the corporation had provided information about environmental considerations through their voluntary disclosures, which S2 appreciated. S2 mention that his trust in the corporations increased because of the fact that the corporation had chosen to disclose certain information when it was not required by law. For example, the type of materials used in their products. However, S1 and S6 did not agree with S2 and S4. S1 further claimed that increased voluntary disclosures decreased his trust towards the corporations. He argued that corporations use these extra voluntary disclosures to strengthen the positive information, which in turn “cover” the negative information about the corporation. This is something S6 agreed on. S6 further pointed out that the information presented in annual reports did not increase her trust towards corporations. She argued that, corporations beautify the information in their annual reports. Furthermore, during the interviews S2, S3, S6 and S8
mentioned that pictures and other marketing aspects did not increase their trust towards the corporation. S2 and S6 claims that pictures are something that feels natural and obvious in annual reports.

During the interviews, the respondents were asked if there was something corporations could do to increase trust among shareholders. For instance, S7 stated “det finns [...] aktiekvällar som företaget kan [...] vara med på [...] stora aktiedagen [...] där olika företag presenterar [...] om sig själva och vad dem vill göra, [...] hur deras framtid ser ut [...]. Det ökar ju förtroendet för folk”, translated in English “there are [...] stock evenings that the corporation can [...] participate in [...] the major Business Day [...] where different corporations present [...] themselves and what they want to do, [...] how their future looks like [...]. It increases the trust among people”. The majority of the participants pointed out that corporations who are transparent increases trust among shareholders (S1; S2; S3; S4; S5). S3 claimed that it is appreciated when corporations also present less positive information, such as goals that have not been reached during the year. S5 mentioned that corporations who are transparent increase his trust towards the corporations. For instance, S5 claimed it is preferable when the corporations are upfront and also buy more shares in their own corporation. It gives an image of a corporation believing in itself. Moreover, S4 claimed that some corporations should be more transparent towards their shareholders such as providing them with relevant information. S1 stated that some corporations are guarded and withhold a lot of information from the public, and to increase trust they should be more open and communicate with their shareholders. Participant S3 did not really know how corporations could communicate better to increase shareholder trust. However, S3 thought that general meetings are a good way to increase shareholders’ trust since shareholders can ask corporations questions at these events. Generally, the participants were unsure if corporations could do anything more to increase trust, apart from being more transparent. However, S5 gave an example that having short video clips with CEOs, may be a good thing to increase trust in shareholders since the CEO is the one who have an overall view of a corporation.

4.2 Empirical findings from corporations

In this study, four Swedish corporations have been interviewed. All the corporations are listed on the Stockholm Stock Exchange and since the corporations are anonymous, each
Corporation have been labelled anonymously. Similar to the empirical findings from the shareholders, these findings will be divided into four different themes. The first theme relates to the corporations’ views of annual reports. The next theme consists of how the corporations choose to structure their annual reports. The third theme relates to the corporations’ views regarding marketing through their annual reports and the usage of annual reports as a marketing tool. Finally, the corporations’ views on their shareholders and shareholders trust is addressed.

Corporation 1 operates in relation to the vehicle industry and it has operations in four out of seven continents in the world. The corporation was founded approximately 28 years ago. Corporation 2 operates in the retail industry and has been existing for approximately 80 years. Corporation 3 is active in the outdoor industry and has been existing for approximately 60 years. Lastly, corporation 4 operates in the retail industry, and it was founded approximately 20 years ago. Besides having a business in Sweden, corporations 2, 3 and 4 also operate in other countries.

Table 2 below shows a summary of the corporations that participated in this study. The information presented includes the interviewees’ job positions, type of capitalization, the interview method carried out and the duration of the interviews.

Table 2. Information about the corporation participants.

<table>
<thead>
<tr>
<th>Participant code</th>
<th>The interviewee’s position in the corporation</th>
<th>Type of capitalization in the Stockholm Stock Exchange</th>
<th>Interview method</th>
<th>Interview duration (minutes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Director of Corporate communication &amp; investor relationship</td>
<td>Mid cap</td>
<td>Face-to-Face</td>
<td>Approximately 42</td>
</tr>
<tr>
<td>C2</td>
<td>Accounting specialist (Group Accounting Consolidation)</td>
<td>Large cap</td>
<td>Phone call</td>
<td>Approximately 35</td>
</tr>
<tr>
<td>C3</td>
<td>Director of corporate communication &amp; investor relationship</td>
<td>Large cap</td>
<td>Phone call</td>
<td>Approximately 33</td>
</tr>
</tbody>
</table>
4.2.1 Corporations views of the annual report

C1 viewed the annual report as a marketing document and further claimed that it could be more useful as such if it was more pleasant and interesting to read. C1 noted that they have decreased the amount of details in their annual report narratives over the last year. This was done to create a more pedagogical annual report to increase its readability and to encourage the shareholders to read the annual report. According to C1, they have focused on providing more voluntary disclosures because the mandatory disclosures are more difficult to understand due to its high numerical content. According to C2 and C4, the purpose of publishing annual reports can be separated into two categories; (1) corporations have to establish an annual report because the law requires it and (2) to present what the corporation are and do in more detail. Similar to this reasoning, C3 claimed that the purpose of an annual report is to provide sufficient information about the corporation to their shareholders. Moreover, C3 claimed that the corporation only includes essential information in their annual report to avoid an excessively difficult production of the annual report. On the other hand, C3 emphasized the importance of the type of emotion their annual report creates among shareholders. Also, C2, C3 and C4 highlighted the importance of voluntary disclosures in their annual reports. They are of the opinion that voluntary disclosures reflect the true image and soul of their corporations.

Over the last couple of years, in C4, the corporation has decreased the amount of voluntary disclosures in their annual report. This was done because they perceived the voluntary disclosures as too extensive. C4 decided to focus on the mandatory disclosures and other communication channels instead. The reason for this is partly because of the costs associated with the annual report, but also because of their perception that many shareholders do not read their annual report.

