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The Metaphor Effect**

by

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REPRESENTATIONS IN ACCOUNTING: THE METAPHOR EFFECT

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Abstract

The paper acknowledges the dominance of the numerate scientific “what is” approach to financial reporting and comments on the growing role of complementary narratives and photographs in annual reports. Narratives by their very metaphoric nature show up accounting to be more of an art than a science. The hallmark of any art is its “otherness”, that is, art does not claim to mirror and replicate reality but represent it, while remaining something “other” than factual. We demonstrate by reference to some recent company failures that the “what is” numerate methods of financial reporting are also representations: a series of notational metaphors masked by such devices as independent audit reports. Thus, while we applaud the inclusion of complementary narratives to financial reporting, we draw attention to the corresponding lack and limitations in the audit process over these portions of the report. As annual reports grow in narrative and photographic content, we consider metaphoric meaning of these lavishly illustrated additions to numerate reporting. We refer to specific company reports to explain the metaphoric effect.

The paper begins by reviewing the “what is” role of the scientific method in accounting and proceeds to look critically at the use of numbers in accounting as notational metaphors. We then focus on the role of narrative comment and compare the representational nature of both approaches. Finally, by way of six case study examples, we discuss the metaphoric use of photographs in company reports.

REPRESENTATIONS IN ACCOUNTING: THE METAPHOR EFFECT

Introduction

The scientific “What is” approach has been the dominant approach to knowledge creation throughout this century. The emergence of postmodernism has challenged the promise of universal certainties, and the hegemony of the scientific method. A holistic “Why” approach to knowledge creation, and the transmission of knowledge, referred to by Parker (1999) as a “return to the grand narrative” (p. 21), is particularly useful in accounting. We argue that narrative “Why” approach is becoming increasingly important in annual reports. The growing size of most annual company reports bear testimony to the significance of financial narratives and yet this kind of metaphoric representation is not subject to audit certification.

Narratives may not provide universal ‘truths’ but they can serve multiple roles. Narratives can explain the “Why” of financial arrangements, or explain the existing notational “What is” of factual numerical representations. Narratives can create bonds between diverse groups, providing them with shared interpretations and meanings about their past and present (Funnell, 1998). From a critical perspective, according to Parker (1999), “Why” questions can attempt to reveal how conditions conspired to produce particular actions and what consequences were induced or avoided

by those actions. Narratives offer form and meaning to the past, presenting it as events and themes, and implicitly supplying interpretations and explanations (Llewellyn, 1999).

The paper begins by reviewing the “what is” role of the scientific numeric reporting and proceeds to look critically at the use of numbers as notational metaphors. We then focus on the “why” role of narrative comment and compare the representational nature of both approaches. Drawing on a specific case, that of the failed Fortex Group, a highly lauded New Zealand company which failed suddenly in 1994, we cite the significance of narrative representations. Finally, by way of six case examples, we consider the metaphoric influence of illustrations in corporate annual reports.

The “What is” of the scientific, notational reporting

Over recent centuries, the natural sciences (physics, chemistry, etc.) have allowed humans to progress in their control of the environment, making substantial improvements to material well-being. This is undeniable (aeroplanes, health-care, television, computers, etc.). Our formal education was based on the premise that cognitive skills employing the scientific method would best fit us both to enjoy worthwhile personal lives, and to benefit society. The use of a scientific perspective has been widespread during the age of modernity, as the ‘natural underlying rules’ of society have been sought. The successes of the natural sciences have encouraged many in the social and human sciences to adopt the same methods and to regard themselves as “scientists”.

The extension of the scientific method into understanding and knowledge creation concerning human affairs was arguably inappropriate however, and rests on the assumptions of a controllable, knowable social order (Chua, 1986, p. 609). Hopwood (1983) identifies the scientific approach as

“conventional” [this approach has been perceived as a problem in itself], and as viewing accounting “from a relatively unproblematic technical perspective” (p. 290). The underlying assumption is that accounting is a tool to facilitate organisational and social action.

