



Accounting narratives and disclosures in reporting the case of Letters from the Management Board Presidents of selected companies in the light of narrative economics

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Abstract

Motivation: At the initial stage of accounting evolution it was considered an economic science, closely related to the activities performed by economic entities in economic conditions. Therefore, narratives in economics should be considered a determinant for the development of narratives in accounting. The indication of narrative economics as a reference point for narration in accounting supplements the research gap, since nowadays narratives in accounting are most often interpreted as the narratives prepared by companies and addressed to the potential stakeholders in the context of achieving specific goals by the management board and company executives.

Aim: The purpose of the article is to address the phenomenon of narrative accounting in the light of narrative economics and the evolution of reporting targeting non-financial information.

Results: Economic narratives facilitate the understanding of numbers, extend and supplement financial information and allow for the interpretation of economic processes. The narratives coming from economics are processed and disclosed in accounting. They are an indispensable attribute of modern accounting as well as its narration. Reporting is an important instrument allowing narration in accounting (primarily non-financial reporting). The research confirms: positive messages included in the analysed Letters from



Management Board Presidents; references in the text to economic factors and the characteristic financial and social activities in specific companies; indication of the key words in the text, among which the dominant ones are those with a positive overtone and also the ones relating to non-material resources; creating narrative reporting in order to develop and strengthen relationships with potential stakeholders.

Keywords: narrative economics; narrative in accounting; financial and non-financial reporting; narrative in the Letters from the Management Board Presidents

JEL: D01; D83; E00; M41

1. Introduction

Many definitions of accounting repeat the phrase that accounting is used to describe the economic reality using, e.g., the subjective method (separating the organizational unit in which it functions) and the balance method (the dualism of describing economic phenomena and maintaining accounting equation). Accounting (its specific language) allows describing the entity's business activities from which the interested stakeholders can derive the information they need. The analysis of accounting development as a practical science allows concluding that there is more and more narration¹ in accounting. The numbers presented and disclosed in accounting need narration as it animates them and makes them understandable.

The perception of accounting as the language of business proves that it is expected to continuously observe the environment and its changes, communicate with it and respond adequately to its incentives. This approach is particularly up-to-date nowadays and confirms the mutual relationship between accounting and economics, including narrative economics. At the initial stage of accounting evolution it was considered an economic science, closely related to the activities performed by economic entities in economic conditions. Therefore, narratives in economics should be considered a determinant for the development of narratives in accounting. The indication of narrative economics as a reference point for narration in accounting supplements the research gap, since nowadays narratives in accounting are most often interpreted as the narratives prepared by companies and addressed to the potential stakeholders in the context of achieving specific goals by the management board and company executives. The adopted research hypothesis was that the narratives in economics create narratives in accounting which evolve through narrative reporting focused on non-financial information. The following assumptions were adopted in the empirical part of the study: (1) the main economic narrative referred to the narrative about the COVID-19 pandemic, based on which the activities

¹ Narration (in Latin: *narratio* "a story") is a collection of all elements of the text making up the plot, which are combined in accordance with the rules and principles, following which the aforementioned elements generate a sense of communing with the plot experienced by the addressee. Narration is a form of expression. It is a convincing representation of what happened or what could have happened.

performed in the analysed WIG-20 companies in the first half of 2020 were studied; (2) the analysis covering the narratives (the text and its overtones as well as the keywords) were prepared based on the Letters from the Management Board Presidents of WIG-20 companies for 2019.

Narrative economics can be defined as an external factor affecting the narratives created in accounting. In turn, narrative reporting presented by companies can be approached as the final result of work on the disclosed narratives in accounting (internal factor). Narrative reporting is increasingly frequently approached as an essential part of modern corporate reporting, since the disclosure of non-financial information clarifies and extends the financial information. According to the definition of PWC (2011), it is understood as a comprehensive set of information, supplementing the data presented in the financial statements, which aims at providing the stakeholder's higher quality understanding of: the enterprise performance, its market position, strategy, capacity and future prospects.