4.2.2 Structure of the annual report

The structure and size are aspects that all corporations pay attention to in their annual reports. In late autumn or at year-end, the process begins with decisions about how the
future annual report will look. Among other things, both C2 and C3 mentioned that the images and the layout that make up the voluntary disclosures are determined. A decision is also made about which sections to include and how extensive different sections should be. C3 claimed that other corporations focus, spend and make their annual reports disproportionately complex in comparison to C3’s annual report. Furthermore, C3 claimed that even though the structure looks similar from year to year, minor changes are made.

A common feature that all the corporations had was the ambition to try to shorten their annual reports. For instance, by having less text and instead, including more pictures that are more informative. For instance, C3 tries to make it easier for readers to find information in the annual report. C4 pointed out that they also pay close attention to the structure of their annual reports. Their annual reports have decreased in size, i.e. in terms of the amount of information in comparison to what it was in the past few years. However, C2 pointed out that this is challenging since there is a lot to be included in an annual report as it is the corporation's chance to show what has happened during the past year and what will be done in the future.

4.2.3 Corporations view on marketing through annual reports

During the interview C1 admitted that annual reports are a great marketing tool and that the annual report is used to market the corporation. Since the annual report can include text and pictures, it can be used to show how the corporation operates. It can also be used to show the corporation’s message, and what it stands for. C2 thinks that annual reports are good for marketing, for instance when students from universities visit the corporation or when the corporation is at an event where there are new and potential shareholders. However, C4 claimed that they do not use the annual report as a marketing tool. Instead they use other channels such as social media to market the corporation. C3 claimed that even if an annual report is a good tool to show and market the corporation, they have not used it for marketing purposes. However, C3 claimed that the material in the annual reports is reused on their website. This since the website should reflect what is stated in the annual report.

Today, almost all corporations have pictures, graphs and a layout in their annual reports. The pictures in the annual report are not only focused on products but also on other aspects
of the corporation like the leadership team and the Board of Directors. Having pictures and graphs in the annual reports was something that C1 thought was suitable, since pictures can present messages in a different way than text, pictures and graphs also make an annual report easier to read. C2 was supportive of the idea to include more pictures and graphs in general in annual reports. C2 further pointed out that there is an ambition for his corporation to create an annual report with more graphics than more text. Further, according to C3, even though pictures may be a good tool for improving the understanding of the annual report, it is important that the pictures show the entire or all parts of the corporation rather than just a selected part of the corporation.

C3 pointed out that their annual reports do not have to be innovative and creative every year with a new layout. C3 further believed that annual reports should be interesting instead of being a flashy catalogue. Similarly, C4 explained that previously the corporation had relatively large annual reports with huge amounts of pictures, both of special images and advertising images, which made it look like advertising brochures with a few numbers at the end. On the other hand, C1 explained that in the future they intend to produce annual reports that look more like magazines as they believe this will make annual reports more satisfying to read.

4.2.4 Corporations views on their shareholders and trust

All the corporations were of the view that the main audience are the existing shareholders, potential shareholders and analysts. However, C4 was skeptical to whether their shareholders really read their annual reports. C4 believed that the number of “ordinary people” (i.e. private individuals) who read annual reports are few. Furthermore, C4 pointed out that only three shareholders have asked the corporation for a printed annual report over the last three years. However, C2 and C3 claimed that most shareholders read annual reports in digital form (i.e. PDF format), which are found on corporations’ websites. C1, C2 and C3 claimed that their shareholders generally are satisfied with the information presented in their annual reports. This, by asking and having a dialogue with their shareholders. C2 was of the opinion that shareholders and potential shareholders primarily read the CEO statement and information about the corporation’s Board of Directors. C2 reasoned that these sections of the annual report provide shareholders information about what the CEO thinks about the future and the numbers of shares owned by the Board of Directors respectively. However, C3 pointed out that their closest shareholders demanded
for more information in addition to what was disclosed through their annual report. C3 emphasize that it is a subtle balance when it comes to how transparent the corporation should be and how much information they should disclose towards their shareholders. C1 stated that the annual report is a good channel of communication with shareholders as it showed all the different happenings within the corporation that have occurred during the year. Moreover, C1 pointed out that they prioritized long-term relationships and trust from their shareholders and future shareholders. For instance, C1 does this is to prevent the corporation from being too optimistic in their disclosures. This is done to prevent an erroneous increase of the stock price.

When it comes to whether the corporations consider the annual report as a tool to create or obtain trust from shareholders, their answers differed from each other. C2 claimed that they do consider the annual report as a tool to create trust among shareholders. Furthermore, C2 emphasize that shareholders and potential shareholders read the annual report in an early stage of their shareholder career. This, to build a first impression of the corporation and its operation. C2 also claims that the annual report works as an encyclopedia when shareholders have different speculations or questions about the corporation. Moreover, an elaborated annual report helps shareholders understand the corporation’s operation and hopefully it creates a positive image of the corporation. On the other hand, C4 pointed out that they do not consider the annual report as a primary tool to create trust. Instead, C4 emphasize that trust is created through their interim reports and the comments that are given. More specific, C4 claimed that trust is created through telephone conferences and gatherings in correlation with interim report releases.

To increase shareholders trust, C2 emphasize the importance of an integrated report, which means an annual report that has a red thread throughout the report. Moreover, every year there is a Capital Market Day were corporations have the opportunity to inform their shareholders about themselves, their activities and their plans for the future. C2 claimed that this kind of event gives the opportunity to show corporation transparency and trustworthiness. Also, the purpose of Investor Relations (IR) in a corporation is to be available and encounter investors and analysts. However, C4 stand by previous statement, which is that it is the interim reports who creates trust. This, because the annual report is claimed to be a document with “old” information, based on the interim reports.
In this fourth chapter, empirical findings from both shareholders and corporations have been presented. Next step is to discuss and analyze the collected data with previous research and the selected theory; disclosure theory. Therefore, the next chapter contains this study’s discussion and analysis, which is based on an analysis model. Firstly, summaries of the empirical findings are presented.
5 Analysis and Discussion

In this chapter the empirical findings from the interviews are analyzed. The analysis is based on the conceptual framework, as well as on the purpose and research questions of this study.