Simon (1959) attacks the rationalist assumption that people are profit-maximizing decision makers and introduces the concept of "bounded rationality". He argues that the business environment is too complex to be understood in its entirety, and so business people, when making decisions, are forced to draw artificial boundaries around the decision models. This ploy allows decisions to be made, and justified, within the agreed boundaries of the decision models. Argyris (1990) maintains that information is not only complex but may also be intentionally distorted by individuals who believe that lack of clarity is necessary for their personal and corporate survival: "The distortion of the information is taken for granted, because it is seen as necessary for the survival of the players as well as the organization" (p. 506).

Tilley (1972) powerfully challenges contemporary accounting theorists' adoption of the ambition to be termed “scientists”. However, the wish for the “scientific” label by some accountants in academia is still strong. Baker and Bettner (1997) provide more recent argument as to why such aspirations remain inappropriate: “The scientific method - wherein relationships among naturally occurring phenomena are assumed to be enduring, quantifiable, and objectively determinable - is an incorrect paradigm that limits the perspectives for doing accounting research” (p. 304).

The problem with scientific methodology in accounting is to understand how using notational metaphors can represent reality. The dynamic complexity of the universe is beyond expression in

any possible notation. Worse, notations are simpler than what they denote. The purpose is to reduce the multiformity of the world to common forms, so things can be brought into a logical and conceptual relationship with each other. There is a tendency for disciplines to shut themselves into their own notation systems and refuse to come out, rather than acknowledging the discrepancies between their simplicity and the world's overwhelming complexity. The world is read to make sense of business phenomena by constructions, which select and simplify. There is a concern to classify and order, to judge and rank by merit. Compulsively, researchers search for significance whether through dreams, tea leaves or commercial events. The instinct is to interpret phenomena as "better" or "worse", so that the event can be read into a pattern of cause and effect. In other words, there is a search for "narratives" to make sense of the world.

Science in accounting involves quantification. The essence of quantification is to nominate points that can be translated into notation. Quantum nomination turns an essentially dynamic activity into a static measurement, perhaps, comparable to the choice faced by physicists who may measure particles by position or by momentum. The chosen perspective is crucial in determining whether position or momentum is being measured. A choice must be made, as Heisenberg's "Uncertainty Principle" revealed, because uncertainty relations make it impossible to know both position and momentum at the same time (Gribbin, 1984). It is possible, however, to set up an experiment to calculate backward and work out exactly what the position and momentum of a particle was at some time in the past (Gribbin, 1984).

Accountants echo scientific processes in their search for reliability: reporting by offering historical costs in a statement of financial position. The search for relevance in accounting demands a

narrative because relevance in part is about momentum. Momentum demands from accountants another perspective because, as in quantum physics, the future remains defiantly and inherently unpredictable. Momentum may be identified as growth (or contraction); it is how changes in income and capital are explained. Such explanations are invariably demanding and subjective. They may engage the emotions of preparers in a way that the objectivity of the historical cost perspective could never emulate. Those who visualise accounting as a scientific discipline may deplore the subjectivity involved in measuring a balance sheet in terms of relevance. They may see the narrative subjectivity involved as being risky and even misleading. On the other hand, reporting from a historical cost perspective may be misleading and, in any case, neither perspective allows accountants to reliably predict the future.

Scientific accounting relies on retaining the historical cost method as a basis for valuation because, it would seem, only 'true' statements can be obtained from such scientifically objective documentary evidence. But, as recent fraud cases have shown, historical documents may be constructed in various notations based on the evidence of someone's senses. Quantification leads to the operation of a simple binary system with the values of true or false. When a set of figures is called 'true', it is not that there is a recognition of some absolute property in these calculations but that as auditors and analysts and the like, there is commitment to the figures. It is as if something has to be said: either "this amount", or "not this amount". There is this element of pronouncement in every statement that is made about the world. There may be an attempt to try and mask the judgments as neutral statements but neutrality is not possible.