A growing interest in accounting narratives has been observed since the moment of accounting opening up to the presentation and disclosure of non-financial information². Accounting narratives can be approached considering two perspectives (Beattie, 2014, pp. 111–134): economic and behavioural. The economic perspective refers to problems from the area of narrative economics being the source of economic information for the accounting system. The behavioural perspective contributes to the development of behavioural trend in accounting (Riahi-Belkaoui, 2004, p. 368). A narrative in accounting influences stakeholders' behaviour, therefore mutual relations between a narrative and the behavioural trend in accounting can be investigated. The research conducted in the area of the so-called behavioural accounting confirms, e.g., that the message included by the President in the letter from the company management board (optimistic or pessimistic) exerts impact on the decisions taken by stakeholders and results from the applied impression management techniques, thus creating the decisions made by investors.

The main reasons for the emergence of narration in accounting include: growing information needs of stakeholders, complexity of economic phenomena, development of the market economy and knowledge-based economy, information gap between balance sheet value and market value of an enterprise, the importance of intellectual capital, the concept of social responsibility and sustainable development, the guidelines issued by professional organizations.

² Gernon & Meek (2001, pp. 71–72) claim that non-financial information takes the form of “(1) narrative descriptions, facts, opinions, which are not easily expressed in terms of money and (2) information expressed in a measure other than money”. The main purpose of non-financial information is to inform about value creation, to build a competitive advantage, in particular the image and reputation of an enterprise, and also to inform about its achievements, help understand the business model, present the key resources affecting the strategic and operational activities of an enterprise (Morros, 2016, pp. 336–356).

The beginnings of the narrative trend in accounting date back to 1952 and focus on defining the narration characteristics and its impact on the relations with investors (Riley & Yen, 2019). Narration in accounting refers to all its elements (Masztalerz, 2016, pp. 16–25): theory (scientific publications), policy (legal acts, standards, guidelines) and practice (financial and non-financial statements, internal and external reports). It should be emphasized that nowadays also professional accounting institutions recommend using narration in reporting in order to increase its quality (Beattie et al., 2004, pp. 205–236). For example, the IFRS Board requires entities to make increasing disclosures in the explanatory notes and to present the commentary of the management board in the form of a descriptive (narrative) report about the entity's condition, performance and development. Moreover, it can also be observed that narration in enterprise accounting covers, in particular, the accounting policy (description of the adopted accounting principles) and the corporate chart of accounts (description of accounts and relations between them).

The divagations addressing narratives in accounting should also be considered from the perspective of compliance with the accounting principles, e.g., the principle of true and fair presentation, the principle of substance-over-form, the principle of relevance. The narratives should support the accounting principles, which is possible if they remain reliable, honest and true to reality. Non-violation of the aforementioned accounting principles by narratives is possible if: the narrative in accounting (reporting) is: (1) aimed at reflecting the financial standing of the enterprise in an actual and credible manner; (2) supporting the disclosure of all economic operations in accordance with their content and credibility; (3) maintaining relevance in disclosing all business transactions important to the enterprise. The accounting narratives which violate the accounting principles and good practices should be considered both reprehensible and manipulative.

An essential instrument allowing narration in accounting takes the form of corporate reporting dedicated to a wide group of stakeholders, which is nowadays presented in two dimensions — a financial and a non-financial one. The financial dimension refers to financial reporting, as part of which mandatory reports, slightly supplemented by narration, are being prepared. On the other hand, within the framework of non-financial dimension reporting various types of reports are created, most often prepared voluntarily and supplemented by an additional and extended narration. The development of non-financial reporting as part of modern accounting increasingly frequently makes various environments aware (including theoreticians and practitioners) of the need for narration, which may take the form of a dialogue between the management of companies and their stakeholders. Based on the example of Letters from the Management Board Presidents of companies included on the WIG-20 index list from 2019, the author analysed their essence and the penetration of narrative economics into reporting as the background for both financial and non-financial information regarding the activities performed by the individual companies.