5.1 A summary of the findings from shareholders

In this study, eight shareholders were interviewed. During these interviews, the participating shareholders were asked how often they read annual reports and how they perceive the annual report regarding marketing aspects, voluntary disclosures and trust towards the corporations. To summarize, the majority of the participating shareholders do not read the annual report so often. But when they do read the annual report, they read certain sections and not the whole report page by page. Two significant sections mentioned were the CEO statement and financial ratio. The CEO statement was claimed to consist of useful information about the corporation and the corporation’s prospects. Among the shareholders, four read the annual report before they invest in a corporation and four do not. The majority of the shareholders did not recognize the term voluntary disclosures. After a short explanation of what voluntary disclosures meant, the majority of the shareholders considered voluntary disclosures as useful. They mentioned that voluntary disclosures made the annual report more pleasant to read. Also, it provides shareholders with information about the corporation’s management and their possessions, which were considered important by a number of the shareholders. However, a few of the interviewed shareholders did not consider voluntary disclosures as useful. They argued that they do not have time or motivation to read an annual report filled with voluntary disclosures. On the other hand, almost all shareholders perceived voluntary disclosures in annual reports as reliable. They further claimed that it would be unintelligent and harmful for the corporation to publish information that is not true. One shareholder claimed that more voluntary disclosures would decrease the possibility of him reading the annual report and another pointed out that today’s amount of voluntary disclosures is enough. Two of the participants claimed that the extent of the voluntary disclosures has increased during the last decade.

When it comes to marketing aspects, the majority of the shareholders found that corporations use their annual report to promote themselves. One shareholder claimed it is
a trend among corporations to do so. Another shareholder was positive towards pictures and graphs presented in annual reports because they made the annual report more amusing to read. However, a number of shareholders associated the annual report to a product catalog, mainly because of the number of pictures and products presented in the annual reports. On the other hand, the majority of the participants were positive to the corporations’ usage of graphs. They perceived graphs as an easier and faster source of information in comparison to text.

When it comes to trust in a corporation, the majority of the shareholders highlighted that trust in a corporation is important and that they do feel trust towards corporations they have invested in. Furthermore, it was claimed that the CEO statement affected trust among shareholders. This is because the CEO is considered as a person who possess most knowledge about the corporation and is therefore an important source of information. A few of the shareholders claimed that more voluntary disclosures would increase their trust towards corporations. One shareholder mentioned that trust towards Swedish corporations is relatively high in comparison with other countries. When the shareholders were asked what the corporations could do to increase their trust, they indicated that they would like the corporations to be more honest and transparent. This, by disclose more and also relevant information about the corporation. Furthermore, one shareholder advocated that it would be appreciated if the corporations also disclose less positive information about themselves in their annual reports.

5.2 A summary of the findings from corporations

Four corporations were interviewed in this study. The corporations were asked for their view of the annual report, marketing aspects, shareholders and trust. Overall the corporations considered the annual report as a good tool for communication. However, it could be made more pleasant and interesting to read. This is important since it would not only make more shareholders read annual reports but also make the annual reports easier to read. The corporations wanted also to invest more in the voluntary disclosures since the financial aspects can be difficult to read and understand. As such, the voluntary disclosures seem to be the most important part of the annual report for the corporations. The CEO statement is one of the most important sections of the voluntary disclosure because shareholders read it and use it as a prognosis for the corporation's future.
Regarding the design and layout of the annual report, there were some distinctions between the corporations. Some of the corporations spent more time designing their annual reports, in comparison to others who followed the same layout as the previous years. What was common between the corporations was the fact that none wanted to expand the annual report. Instead, they all had the ambition to shorten the annual report. For instance, by having less text but having more informative pictures and graphs. Today, there is a trend to have annual reports that are attractive graphically. Pictures and graphs were used by the corporations, both because they are suitable, and make it easier for readers to understand the annual report. Pictures were also used to market the corporation and to show what the corporation is doing. However, not all the corporations agreed that the annual report was used as a marketing tool since there are better and more modern ways to market the corporation today. The corporations all agreed that shareholders are the main target audience. However, there were different opinions whether shareholders actually do read the annual reports. The corporations thought overall that shareholders were satisfied with the information that is presented in annual reports even when shareholders requested for more information. Aside from that, it is difficult for corporations to determine how much information to disclose or how transparent they should be. What corporations considered important is to maintain a long-term relationship with their shareholders as a short-term relationship could affect the value of the corporations’ shares. One corporation considered the annual report as a tool to create trust. This, partly because the annual report gives the first impression among shareholders but also because the annual report works as an encyclopedia when shareholders have questions. However, the opinion of the annual report as a tool to create trust was not something every corporation agreed on. One corporation claimed that trust is built on the interim reports published over the year. Furthermore, gatherings and telephone conferences were assumed to increase shareholders trust. On the other hand, by presenting integrated annual report was also assumed to increase shareholders trust.

5.3 An interpretive study

As mentioned in Chapter 3, this is a qualitative study. As such, the authors will be interpreting the data that have been collected from both the shareholders and corporate personnel that were interviewed. Since the interviews involved words, the authors will try
to make sense and meaning from these words. One may argue that interpretation is subjective, which can be true. However, qualitative studies are known to offer a broad variety of meanings and understandings of a phenomenon. Since this study relates to the concept of voluntary disclosures that is not regulated and the concept of trust which is not firmly defined, interpreting (i.e. making sense and meaning) the interviews would offer a broader possibility of meanings and understandings about these concepts. In the next section, the authors present a framework of how their interpretation of this study is done.