Contrasting Approaches: Scientific “What is” and Narrative “Why”

“Why” narratives are explanatory stories, or series of stories, constrained in a social context. They afford insights into the social environment and into how individuals act, and make sense of life within the environment. Frohock (1997) observes that humans present themselves to others in terms of stories, and tell stories about each other. To clarify the contrast, it is useful to refer to Lincoln and Guba (1985) and their comparison of the two contrasting approaches. The following summary is an adaptation of their analysis (p. 37).

Issue	Scientific Paradigm	Naturalist (Narrative) Paradigm
Reality	Single, tangible and fragmented	Multiple, constructed and holistic
Knowledge	Objective & independent of knower	Knower & knowledge are interactive & inseparable
Generalisation	Context & time free generalisations	Time & context bound explanations
Causality	Cause & effect determinable	Often impossible to determine causality
Values	Value free	All inquiry is value bound

Thus, the above shows the strengths of a scientific notational approach: events may be taken out of context and, once cause and effect are ascertained, replicated to produce the same results. It is the method by which Doctor Jenner discovered the efficacy of vaccination and freed the world of smallpox. On the other hand, it is argued, not all accounting events lend themselves to being freed from context and to replication. Parker (1999) acknowledges that the scientific approach has enabled accounting educators to become experts at determining “what is” and predicting the outcomes of “the confluence of tightly defined variables.” These successes have, according to Parker (1999, p. 4), have developed among accounting researchers a “pronounced reluctance” to move beyond strictly empirical observations of current practice.

Narrative Representation

By contrast, one of the appealing features of art (and narratives) is how much like a part of the natural world it can make itself, while still being a representation. Because we are in danger of taking these representations for granted, artists (abstract and post modern) devise other more unlike representations of the natural world which work because we are still able to read some aspect of the natural world. On the other hand, some hesitate to call photography art because it is not something constructed to mirror the real world, it is the “What is” of the real world refracted through a lens. Photography most inclines to art when there are signs of “otherness” imposed by the photographer: focus, shadows, the frozen instant, black and white, speeded-up or slowed-down motion, etc. These distortions construct the essential “otherness” of art. An artful selection of photographs may, however, strongly endorse a perspective represented in a narrative.

Answers to that old examination question as to whether accounting is an art or a science may vary depending how much of the concept of “otherness” is perceived. For those engaged in accounting research from a scientific, quantitative perspective, the concept of “otherness” is false and must be ignored. Science by showing “What is” implies a denial of being a representation. The epistemology of the scientific paradigm assumes, “That there is a world of objective reality that exists independently of human beings and that has a determinable nature or essence that is knowable ...knowledge is achieved when a subject correctly mirrors and ‘discovers’ this objective reality” (Chua, 1986, p. 606). Given, that the majority of accountants accept the scientific perspective there follows a reluctance to perceive accounting as a representation; accounting for most is considered to mirror an objective and knowable reality.

Narratives are rooted in metaphors. For example, our mental and emotional states may be described

in terms of quite overt metaphors, depression, gloom, heartbreak, etc. Sounds may be described as flat, sharp, mellow or sweet. Calculation and counting is based on dividing up a whole to bring the world into comparison with the fingers of the hand. Binary mathematics, of zero and one, has nothing in common with what it identifies. It is a metaphor, with all mathematics as counting and shortcuts to save endless counting. The binary logic of accounting deals with the world unambiguously, either this or that, either debit or credit, either asset or expense, while a narrative never seizes the world in such black and white terms. Accounting notations of words and numbers enable us to set up fictitious reflections of the world.

What makes the world susceptible to mathematics is the act of quantification, the decision as to what in a particular case will constitute a unit; just as the discovery of longitude involved a judgment that the lines would be 15 degrees apart. What makes the world susceptible to logic is the act of classification, the decision that expenses are debits. Such judgements are acts of invention and commitment, not acts of deduction. They are akin to art rather than science. It is the regularity and receptiveness of these transactions, which invite classification and suggest the belief that everything is predictable and can be accounted for by definite laws.