To sum up, traditional accounting is based on the measurement using a monetary measure, whereas modern accounting opens up to the measurement taking the form of non-monetary measures and a verbal economic description (narration). Kamela-Sowińska (2014, p. 107), predicts the decline of accounting approached as the system of recording and financial reporting within the coming 50 years, claiming that “it will be replaced by a financial description, nowadays expressed by the commonly used term in English-language literature, i.e. tailor-made accounting. The current nature of accounting will be fading away and becoming transformed into the science of universal economic description, where narrative accounting will replace numerical values”.

2. Literature review

2.1. Narrative economics as a determinant creating narration in accounting

Shiller (2017, p. 967), who analyses the behavioural economics of finance³, defined the concept of narrative economics. In his opinion, narrative economics studies the dissemination and dynamics of popular narrations, stories, human interests and emotions in order to understand the fluctuations occurring in economics. A human being has always been and still is particularly susceptible to the narration which defines and justifies his/her behaviour and actions (e.g. spending money, investing). Narratives influence the interpretation of the occurring phenomena, processes and quantitative measures. An example of a contemporary narrative about the changes in employment is the story of artificial intelligence (Forbes, 2020).

Large-scale narratives (histories) “become viral” under the influence of economic forces/actions and stimulate economic events. In order for the narratives to go viral, they need to be subject to continuous editing, mutation, and repetition. Shiller (2017, pp. 967–1004; 2019) when describing the impact of narration on economic processes uses such terms as virus and epidemic, which in 2020 have become particularly meaningful, i.e. in the time of spreading the COVID-19 pandemic. The analysis of the impact of narration on economic processes can be carried out based on the following examples (Shiller, 2017, pp. 984–996):

- the crisis in 1920–1921 (factors of analysis: the Spanish flu pandemic, deflation of the market share prices in the US, fear of communism, oil price shock, avoiding loans and postponing purchases);

³ The mutual relationship between narration and behavioural economics can be observed, e.g., based on the heuristics of representativeness described by Tversky & Kahneman (1991, pp. 1039–1061) following which people draw conclusions on the basis of partial similarity to the typical, characteristic and well-known case.



- the Great Depression of the 1930s (factors of analysis: spectacular drops in share prices, stock market crash, panic and sale of securities, violation of the adopted rules of conduct and moral standards, banking crisis, boycott of the Jewish origin goods);
- recession in 2007–2009 (factors of analysis: financial and banking crisis, boom in the US high-risk mortgage market, fears resulting from the comparison to the Great Depression of the 1930s, banking sector bankruptcies, concerns related to job insecurity due to technological development).

Even though narrations remain the typically human products, i.e. a mixture of facts and emotions that are difficult to analyse in scientific terms, studying them can help in understanding future “epidemics” resulting from them. Crowd stories are repeated, have an infectious power and become viral. The authors of narrations create human behaviours and influence the decisions made, whereas the nature of creation (positive or negative) depends on their goals. In some situations, people are deliberately manipulated and start believing in false information.

The correlations between narrations and economic processes are complex and change over time. The narrative economics does not have a good reputation, mainly due to the manipulation of facts. In general, narrations have a regular economic impact, however, can often be aggressive and depend on the intentions of their creators. The advancing development of scientific research covering the discipline of economics allows concluding that researchers obtain more narratives from various sources (including social media), which contributes to higher credibility of the narrative economics. Currently, greater possibilities of acquiring and collecting information of a narrative nature allow extending this information by psychological and social aspects.

The analysis of economic processes occurring under the influence of narration (primarily the negative ones) may contribute, in the future, to the formulation of a positive economic policy taking narration into account.

Another example of narrative economics is the narration about the COVID-19 pandemic, which has been spreading throughout the world since December 2019 and had impact on many economic and social processes, including the isolation of societies, the isolation of certain professional groups, remote work in some professions, remote education, closure of micro and small businesses, economic slowdown, temporary border closure, lockdown of the global trade, increase in public debt and the corporate sector. The spreading of pandemic and information about it affects the activities and behaviours of both companies and people. The COVID-19 pandemic narration covers its causes, extent, course and outcomes.