5.4 A presentation of the analysis model

![Analysis model used in this study](image)

Together with the empirical findings, previous research and disclosure theory, further understanding regarding shareholders trust towards corporations are discussed and analyzed. Corporations disclose information, pictures and graphs through their annual reports. According to disclosure theory the market is imperfect, which signifies that corporations choose what they want to voluntary disclose towards their shareholders. The perceived disclosure creates a certain amount of trust towards the corporation. This study aims to take a closer look on how voluntary disclosures and marketing aspects affects shareholders trust in Swedish corporations. Therefore, disclosure theory, together with voluntary disclosures and trust, are analyzed in the following paragraphs. Furthermore, marketing aspects and trust are analyzed in a later section in the analysis.
5.4.1 Disclosure theory

Every year, listed corporations have to prepare and present an annual report accessible for every shareholder to read (Bolagsverket, 2017). Moreover, those annual reports are filled with disclosure, both mandatory and voluntary disclosures (Beyer et al., 2010). To be able to understand the phenomenon of trust in the context of disclosures, the authors have chosen to adapt disclosure theory. Disclosure theory exists in many different forms and contexts (Von Alberti-Alhtaybat et al., 2012; Rimmel and Jonäll, 2016). In this study, disclosure theory when market is imperfect is used. The main reason for using this theory is to include the prevailing explicit and implicit market failures into the discussion of shareholders’ trust towards listed corporations due to what they voluntarily choose to disclose. These market failures affect shareholders possession and perception of information. For instance, disclosure theory when the market is imperfect emphasizes that corporations do not disclose all information available (Rimmel and Jonäll, 2016). This could create doubt among shareholders (Beyer et al., 2010) and according to Guiso et al. (2008), shareholders’ possession and perception of information affect their trust towards corporations. In the next sections, explicit and implicit market failures together with the empirical findings and the conceptual framework are analyzed.

5.4.1.1 Adverse selection

Adverse selection is when an individual has an information advantage in comparison to other individuals. In other words, there is an information gap between different parties (Rimmel and Jonäll, 2016). In this context, shareholders with more information about a corporation tend to make better investment decisions than shareholders with less information (Chung et al., 2014). The participating corporations indicated that they receive and answer different questions about the operation from individual shareholders. This further means that the individual shareholders get access to more information about the corporation than the information disclosed in their annual reports. One of the shareholders in this study, S4, emphasized the importance of him knowing the corporation he considers investing in. Therefore, he makes an effort to find further information about the corporation, such as the inside ownership. The remaining participating shareholders gave no indications that they searched for further information about corporations of interest. This means that some shareholders obtain more information about the corporation than other shareholders do, which leads to differences in information possession and
information gaps. The empirical findings of this study therefore confirm that adverse selection exists among shareholders in today’s society.

However, to mitigate the adverse selection corporations should disclose more voluntary disclosure in their annual reports. This may equalize the information possession among shareholders (Leuz and Wysocki, 2016; Rimmel and Jonäll, 2016; Bourveau and Schoenfeld, 2017). Two of the participating shareholders claimed that more voluntary disclosure in annual reports could increase their trust towards the corporation. This is because they perceive corporations to be more transparent when they disclose more information voluntarily. This is also in-line with Schnackenberg and Tomlinson’s (2016) study. In connection to trust, transparency was a recurring concept during the interviews. The shareholders emphasized the importance of corporations being transparent if their trust towards listed corporations is to increase. More about transparency is discussed in 5.4.2.

From the corporations’ perspective, the corporations in this study claimed that it is a question of resources and a subtle balance when it comes to how much information they should disclose in their annual reports. C3 acknowledged that shareholders always want more information than the information already disclosed voluntarily by the corporation. However, an increasing demand for more disclosure and transparency generates pressure on corporations and their ability to adapt to these demands (Iannaconi, 2012). This appears to be a difficult demand for corporations to satisfy. Instead, some corporations try to mitigate this by excluding unnecessary details in their annual reports. This makes their annual reports more succinct, easy to read and understand.

5.4.1.2 Information asymmetry

Information asymmetry means that one of two or more parties has access to more information (Rimmel and Jonäll, 2016). Some of the shareholders in this study believed that corporations and shareholders do not possess the same amount of information. According to Healy and Palepu (2001), information asymmetry occurs because of the differences in performance among a corporation’s different segments. Because of this, corporations choose to only report the aggregated performance. By reporting only aggregated performance, news about poor performance is hidden. This corresponds with the shareholders’ opinions in this study who claimed that corporations choose to disclose information that project the corporations in a positive way and to “beautify” reality. In
other words, whether corporations disclose or do not disclose information, they do so to benefit themselves. When corporations do this and try to alter reality, it misleads shareholders and may affect their trust towards the corporations (Guiso et al., 2008). The shareholders in this study commented that their trust was affected (i.e. their trust reduced) when they perceived that corporations were not complete honest in their disclosures. To minimize information asymmetry, the shareholders suggested that corporations should be more honest and transparent. However, from the corporation’s perspective, it may be both costly and time consuming to produce such annual reports. It is also difficult for corporations to find the subtle balance when it comes to how transparent they should be in their annual reports. Further, this could also be influenced by how much resources corporations are willing to spend.

5.4.1.3 Naive investors

Rimmel and Jonäll (2016) describe naive investors as individuals who have a lack of knowledge and experience regarding a subject or phenomena. In this study where individual shareholders were interviewed, the authors found that the majority of the shareholders do not read the whole annual report. Instead, they read some selected parts of it. There were even a few who did not read annual reports at all. Only two out of eight shareholders recognized the concept of voluntary disclosures. Since not all shareholders read annual reports, this could explain the reason few of them do not recognize voluntary disclosures. This supports Chung et al.’s (2014) study that a certain degree of information asymmetry exists between different investor groups. This is in spite the study included institutional shareholders while this study includes individual shareholders.

A few of the shareholders in this study have owned shares for three years or less and read annual reports only on an occasional or rare basis. It became obvious during the interviews that these shareholders who rarely read annual reports did not know much about annual reports. Therefore, even if there is an increase in voluntary disclosures, there can still be differences among shareholders in terms of their knowledge about corporations and their shares. This indicates that experienced shareholders who read annual reports know what type of information is most important to gather and can trade more confidently (Smith, 2010).