Furthermore, Page & Spira (1998) noted that the usage of accounting metaphors enhanced the vividness of expressions through the relating of them to our general experience. They illustrated how the term “representational faithfulness” used all the positive connotations of faithfulness, fidelity etc. However, Higson (1999) questions whether there is indeed bias in the financial statements. His interview findings with senior practitioners in the top thirty UK accounting firms show that auditors do not consider the financial statements to be free from bias and that the

auditors deemed their responsibility to be that of “the examination of the reasonableness of management’s justifications for their [management’s] representations (p.10). Higson’s research findings highlighted a marked difference between theory and practice and the table has been reproduced below.

Table 1: An exploration of the accounting – auditing interface

	Accounting and Auditing Theory	Accounting and Auditing Practice
Emphasis	Inputs (Accounting techniques)	Outputs (Results)
Measurement	Objectivity	Subjectivity
Management’s motivation	Neutrality	Bias
Auditor’s role	Verification of accounting data	An examination of the reasonableness of management’s justification for their representations
Audit opinion	“a true and fair view” “present fairly ... in conformity with generally accepted accounting principles”	Reasonableness of management’s justifications for their representations
Objective of standard setters	Neutral financial statements	User neutrality/ user indifferent
Predominant framework	Normative (Prescriptive)	Positive (Descriptive)

Source : Higson, A.W. (1999). Bias in the financial statements – implications for the external auditor: Some U.K. empirical evidence, p. 11.

Preston (1999) indicated that the typical financial statement was a forest of numbers and fine print. According to Preston, companies have all sorts of agendas beyond the straightforward reporting of sales and expenses, and tweaking the numbers can be an art form. She noted: “When you see big changes in accounts, ask yourself whether management’s explanation for them makes sense” (p. 128). And, “Be wary, though. Because income statements are so brief, they’re good hiding places for financial foolery. When companies bend accounting rules, the income statement is usually the first place they flex, often by counting chickens before they’re

hatched” (p. 128). We use the Fortex case as a classic example to illustrate the metaphorical nature of information.

The Fortex Case: Representation by False Metaphors

By listing on the New Zealand Stock Exchange (NZSE) in 1990, Fortex had been able to raise substantial capital very quickly. Six million dollars was raised through institutional placements at \$1.80 a share, and later a \$20 million was raised through a rights issue (Fortex Group Annual Report, 1990) providing finance for the Silverstream plant.

During the Serious Fraud Office investigations in 1994, however, evidence was revealed of book tampering as far back as 1988 (Macfie, 1996, March 8). Had these falsifications either not occurred or been identified at audit, it is unlikely that Fortex would have been able to become a listed company or develop the Silverstream plant. The Fortex story may have been very different. Indeed, it is not unreasonable to suppose that, at a more modest level of expansion, Fortex could have consolidated and prospered. Alternatively, had Fortex failed soon after listing, then the losses befalling creditors, lenders and other investors would have been much less. Thus, the “What is” of financial reporting, together with professionally accredited “What is” audit process, was flawed and stakeholders deceived.

A discourse of difference marked Fortex out as successful in a difficult industry where more than 20 companies had failed in the previous fifteen years. Not only had Fortex been named 1990 Company of the Year, and won an award for the Fortex Formula, it had also won both the Tradenz Air New Zealand Exporting Excellence Award and the TVNZ award for best corporate strategy in 1992.

Among other accolades, Thompson was made an officer of the civil division of the Order of the British Empire for his services to the export industry in 1991.

However, assets valued at \$217 million in the 1993 Annual Report were, a few months later thought to be worth \$90 million, a loss reported as \$4.8 million had a few months later risen to \$50 million - the directors, having expected "a significant improvement in the Company's performance for the 1994 year" (Brett, 1994, p. 47). The largely fictitious 1993 figures were arranged in the traditional, accounting formats and solemnly attested as being "true and fair" in the approved technical jargon by a respectable firm of international auditors; yet, amazingly, the figures were largely false and within a few months the sound financial facade had totally crumbled. It is of interest therefore to note that as a consequence of its failure, Fortex took action against the auditing firm. According to Macfie (2000), the action cited the auditors' failure to detect irregularities in the company's accounts through the audit process and this has subsequently been settled out of court by the auditing firm, Price Waterhouse.

