# Chapter 8
# Impression Management in Accounting:
## Evolution and Trends

**Fábio Albuquerque**
https://orcid.org/0000-0001-8877-9634
*Instituto Politécnico de Lisboa, Portugal*

**Vinícius Stoltzemburg**
*Instituto Politécnico de Lisboa, Portugal*

**António Cariano**
https://orcid.org/0000-0003-2469-4126
*Instituto Politécnico de Lisboa, Portugal*

## ABSTRACT

*Several ways or tactics can be used by entities to manage disclosed information, undermining its transparency and mitigating its credibility. Even though accounting literature has covered a wide range of IM strategies and investigation lines since the seminal research from the last decade of the 20th century, this chapter demonstrates that IM remains relevant since it can be assessed and adapted from the perspective of trending accounting topics. A textual analysis tool is complementary used to assess papers gathered from the Scopus database by 27th August 2022. Based on the findings, seminal papers were mainly concerned with analyzing the graphs and messages reported to manipulate or obfuscate the information provided to stakeholders. Papers were initially focused on mandatory (financial) information but soon expanded to include voluntary (non-financial) information, as well as enriching the sources, contents, and types of analysis. Future research may focus on stakeholders' perspectives and include small and medium entities, not-for-profit organizations, and the public sector.*

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## INTRODUCTION

Traditionally, as stressed by Falschlunger, *et al*. (2015) financial reporting is one of the most important types of entity communication, providing information on the past, the present, the entity's economic activity and its perspectives. Also, it is an opportunity for entities to legitimate themselves and their activities (Dhanani & Kennedy, 2022). Increasingly, different types of accounting narratives have been included or separately disclosed as complementary and relevant information to stakeholders (Clatworthy & Jones, 2003; Tauringana & Mangena, 2014). Therefore, entities' disclosures have been "*a longstanding pre-occupation of accounting researchers and policymakers*" (Leung *et al*., 2015).

Furthermore, along with technological developments, the reporting of entities has also undergone several changes in recent decades (Rafay, 2019), covering a wide range of forms of dissemination that include, in addition to financial reporting, non-financial or sustainability reporting and, more recently, integrated reporting (Barkemeyer *et al*., 2014; Pitrakkos & Maroun, 2020). As mentioned by Hamza and Jarboui (2022), society has been increasingly concerned regarding environmental, social, and governance issues, which consequently sheds light on the entities' corporate social responsibility activities from the investors' perspective, as a piece of relevant information for the decision-making process.

The evolution of disclosures entails new challenges related to the content of the information since "*increasing the amount of information being disclosed does not necessarily imply an improvement in the quality of the disclosure about underlying activities*" (Sahyoun & Magnan, 2020). Therefore, due to the lack of specific rules guiding a significant part of entities' disclosures, the credibility of corporate narratives and their characteristics still represent matters of increasing relevance as a guarantee of reporting usefulness, which includes aspects such as the narratives' length, tone, and readability (El-Sayed *et al*., 2021; Rafay, 2022).

Furthermore, literature has evidenced that, consciously biased or not, managers provide a different view of reality when reporting the entities' past performances and perspectives (Schleicher, 2012), also using mechanisms to improve the entities' self-images to their shareholders (Yang & Liu, 2017). This resource is particularly used in turbulent times, such as the latest global financial crisis of 2008-2009 (Khanna & Irvine, 2018). The concerns about the quality, which impacts the overall reporting usefulness, are relevant since there are strategies available to the preparers that go towards conveying a dissimilar message of reality in the reporting provided by them (Melloni *et al*., 2017). On the other hand, auditors and stakeholders are also increasingly able to carry out a more careful analysis of information (Ramzan *et al.*, 2020; Khan *et al.*, 2020), either due to the increase in information available via websites and social media or by the emergence of new technological tools that allow a rapid and consistent analysis of the financial and non-financial information reported (Perkiss *et al*., 2021), despite they are still underexplored (Corazza *et al*., 2020).

Several ways or tactics can be used by entities to manage users' perceptions, through the different tools available that allow entities to manage the disclosed information, undermining its transparency and mitigating its quality and credibility (Diouf & Boiral, 2017; Rafay & Farid, 2018). Those strategies are recognized in the literature as impression management (IM) strategies, which can be defined, in an attempt to summarize the literature on this topic in accounting, as the behavior assumed by management to strategically select and manipulate, through different mechanisms, the reported information, which can be graphically or textually described, about the managers or entities' image and/or figures to influence and, consequently, distort the users' perceptions on their different aspects, such as managers characteristics

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