From the corporation’s perspective, C4 thought that the number of individual shareholders
who read annual reports are few. C4 was even skeptical if they really read the annual report at all. According to Rimmel and Jonäll (2016) this could be due to the shareholder’s lack of experience and understanding. This could also be due to the fact that not all shareholders have the same experience of reading an annual report, which makes shareholders choose to read it less or not read it at all. However, this makes one wonder how shareholders who rarely gather information from annual reports obtain information to make decisions. Perhaps they rely on information gathered from other sources such as verbal information from other shareholders, financial news or information from analysts. This could also indicate that naive investors do not trust annual reports but instead trust others’ (i.e. other shareholders, financial news or analysts) judgment to make their decisions.

5.4.2 Voluntary disclosure in annual reports and trust

The phenomenon of trust has been studied and discussed in previous studies (Mayer et al., 1995; Nooteboom, 2002; Hampton-Sosa and Koufaris, 2005; Guiso et al., 2008). However, these studies have been limited to, for instance, shareholder’s participation on the stock market due to their trust towards corporations (Guiso et al., 2008). In this study, shareholders have been asked about their trust towards corporations in relation to what corporations publish in their annual reports. More specifically, about the content corporations report as voluntary disclosures.

Guiso et al. (2008) defined trust as the probability a shareholder attribute to the possibility of being misled or tricked and thus creating a certain degree of trust towards the corporation. The shareholders in this study claimed that they generally feel trust towards the corporations, which per definition indicates that they perceived a low possibility of being tricked or misled by those corporations. However, when the shareholders were asked whether there was anything corporations could do to increase shareholders trust towards them, the majority of the shareholders claimed that corporations could be more transparent. This implies that although shareholders generally feel that they may not be misled by corporations, they do not feel total trust towards corporations. This could be because shareholders perceive corporations as being able to be more transparent than they are now. According to Schnackenberg and Tomlinson (2016), corporations earn trust by providing more voluntary disclosure through their annual reports. One shareholder agreed with this point while another shareholder added that corporations should also include more information that are less positive in their annual reports. Annual reports are currently too
optimistic and are not balanced. Even one of the corporations in this study, C1, acknowledged and agreed that an annual report should not be too optimistic in their disclosed information. When corporations publish overly optimistic and/or more voluntary information, it does not mean that shareholders will have more trust towards the corporations. For example, S6 pointed out that her trust towards corporations does not increase due to more voluntary disclosures. Her perception was that corporations use their voluntary disclosures to “beautify” themselves or in other words, enhance their image. Another shareholder, S1, agreed with this and added that more voluntary disclosures from corporations rather decreased his trust towards corporations because he perceived that the extra disclosures was used to mask negative information about the corporation.

Some shareholders have claimed that their trust towards corporations would increase if corporations are more transparent, but what does it mean to be transparent? Per definition, being transparent is “the perceived quality of intentionally shared information from a sender” (Schnackenberg and Tomlinson, 2016, p. 1788). This definition is a result of a review of several definitions of transparency by Schnackenberg and Tomlinson (2016). One interesting term in this definition is the word quality. Both Smith (2010) and Iannaconi (2012) emphasized in their studies that an increased amount of information quantity does not necessarily increase information quality. Moreover, Iannaconi (2012) claimed that today’s annual reports are too extensive and further emphasized the importance of quality of information instead of the quantity of information. Information quality is central to the concept of transparency (Schnackenberg and Tomlinson, 2016). Shareholders in this study who hoped for corporations to be more transparent are indirectly indicating that the disclosures in annual reports are no of quality. As such, they do not totally trust these disclosures. What quality information is depends on the context and usefulness of the information.

On the other hand, according to disclosure theory when the market is imperfect, corporations should disclose more voluntary disclosure to minimize the information gap between them and their shareholders (Leuz and Wysocki, 2016; Rimmel and Jonäll, 2016). When corporations increase their disclosures, it gives an impression of more transparency. Publishing more disclosures gives an impression that the corporations are not hiding information about their businesses (Schnackenberg and Tomlinson, 2016). One shareholder pointed out that his trust towards corporations increased due to the fact that
corporations voluntarily choose to disclose information about their operation. However, disclosing information that are not useful to shareholders are unnecessary, as mentioned by another shareholder. A few corporations seem to be aware of this. For example, C1 mentioned that they have decreased their disclosure narratives to increase the readability and understandability of their annual report. This was done to create an annual report that is more pedagogic and of quality for their shareholders.

Theron et al. (2008) highlight that trust, among others, is an important key concept when it comes to the relationship between a corporation and its external environment. Trust is a phenomenon all economic exchanges rely on (Pevzner et al., 2015). The shareholders in this study claimed that their trust towards corporations are affected by how they perceive the CEO and the management of the corporations. Corporations seem to share a similar opinion about this. For example, C2 recognized that both potential and current shareholders primarily read information about the Board of Directors and the CEO statement in their annual reports. Both potential and current shareholders find these parts of the annual report useful as they provide information about the corporation’s future and ownership in terms of the numbers of shares owned by the Board of Directors. A study done by Clarke and Murray (2000) found that the CEO statement in the annual report can be used as a tool to create trust among shareholders. Therefore, more information voluntarily disclosed in the CEO statement could increase trust among shareholders. This can only happen when the CEO is considered a person who possesses most knowledge about the corporation and is therefore an important source of information to the shareholders. Overall, some voluntary disclosures in annual reports seems to be perceived as an important source of information. This, because its content is significant to the trust perceived by shareholders.

5.4.3 Marketing aspects in annual reports and trust

Annual reports have become an important communication tool for corporations. Most of the corporations who participated in this study agree with this. However, not all corporations believe this to be the case. For example, C4 mentioned that today, there are better ways to communicate and market the corporation towards their shareholders and other stakeholders. For instance, through the use of social media.
Moreover, it was added that the annual report is used to create long-term relationships with shareholders and to create shareholder value. Shareholder value is an important key to create a relationship between the corporation and its environment (Theron et al., 2008). Shareholder value is also important in terms of marketing the corporation (Parment, 2015). When communicating the marketing aspects of a corporation, a shareholder’s trust can be influenced, and this can build a relationship between the corporation and their shareholders (Clarke and Murray, 2000).