The Fortex Group example of accountability via convincing narrative is not that uncommon. Some commentators (e.g., see Molloy, 1998, pp. 204-5, & Time Magazine, 16 March 1992, pp.36-38) allege that audit firms, professional guardians of accountability, have, in recent times succumbed to public relations discourses by failing to ask obvious questions and granting clean audits to keep their clients' in business.

About NZ \$20 million of loans treated as revenues, inventory over-valued by \$25 million, and some \$5 million of false sales were revealed. At least five officials other than the managing director,

Thompson, including chartered accountants, had known about, or had participated in the falsifications for at least three years. Meanwhile, the auditors consistently returned unqualified reports right up to October 1993, a few months before Fortex's collapse.

The Fortex case illustrates that accompanying financial narratives are as much about public relations as it was about performance, or old-fashioned stewardship. No longer are managers content to shy away from publicity, satisfied with a thin annual report aimed at meeting the bare needs of current legislation. Reporting accountability thrives on publicity and fanfare. Annual reports have become glossy bulletins with narrative features by selected managers, trumpeting a company's "good works" and happy workforce. Mission statements, company values, environmental and social responsibility reports are also grist for the mill. The aim is to impress the public, but the effect can be so beguiling that, as the Fortex case exemplifies, victim and prey alike become captivated. This case reveals how non-financial data emanating from an entity can powerfully inform or misinform recipients of the financial statements. The comments of a charismatic chief executive working through the spin-doctors of public relations can deflect attention away from what is disclosed (or not disclosed) in the 'financial report'. Accountability in some cases, is less about listing certified "What is" numerical facts, and more about subjective and subjectifying unaudited narratives.

Analysing the Photographic Images

O'Brien in the National Business Review (3 December, 1999, p. 51) comments on the size and complexity of company reports. Air New Zealand is singled out as a voluminous report, "With considerable data on matters not necessarily within statutory reporting requirements (passenger miles, and a breakdown of the company's fleet). The same report also featured The Warehouse, a leading New Zealand retailer, as taking a different approach when communicating with

shareholders. Again lots of smiling faces surrounded by generous amounts of statistical information (eg., 84 million minutes of videotape were sold last year) and the accompanying narratives were written in a style described as, "The Warehouses more breezy language and graphics". So what do all these "breezy" images signify? Preston et al (1996) cite Baudrillard (1983) to argue that photo metaphors may be analysed to demonstrate four strategies of representation to: reflect basic reality; mask and pervert reality; mask the absence of reality by effacing culture and meaning; and to create rather than represent reality. A useful analysis but highly subjective and it would appear the different strategies are not mutually exclusive. Thus, by masking and perverting reality annual reports may also create rather than represent reality. Brown (1997) suggests that metaphors be aimed at transferring meaning while retaining their original meaning and that if taken literally they would be absurd. Brown (1977) distinguishes between iconic metaphors, which are to be accepted uncritically, and analogic metaphors, which create image by comparison. With these criteria in mind we examine six recent New Zealand annual reports selecting two companies that have added shareholder value and four that have reduced shareholder value. For the purpose of our empirical analysis we add further criteria in terms of photo images portrayed such as: power, wealth, good taste and high culture, permanence, continuity, robust image, breezy and optimistic, globalisation and equality, hi-tech and scientific objectivity.