Narratives in economics influence economic processes, whereas the latter are, in turn, reflected in accounting. Changes in the market values of assets and liabilities take place under the influence of various macroeconomic and microeconomic factors, not determined by the accounting values. This situation can be observed in the surrounding reality. The spreading COVID-19 pandemic

is influencing economic and financial figures as well as social attitudes through narration which, to a large extent, are eventually transformed into the information disclosed in accounting (financial and non-financial reporting) and supported with the manager's narration.

The processes intensified during the pandemic referred primarily to de-globalization, accelerated digitization, increased automation and robotisation of processes, the growing importance of the sustainable development idea, de-urbanization and state interventionism. International supply chains were disrupted and enterprises faced cash deficit due to an economic lockdown. Most industries perform worse in a pandemic, with the exception of manufacturers producing medical equipment and sanitary and hygiene products. This fact results from a new necessity, namely sanitary safety. It can, therefore, be presumed that the COVID-19 pandemic, which caused the global economic crisis originating de facto from outside of the economic system, is a two-faced phenomenon. On the one hand, it generates threats and losses, and on the other it provides opportunities created by COVID-19.

The effects of the spreading COVID-19 pandemic include: a decrease in the market value of investments held by individuals, changes in asset prices and foreign exchange rates related to business operations and changes in the market value of enterprises. Each of these impacts (triggered by the narration about the pandemic) is reflected in accounting (reporting), which processes and formulates both financial and non-financial supported by the information in the form of narration addressed to the potential stakeholders. It is on their basis that the stakeholders make specific financial and business decisions as well as present certain behaviours.

Due to the pandemic, enterprises expect limited activity of customers, deterioration of their financial situation, lower sales of products/services. Banaszyk & Gorynia (2020, pp. 68–73) state that enterprises experience both supply and demand shocks. The supply shock results from the breakdown of global supply chains and disruptions in the supply of materials, which prevents the continuity of production and distribution at a regular level. The demand shock is caused by the lockdown resulting in the limited mobility of people and their purchases. The decrease in demand is also due to the reduction in salaries of people sent to the so-called downtime and job cuts.

Currently, the most important challenge for all those affected by the pandemic and the narration about it is to minimize the negative effects. The analysis of information from the media conducted by the author (narration about the COVID-19 pandemic) allows identifying the most common/exemplary actions and behaviours characteristic for the pandemic times within the WIG-20 companies in the first half of 2020:

- minimizing the negative impact on operating activities in banks, e.g.:
 - Alior Bank applied, e.g., the optimization of interest rates on deposits, the change of credit margins and automatic processes advancement,

- the development of remote customer service and acquisition processes, the sale of new business accounts opened online;
- Pekao and PKO BP Banks prefer transfers via iPKO and the IKO mobile application, paying by card or by phone;
 - Santander Bank promotes mobile banking and the possibility of deferring loan repayments for individual customers and small entrepreneurs;
 - higher sales in the e-commerce channel with a simultaneous decline in revenues in the retail network resulting from the closure of stores in shopping malls, e.g. CCC company (high loss of revenues, approx. PLN 1 million) and LPP company (95% of stores ceased to operate);
 - remote work from home, e.g., in CDProjekt. Maintaining the continuity of work allowing the achievement of goals with a changed work schedule. The company achieved a significant increase in revenues and net profit and was recognized as presenting the highest value on the WSE. The specificity of its activities allows its good functioning and development in the time of pandemic;
 - fighting the pandemic in the form of donating funds for tests, protection and disinfection means, e.g., CDProjekt, Cyfrowy Polsat, Lotos, PGNiG, PKN Orlen;
 - undertaking a number of pro-social initiatives and providing facilities to clients, e.g. Cyfrowy Polsat;
 - development of the chain of stores and extended opening hours in the retail industry, e.g., at Dino, which significantly improved revenues, financial results and sales of groceries;
 - operation losses resulting from macroeconomic factors (e.g. a drop in crude oil prices) in Lotos;
 - work system changes and rigorous sanitary procedures initiated in companies with a high COVID-19 infection rate among employees, e.g. Jastrzębska Spółka Węglowa SA;
 - preventive measures aimed at reducing the risk of COVID-19 infections occurrence among employees, e.g. KGHM Company (“pandemic resistant” production and sales results);
 - developing new operating scenarios (e.g. LPP) — strengthening the e-commerce channel, cost discipline, introducing improvements in logistics, effective stock management, higher online sales;
 - resigning from dividend payment to shareholders (e.g. LPP), reduced dividends for shareholders (e.g. PKN Orlen);
 - taking advantage of the government assistance as part of the anti-crisis shield, e.g. LPP;
 - resigning from planned acquisitions and mergers of companies, e.g. the owner withdrew from the sale of MBank;
 - making efforts to exempt from or extend the deadline for tax payments, e.g. Tauron Polska Energia. The difficult financial situation results from the fact