A distinct picture of the corporation in a consistent and convincing manner is important (Kotler and Keller, 2009). Also, the corporations emphasized the importance of an integrated report to increase trust among shareholders. This further means that a read thread should exist throughout the entire annual report. According to integrated marketing communication (IMC), the message that is sent through different types of communication channels should be the same (Finne and Grönroos, 2017). Otherwise, there is a risk that shareholders will perceive the information from the corporation as confusing (Kotler et al., 2011). Therefore, information already used in annual reports can be reused in other communication channels. This, to make the communication channels integrated and monolithic.

During the interviews, shareholders mentioned that annual reports have become more of a brochure-like tool than a financial report. Perhaps this is because corporations want to promote their business through their annual reports. However, this does not necessarily increase shareholders’ trust in the corporation. Stanton and Stanton (2002), Bretton (2009), Lönnqvist (2011), and Marton (2014) acknowledge that the annual report has become more of a brochure and further added that corporations spend a lot of resources in preparation of their annual reports. Annual reports became more like brochures when many marketing aspects like pictures and graphs were added. According to the majority of the shareholders, pictures were appreciated since they make it easier to read and understand the annual reports. Corporations thought it was good to include visual elements in their annual reports as they can present a message in a different way than text. This is in-line with the studies by Bernardi et al. (2002) and Preston and Young (2000) which highlight that pictures used in annual reports increase the understandability and strengthens the corporations’ messages.
Even if not all the corporations use their annual reports as a marketing tool, they were all positive to include pictures in their annual reports. However, a few shareholders had a different view. One shareholder pointed out that pictures did not help him understand the annual report. Instead, he thought that pictures were just a distraction when reading the annual report. However, Davison (2014) mentioned that pictures and graphs in annual reports can be used as tools to understand the complex financial parts. Graphical aspects may be more useful in annual reports since pictures can have varied meanings. But overall marketing aspects such as pictures and graphs do not increase trust among shareholders. They seem only to be good tools to facilitate the understanding of the annual report.

5.5 Analysis summary

According to disclosure theory when the market is imperfect, not all parties have access to the same amount of information. According to the findings, there are shareholders that search for more information than disclosed in corporations’ annual reports. The information gap between two parties can also emerge from knowledge differences regarding a specific subject. Despite shareholders knowledge of the information asymmetry between corporations and shareholders, all the participating shareholders claimed that they feel trust towards corporations. The shareholders claimed that more transparency could decrease the information asymmetry and increase their trust. Furthermore, more information from the CEO and the management were also factors that could increase shareholders’ trust towards corporations. On the other hand, corporations claimed that annual reports are resource demanding and time consuming. However, some of the corporations emphasized that they take shareholders opinions into consideration when creating their annual reports. For instance, one corporation have simplified their annual report by decreasing the amount of redundant details. According to the definition of transparency (Schnackenberg and Tomlinson, 2016) and the empirical findings, shareholders seem to want voluntary disclosures to be more qualitative than quantitative. When it comes to the marketing aspects, the authors have been able to identify that pictures and graphs generally did not increase shareholders’ trust towards corporations. Instead, marketing aspects work as a tool for making the annual report more appreciated and easier to read, which correspond with previous studies (Preston and Young, 2000; Bernardi et al. 2002; Davison, 2014).
6 Conclusion

This last concluding chapter provides answers to the research problem, theoretical contributions, practical recommendations and suggestions for future research.

In this study, the authors have investigated how voluntary disclosures and marketing aspects affect shareholders trust towards listed corporations in Sweden. The main purpose of this study was to examine whether shareholders have increase trust in corporations based on the voluntary disclosures, including marketing aspects, that corporations publish in their annual reports. Additionally, both shareholders and corporations were interviewed to have two perspectives to the research problem.

The main research question was:

- In what way do more voluntary disclosures in annual reports increase shareholders’ trust in corporations?

This study aimed to investigate if increased quantity of information, voluntary disclosures, increase shareholders trust towards corporations. The findings showed that the majority of the participating shareholders do not consider more voluntary disclosures as a factor which increase their trust towards Swedish corporations. However, a minority of the shareholders gave indications that more voluntary disclosures could increase their trust. This increase of trust depended on what kind of information the corporations disclosed. The participating shareholders emphasized that they were more interested in an increase of information about the corporations’ future, the CEO and the management, than an increase in disclosures regarding details that do not directly affect the corporation. Further, the fact that corporations voluntarily chose to disclose information about themselves and their activities was claimed to be a factor that increased trust. Almost all shareholders claimed that increased honesty and transparency were two factors that could increase their trust towards corporations. This indicates that shareholders prefer quality in corporate disclosures rather than an increase of quantity in disclosures.
The thesis sub-questions were:

- *In what way do marketing aspects in annual reports increase shareholders’ trust towards corporations?*
- *In what way do corporations view voluntary disclosures including marketing aspects in their annual report as a way of increasing shareholders trust in them?*

According to the findings, marketing aspects do not increase shareholders’ trust towards corporations. However, it was found that marketing aspects increase the understandability of the annual report. The shareholders have indicated that pictures in annual reports make them more pleasant and exciting to read. On the other hand, a minority of the shareholders perceive marketing aspects, such as pictures, as annoying. Some of them also consider the annual report as a product catalog, or a brochure, rather than a financial tool. However, pictures and other graphics in annual reports are overall appreciated since they make it easier to understand the annual report and the message the corporations want to transmit towards their shareholders.