The Warehouse Group annual report is bright and colourful without any black and white pictures. Since becoming a public company the share price has risen steadily adding shareholder value. The photos have a distinct egalitarian flavour as befits a low budget retailer. People are the subject of each picture. Customers engaged in sampling the merchandise or a

youngish, happy staff going about their work. Even the line up of the ten directors manage to look young, happy and relaxed (one woman) with only four of them are wearing suits and ties. The image presented is an energetic, go-ahead team casting aside the traditional solemn, middle-aged look of a board of directors. Every page of narrative contains at least one but usually two pictures and the excellent results are enhanced by bright bar charts illustrating growth in sales, profits, earnings per share, and store numbers. The report is fairly brief with 49 pages but packed with detail and statistics, including a very full disclosure of directors' fees and employee remuneration, the whole giving an impression of openness. The first twenty pages of narrative are reviews by the chairman and by the managing director. Each page is summarised in bold black type and the word "growth" is repeated in every summary. It is a very readable and attractive report, which would seem to reflect rather than create, mask or pervert reality. The happy faces reflect the optimism generated by the results and by the growth so constantly referred to. The pictures in the report have, unusually, no captions being analogic metaphors, which speak for themselves by making strong comparisons with reality. The message on the inside cover page has the following words highlighted and interspersed with seven passport size photos of happy staff: "customer first", "team spirit", "satisfied", "employees", "we care", "way of life", "affordable".

The Tower Financial Services Group (the largest New Zealand Insurance Company) Annual report 1999 is most interesting for a company that since recently listing has performed poorly and reduced shareholder value. Since its public listing at \$5.65, its shares have fallen below par value. In spite of a declining share price, the directors have sought to increase their fees, a move which was denied them on a technicality at the 1999 annual general meeting. The Tower report is an expensively

produce document, it comprises some 84 pages of which the final 31 pages are devoted to the group accounts and accompanying notes. These last 31 pages are printed in a smaller font than that used in preceding pages. What is a surprising feature of this report is the glossy colour page spreads devoted to the “arts”. These “arty” pages are not clumped together as a separate section but scattered throughout as coloured double page spreads. For example, there is a two-page spread depicted in sepia tones, which encapsulates a brief biography of the New Zealand writer Katherine Mansfield, who died in France in the 1930s. Her life and writings have nothing whatsoever to do with Tower, a corporation that did not exist in her time. Yet they manage to intrude relevance by lamely stating that, “At Tower, we, too, represent partnership and knowledgeable support for those with their own story to write.”

How are we to approach the photo metaphors portrayed? Squiers (1989) suggests that sombre black and white images are used to communicate poor performance and responsible management. But this is not wholly the case with Tower. Black and white head and shoulder photos of directors and top managers are used and colour is reserved for the “arty” spreads. Postage stamp sized graphics with bars of red or green are the only other coloured elements in the report. These graphics depict only rising trends such as premium income or funds under management, they do not refer to more substantial financial indicators. The big pictorial spreads are the eye-catching items yet they have absolutely nothing to do with the company. The metaphors are stretched: a New Zealand artist is depicted with the tendentious caption, “At Tower, we too champion personal fulfillment through wise and caring partnership, believing we all have a painting to paint – and a lifetime for a canvas”. What then is the message conveyed? High culture, corporate caring, wisdom, permanence, equality are some of the expression that come to mind. Yet the mood is sombre and the pocket biographies tell of struggle and persistence in overcoming life’s obstacles. The images hark back to past

achievement and are vaguely depressing, though this effect is probably unintended. In terms of Brown's (1977) analysis, the photo images are iconic and do not translate their meaning well. It is difficult to say whether these pictorial spreads mask the absence of reality by effacing meaning or set out to mask and pervert reality along the lines Baudrillard (1983) suggests. The fact is that for the casual reader their attention is diverted from the less than satisfactory facts presented later in a much smaller print.