that the economy uses much less electricity than before the pandemic outbreak, which means lower sales and higher arrears;

- increased demand for data transmission and supporting clients in remote contacts with relatives, online work and learning (access to educational platforms), e.g. Orange, Play;
- possibility of using the services remotely (medical consultations, legal assistance), e.g. PZU.

The effects of pandemic and the narration about it affect directly, e.g., revenues, costs, financial results, settlements, bank loans. Changes to these assets require a reporting narration made available to the stakeholders. The highlighted examples of actions and behaviours used by the analysed companies will be described and disclosed in reporting after appropriate transformations (in accordance with the accounting principles) and additionally supplemented with an appropriate narration (e.g. the narration about reduced results in the time of pandemic).

2.2. Reporting as the source of narrations disclosed in accounting

Reporting has gone a long way of evolution from a balance sheet to integrated reporting. Extending a financial statement by additional information (narrations) resulted in the creation of a financial report, which was business-oriented and expanded by the report on activities and additional reports, thus contributing to the creation of a business report. Further information (narration) needs reported by the accounting practice influenced the preparation of various non-financial reports, e.g., a report on intellectual capital, a report on corporate social responsibility.

The expanding collection of reports containing financial and non-financial information was an indication of yet another trend in the transformation of reporting — a two-dimensional trend: a financial dimension versus a non-financial one (Bąk, 2020). The non-financial dimension of reporting covers the reporting which includes non-financial information, supplemented by financial information, which is largely voluntary and creative, whereas the disclosed information extends and supplements the information presented in financial statements, e.g., related to enterprise value creation. The correlation of these two dimensions into a comprehensive information system about an enterprise is one of the most important challenges faced by modern accounting.

Narration⁴ in modern accounting (reporting) is presented to its fullest in various forms of non-financial reporting⁵ — in corporate social reports

⁴ Nowadays, in social sciences, the term “narration” refers not only to the words used and their content, but also to the supplementing photos and other visual elements, which is particularly visible in the non-financial reports.

⁵ The narrative in reporting can be understood as a method of preparing a report or a type of report. In the author’s opinion, the narrative in reporting creates new types of reports within the framework of non-financial reporting.

and integrated reports. More developed forms of non-financial reporting (also referred to as corporate social reporting) take the form of sustainability reports and corporate social responsibility reports. In turn, an integrated report is considered the most comprehensive and complicated form of disclosing non-financial information.

Adelberg (1979, pp. 179–190) was the first one to address narration in accounting. He pointed out that public companies often influence investors, manipulate their reactions in order to maintain share prices at a satisfactory level or to raise capital at a lower price or on more favourable terms⁶. Initially, the verbal description in accounting (reporting) was used in additional notes, later new narrative reports were prepared: activity report, economic risk report, report on the company activity impact on the natural environment, report on intellectual capital. The most popular forms of non-financial information disclosure based on using narration include a Letter from the Management Board President and an integrated report. A special role is played by the narrative in integrated reporting, which in its essence explains the way of creating enterprise value by means of integrated financial and non-financial information. According to Kobiela-Pionnier (2018, pp. 99–126), the purpose of narration in an integrated report is to create a “story about the company” interesting for the reader and to combine the respective non-financial issues with their financial effects.