According to the interviewed corporations, the reactions they received from shareholders regarding their annual report is positive. The corporations perceive that their shareholders are pleased with the content published in their annual reports. The corporations are aware of the importance of publishing information that reflect the corporation and its activities in a correct way. For instance, it is important that the chosen pictures or graphics justify the message the corporation are trying to communicate. A minority of the corporations talked about the value of trust from shareholders. For instance, one corporation want to create a long-term relationship with shareholders who believes in the corporation. To establish or maintain trust, corporations try to include in their annual reports what their shareholders would like to know about the corporation. For example, the information included in the CEO statement, and information about the Board of Directors, the CEO and the management. This does not necessarily mean that corporations disclose *more* information. Rather, the information can be more succinct and informative than being increasingly comprehensive.
6.1 Theoretical contribution

Previous studies have shown that trust is an underlying factor for investment. Individuals who trust in a corporation tend to invest more (Pevzner et al., 2015). Furthermore, previous studies have shown that increased corporate disclosures also increase perceived trust from shareholders. Increasing corporate disclosures gives the impression that corporations are not hiding much about their businesses (Schnackenberg and Tomlinson, 2016). Another study found that a lack of trust affects shareholders’ participation on the stock market (Guiso et al., 2008). In comparison with these studies, this study has focused on the phenomenon of trust in relation to voluntary disclosures from both a shareholder perspective and a corporation perspective. The findings have contributed with further knowledge about how today’s shareholders perceive the voluntary disclosures and marketing aspects in a corporation’s annual report, and how these disclosures affect their trust towards the corporations. Some knowledge about corporations’ views of the annual report and its voluntary disclosures have also been revealed in this study.

6.2 Practical recommendations

According to the findings in this study, a comprehensive annual report is not always appreciated by shareholders. Therefore, corporations could make further adjustments in their annual reports to satisfy their shareholders. For instance, they can invest more time and resources on the CEO statement and descriptive graphs since these parts of an annual report appear to have a positive impact on shareholders trust towards corporations. Also, it is important that the voluntary information disclosed are relevant and trustworthy. By relevance the authors refer to the information relevant for the shareholders to know, such as future prospects and information about the management. Trustworthiness is created by truthful and transparent information. Moreover, it is a corporation’s responsibility to disclose truthful information about the operation and to be trustworthy towards their shareholders.

6.3 Suggestions for future research

As for future research, the authors suggest that researchers can investigate the aspects of qualitative information in comparison to quantitative information in annual reports, and how they affect trust among shareholders. This, to deepen the knowledge about
shareholders perception of disclosure quality and disclosure quantity and also identify differences between these two. Furthermore, corporations view of disclosure quality and disclosure quantity can also be included.

In this study, the authors did not study a specific industry. Therefore, a suggestion for future research can be to select a certain industry, such as the fashion industry for instance, and ask shareholders within that industry about their trust towards corporations due to what they voluntarily publish in their annual reports. This, to increase the generalization of the study.

Also, a suggestion can be to investigate whether there are other ways to increase shareholders’ trust in the corporation, aside from using voluntary disclosures in annual reports. For instance, communication channels through social media can be studied. This, to broaden the spectrum of disclosures impact on shareholders trust towards corporations.
References


Appendix

Interview guides

Interview guide – Shareholder

**English version:**

**General**
1. Consent to participate in the study.
2. Consent to audio record the interview.
3. Information about anonymity in the interview and the study.
4. Can you briefly tell us about why and how long you have been a shareholder?

**The use of the annual report**
5. How often do you read the annual reports?
6. Before deciding to invest in a company, do you read their annual report? What parts of the annual report helps you to make your investment decision?
7. Do you read corporation´s annual reports that you invested in? Why / why not?
8. How do you read the annual reports? From page to page in sequence? Or in no particular order?
9. Which section do you read first? Why?
10. Do you find annual reports useful to you as an investor? How is it useful?
11. Which sections of the annual report are the most important to you? Why?
12. What do you think of the structure or layout of the annual report you have read?

**The voluntary disclosure**
13. Are you aware that annual reports include voluntary information?
14. Do you find this voluntary information useful to you?
15. Has more voluntary information in annual reports been more helpful to you?
16. Do you feel that increased volumes of voluntary information also increase your understanding of the annual report and the corporation´s business?
17. Has voluntary information made you have more trust in the company you invested in? Why or why not?

18. Do you believe the voluntary information given in an annual report is reliable? Why or why not?

**Marketing**

19. Annual reports also include graphics and photos. Have you found this useful for you to understand annual reports? Why or why not? Have these graphics and photos made you have more trust in the company you invested in? Why or why not?

20. How do you experience corporations’ use of the annual report for marketing purposes?

**Annual report in a long-term**

21. If you have been a long-term investor, have you noticed any changes to the annual reports over the years? (Have these changes made it easier for you to understand the annual report?) (Do these changes make it easier for you to make decisions?) (If you have not noticed any changes to annual reports, do you think annual reports should be changed to make it easier for you to understand information?)

22. Have you noticed an increase in voluntary information in annual reports over the years?

**Trust**

23. What do you think companies should do so that you, as a shareholder, can trust them more?

24. As a shareholder, do you think companies should communicate better to their shareholders? Do you think there can be better ways to communicate information in annual reports?

**Conclusion**

25. Is there anything else you would like to add?

Thank you very much for your time. We appreciate it very much. Could we contact you again if we missed out anything or need clarification? Could we please have your contact details?
**Swedish version:**

**Allmänt**
1. Samtycke till att medverka i studien.
2. Samtycke till ljudinspelning av intervjun.
3. Information om anonymitet i intervjun.
4. Kan du berätta lite kort om varför och hur länge du varit aktieägare?

**Årsredovisningen**
5. Hur ofta läser du årsredovisningar?
6. Innan du bestämmer dig för att investera i ett företag, läser du dess årsredovisning? Vilka delar av årsredovisningen i så fall hjälper dig att fatta dina investeringsbeslut?
7. Läser du företags årsredovisningar som du investerat i? Varför/varför inte?
9. Vilken del läser du först? Varför?
10. Tycker du att årsredovisningen är användbar för dig som investerare? På vilket sätt?
11. Vilka delar av årsredovisningen är viktigast för dig? Varför?
12. Vad tycker du om strukturen eller utformningen av de årsredovisningar som du har läst?