The third company report we review is that of Carter Holt Harvey, a New Zealand forestry, pulp and paper producer. It is a company in the doldrums and the 1998 annual report does not hide the continuing poor performance. Over recent years its share price has fallen. On a plain yellow cover are expressed two words "Can" in white and "Will" in black. Inside the cover the financial highlights are printed in white on a dull grey background. Bar graphs of sales, earnings per share, cash flow from operations, and total debt are depicted and all make gloomy reading. Thus there is no attempt to bury the company's continuing poor results. On the first page of the report is a full colour head and shoulders picture of the youngish looking CEO with eyes uplifted and focused on an imaginary distant horizon. The accompanying caption reads: "*Can* you judge a book by its cover? In this case, yes. We're not saying we'd like to improve our financial performance. We're saying we can and *will*." From then on full colour spreads of work scenes are scattered through the narratives with the resonating caption of "Can" and "Will" often striking a hopeful note such as in one forestry scene: "Can. Our strengths start with our fibre resource – high quality, fast-growing, low cost and above all sustainable. Will: We will maximise the value we achieve for our customers and ourselves." Or in another scene depicting wood products the caption reads: "Can: The mindset we have is that we are not just a commodity producer. Will. We will profitably add value to our

fibre resource.” There are five such double page colour spreads presenting work images from the main product divisions: forestry, wood products, pulp and paper, tissue and packaging. The first three colour page spreads show male workers in hard hats with earnest concentrated expressions nothing cheery or frivolous here. The tissue and packaging colour spreads are introduce female operatives who are cautiously smiling while their male colleagues look busy and grimly determined. On the last page the photo are repeated as miniature insets and a story behind each picture is offered generally of operatives working or managers planning.

How then can we evaluate the photographic metaphors used? Compared to Tower, there is no attempt by Carter Holt Harvey to hide its poor results. The overall theme is of grim determination to do better. Qualities that come to mind are, earnestness, determination, work ethic and scientific. Collectively, the images used are aimed at representing reality and may be categorised as analogic rather than iconic metaphors. As analogic photo metaphors the approach adopted reflects that of The Warehouse, while the sombre grimness of the overall theme has something in common with the similarly poorly performing Tower Corporation’s annual report.

Similar to Tower and Carter Holt, the DB Group Limited (Brewing, Wine and Liquor producer) has not been performing well. Its average share price has fallen from the previous year by as much as 25% reflecting continued poor prospects. The 1999 annual report cover appear to present an interesting metaphor. The reader is drawn to the sight of mist in a mountainous horizon and the moon in its full glory. The words: “Change Brings a New Future” together with the image on the cover seem to direct the reader to form a positive impression of the direction that company was to take. According to Ewen & Ewen, metaphors can be used to construct positive attitudes about

company activities. For this particular company, it could be argued, as indicated by Baulrillard (1983) cited in Preston et al (1996) that there could be an attempt by the company to create rather than present the reality. Indeed, the next nine pages focus entirely on photos of people involved in different categories of activities; there were the younger generation enjoying the beach and social life and then there was the more mature generation “discovering more” and becoming “more sophisticated in terms of taste”. Messages like “Positive Outlook”, “Choose Entertainment”, “Discover More” and “Consumer First” flash out from these pages in large size fonts while information indicating that the company hoped to improve its performance were in much smaller size fonts. The Review of Operations section by the Chairman and Group Managing Director create metaphors that suggest that the company is performing well. For instance, there were phrases like: “A stronger focus on value growth is also starting to deliver improved performance”; “Overall, it was a year of revolving key strategic and operational issues”; and “DB Breweries’ brands and operations continued to gain recognition for excellence”. A further eight pages with lots of photographs of people and products would seem to suggest that the company intends to provide an optimistic future for the business. The chosen photos portrayed images of power, wealth, good taste, high culture, continuity and optimism. The financial highlights provided on the inside of the cover page seem to be eclipsed by the positive images created. The key statistics information that indicated that both the Return on average shareholders equity and earnings per share had dropped significantly over the two years no longer seemed important.

Ceramco, from a New Zealand perspective appear to be a company that is not doing well. Over the years shareholder value has been reduced by a falling share price. According to Riordan (1999), Ceramco was once a New Zealand sharemarket darling but has in recent years seen hard times.