**Frivilliga informationen**
13. Är du som aktieägare medveten om att årsredovisningar innehåller frivillig information?
14. Anser du att den frivilliga informationen är användbar för dig?
15. Har mer frivillig information i årsredovisningen varit mer användbar för dig?
16. Upplever du att ökad mängd frivillig information även ökar din förståelse för årsredovisningen och företagets verksamhet?
17. Har frivillig information gjort att du har mer förtroende för det företag du investerade i? Varför eller varför inte?
18. Tror du att den frivilliga informationen i en årsrapport är tillförlitlig? Varför eller varför inte?
Marknadsföring


20. Hur upplever du företagets/företagens användning av årsredovisningen i marknadsföringssyfte?

Årsredovisningen på lång sikt

21. Om du har varit en långsiktig investerare har du märkt några ändringar i årsredovisningarna över åren? (Har dessa ändringar gjort det enklare för dig att förstå årsredovisningen?) (Gör dessa ändringar det enklare för dig att fatta beslut?) (Om du inte har märkt några ändringar i årsredovisningarna, tror du att årsredovisningarna bör ändras för att underlätta för dig att förstå informationen?)

22. Har du noterat en ökning av frivillig information i årsredovisningar över åren?

Tillit

23. Vad tror du att företag kan göra så att du som aktieägare kan lita på dem mer?

24. Som aktieägare, tror du att företag bör kommunicera bättre med sina aktieägare? Tror du att det kan finnas bättre sätt att kommunicera information genom årsredovisningarna?

Avslutningsvis

25. Är det något mer du skulle vilja tillägga?

Tack för din medverkan i denna intervju!

Interview guide – Corporation

English version:

General

1. Consent to participate in the study.

2. Consent to audio record the interview.

3. Information about anonymity in the interview and the study.
4. The respondent’s background and role in the corporation.
   - Could you please describe a little about your background, experience and your role in this corporation?

5. Tell us briefly about the corporation and its activities
   - Could you please describe briefly about the corporation and its activities?

**The annual report’s purpose**

6. If we disregard the mandatory disclosure (the information that must be included), What do you think the main purpose of establishing an annual report is?

7. If there is ever a time where companies legally do not need to publish annual reports, do you think the organization would still publish an annual report?

8. When preparing the annual report, who do you have in mind as your target readers?)

9. How do you think stakeholders / shareholders perceive your annual report?

**Configuration of the annual report**

10. What is the process of preparing an annual report in this organization?

11. Who in the organization is involved in the preparation of the annual report?

12. Who decides on the content and structure of the annual report? (Is it the accountant? the auditor? Board members? CEO?)

13. Who decides what graphics/pictures, photos to include in the annual report?
   - How do you know what is a good picture, photo or graphic to include in the annual report?

14. What factors are taken into account when structuring / designing the annual report?

15. Do you (the accountant), the board members, CEO, read other companies’ or your competitor’s annual reports?

**The voluntary disclosure**

16. Why do you think including voluntary information in your annual report is important?

17. How do you think voluntary information in your annual report can help your organization?

18. Who decides on the type of voluntary information to include in the annual report?
   - How is it decided?

19. How do you know how much to publish as voluntary information? How much is too much? How much is too little? How can you gauge this?
Conclusion

20. Is there anything else you would like to add?

Thank you very much for your time. We appreciate it very much. Could we contact you again if we missed out anything or need clarification? Could we please have your contact details?

Question that were added later in the work

1. How do you see your annual report as a tool to build trust with your shareholders (and potential shareholders)? How?
2. How do you work to increase trust?

Swedish version:

Allmänt

1. Samtycke till att medverka i studien.
2. Samtycke till ljudinspelning av intervjun.
3. Information om anonymitet i intervjun och studien.
4. Informantens roll i verksamheten.
   • Skulle du vilja beskriva lite om din bakgrund, erfarenheter samt din roll i företag?
5. Berätta lite kort om företagets och dess verksamhet.
   • Skulle du vilja beskriva lite kort om företagets och dess aktiviteter?

Syftet med årsredovisningen

6. Om vi bortser från den lagstadgade informationen (den information ni måste ha med), vad anser ni är syftet med att upprätta en årsredovisning?
7. Om det inte skulle vara ett lagkrav för företag att publicera årsrapporter, hur skulle er organisation agera/göra?
8. När ni förbereder er årsredovisning, vilken/vilka intressenter har ni i åtanke som er primära läsare?
9. Hur tror ni att intressenter/aktieägare uppfattar er årsredovisning?
Utformningen av årsredovisningen

10. Hur ser processen ut bakom förberedelserna och utformningen av årsredovisningen?
11. Vem i företaget är involverad i förberedelserna och framtagningen av årsredovisningen?
12. Vem bestämmer vad årsredovisningen ska innehålla samt strukturen på den?
13. Vem och hur bestämmer vilka eller vad för bilder/grafik som ska inkluderas i årsredovisningen? Hur vet ni vad som är en bra bild, foto eller grafik att ha med i årsredovisningen?
14. Vilka faktorer beaktas vid strukturering/utformning av årsredovisningen?
15. Har du, styrelseledamöterna, VD, läst andra företags eller dina konkurrenters årsredovisningar?

Den frivilliga informationen

16. Varför tror ni att frivillig information i er årsredovisning är viktig?
17. Hur tror ni att den frivilliga informationen i er årsredovisning kan hjälpa er organisation?
18. Vem beslutar om vilken typ av frivillig information som ska ingå i årsredovisningen? Hur beslutas det?

Avslutning

20. Är det något mer du skulle vilja tillägga?

Tack för din medverkan i denna intervju! Vi uppskattar det jättemycket. Finns det möjlighet att kunna kontakta dig igen om vi missat något eller behöver något förtydligande? Skulle vi kunna få dina kontaktuppgifter?

Frågor som tillkom senare i arbetet

1. Ser ni på er årsredovisning som ett verktyg för att skapa förtroende hos era investerare (och potentiella investerare)? På vilket sätt?
2. Hur går ni tillväga för att eventuellt öka förtroendet?