Morrison (2000) reported that Ceramco was once an investment company with dozens of different assets, but will be left with just one main asset, its Bendon intimate apparel business after the sale of New Zealand China Clays. However, this Bendon business has abandoned New Zealand recreating nearly 400 job losses in the Waikato region. Instead, Bendon is moving to Australia, as its sales growth there was substantially higher than it could ever be in New Zealand. Martin (2000) noted that the Chairman of the company raised the prospect that Ceramco was likely to become delisted in New Zealand. The significance of all these information is that they were provided via media reports. According to Simpson (1997, p.16): “i[I]t is a yearly struggle: the conflict between public relations experts determined to put a sunny face on somewhat drearier figures, and those determined to tell it like it is, no matter how many ‘warts’ there are on the year’s story.”. The 1999 Ceramco Annual Report appeared to have done just that. Furthermore, according to Simpson, “t[T]he annual report is a vital instrument designed – *ideally* – to tell the story of a company, its objectives, where the company succeeded or failed and what the company intends to do next year.” [italics for our emphasis]. The 1999 Ceramco Annual Report (p. 1) had this message in larger font for its shareholders: “Enduring Brands, Enduring Beauty. These are the foundations of Ceramco’s business. In this reporting year our long-term commitment to building enduring brands has paid off handsomely in our Bendon business. And whilst the Asian Crisis has meant a short term hiatus for our Minerals division it is clear that porcelain has always been and will remain in the long term, a commodity of eternal value.” It could be argued that the words “enduring” and “eternal value” have been used metaphorically to mask and pervert the reality of the actual situation in the company. How could the company in the very short period after its 1999 annual report had been published have found buyers for its New Zealand China Clays business? Furthermore, there was no indication in the annual report that the Bendon business would move offshore. Although information was

provided that there was significant Bendon sales growth in Australia, it was also indicated in the annual report that the company had initiatives that balanced production between offshore and local manufacturing such that the company had been manufacturing 50% of the company's total requirement in the company's New Zealand plants. Photos of smiling executives of the company and images of the company's products seem rather more of a distraction than anything else.

Michael Hill International Limited, a successful company in terms of its steadily increasing share price has only 2 photographs of people. The first shows a happy smiling Chairman seated in a very elegant-looking rocking chair and announcing in his letter to shareholders that the company had achieved yet another very successful year. The second photograph being that of the Board of Directors dressed to the nigh in their suits. In sharp contrast to the photos of friendly approachable people in the Warehouse, these two photos in its very simplicity seem to portray power, wealth and high culture. There appeared to be no attempt to use other metaphors to create a different reality as was identified from some of the other annual reports surveyed. Each page of narrative and some with images of jewellery seem to clearly portray the successfulness of the company. The vision of Michael Hill International Limited: "to strive for perfection in jewellery retailing and manufacturing, and provide the highest quality service and value to our [their] customers" flowed clearly and lucidly from the narratives and graphics provided in the Chairman's letter and report of the Directors.

Conclusion

Our approach to financial reporting is to critically examine the numerate, narrative and photographic elements of financial reporting, treating all three aspects as metaphoric representations. The certainties of the numerate "What is" representations depend on tightly defined variables and produced outcomes that could be predicted provided rationality was bounded. Yet, even with these

tightly bounded limitations the numbers that are produced are still only representations – metaphors for all their concrete appearance. Thus we have shown that it is equally possible (and equally as mystifying) to more significantly “convey an image” or “otherness” by adding explanatory “Why” narratives and use them to complement “What is” factual representations. In the Fortex case and others cited, narrative explanations became the powerful metaphors and were used to exaggerate and mislead. We have also tried to show that photographic representations may also be used to mislead. Either by masking reality or by representing reality in such way as to suggest more than the numerate results would confirm this position. In our limited sample of six New Zealand companies, the two successful companies chose to reflect basic reality while the four poorer performing companies chose to mask, pervert or create reality. It is a misfortune of accounting practice that auditors confine their reports to certifying representation by numbers and accompanying statements of accounting policies. The glossy narratives that precede the financial statements may be scanned by auditors for blatantly false statements but are not subject to rigorous audit. This consequent lack of monitoring gives licence to produce corporate reports that come wrapped in breezy, poetic narratives. Perhaps such metaphoric narratives deserve equal audit treatment.

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