Reporting, in its descriptive part, aims at presenting the enterprise functioning from the management board’s perspective. Narration is used in reporting to explain (describe) both financial and non-financial figures and their mutual correlations. Narrations are included in, e.g., management declarations, directors’ reports, remuneration reports of the management board and the supervisory board members, corporate governance reports. The form of narration may also refer to the management board plans for future profits and their impact on the reactions of the market participants (Sedor, 2002, pp. 731–751). A Letter from the Management Board President addressed to stakeholders (shareholders), which is an introduction to the annual report, plays a special role (Beattie et al., 2008, pp. 181–222). The author of the Letter (i.e. the Management Board President), through the presented narration and its nature, develops an image thus attempting to maintain the current and attract future stakeholders (i.e. addressees). The narration also includes forecasts of the company financial results, press releases, websites or teleconference announcements.

The development of the importance of non-financial narratives in reporting results from the company need to communicate with its stakeholders and the interest in non-financial accounting information in the era of knowledge-based economy. Such approach remains a user-oriented one and is designed to support the user’s rational investment, credit and business decisions.

⁶ The research addressing the impact of information disclosed in financial and non-financial statements on the behaviour of stakeholders is conducted within the behavioural trend of accounting (Artienwicz, 2018).

Owing to narration enterprises can justify their existence and define their identity (Mouritsen et al., 2002, pp. 10–29). The reason for a heated debate on narrative reporting was issuing the statement on the preparation of the Operating and Financial Review (OFR) as a separate part of the annual report by the British Accounting Standards Board in 1993 (Dyczkowska, 2019, p. 171). The narrative reporting practices were included in the Financial Reporting Council (FRC) regulations from 2014, which were in line with the UK corporate governance code. According to the guidelines, relevant information corresponding to the needs of stakeholders had to be demonstrated. The narration disclosed in reports should refer to the following areas: strategic management, business environment and business achievements. In the European Union Member States, the narrative process in reporting was defined by Directive 2014/95/EU (2014), the main assumption of which is to increase the transparency of social and environmental information in the area of corporate social responsibility as well as its coherence and comparability. Directive 2014/95/EU (2014) provides that public interest entities have to prepare a statement on non-financial information in their activity report.

The conducted deliberations on narration in accounting and the respective disclosures in reporting should be supplemented, from the scientific viewpoint, with the essence of narration and disclosures. Narration and disclosures in accounting represent two separate directions related to the descriptive part of reporting, which remain fundamentally different in terms of both theory and methodology (Beattie, 2014, pp. 111–134). The differentiating criteria include, e.g., the theoretical foundation, perception of the research subject, the purpose for their preparation and application in an enterprise as well as data and methods. For example, the purpose of narration is to supplement and expand the information included in a financial statement that creates the company image. In addition, an enterprise develops its reputation and strives to legitimize its actions. In turn, the purpose of a mandatory disclosure is primarily to reduce the asymmetry of information, whereas a voluntary disclosure aims at allowing managers for, e.g., increasing the transparency of information about the companies operating on capital markets. Narration is a way of creating a subjective image of the enterprise for stakeholders. A disclosure is perceived as a rational compromise between costs and benefits and the strategic decision of the enterprise management. However, from the practical perspective, a narration and disclosures may remain convergent.

Creating a reporting narration by managers requires studying both the advantages (e.g. meeting the information needs of investors, developing a dialogue and improving communication with various groups of stakeholders) and disadvantages (difficulties in verifying the disclosed information, subjective selection in the disclosed narratives, manipulation in order to achieve the intended benefits), resulting from the disclosure of non-financial information. The specific preferences may arise in the course of preparing narrative reports (Yeoh, 2010, pp. 211–231), e.g. sharing knowledge with stakeholders or provoking

the intended stakeholder reactions/decisions. In addition, concerns are raised by the practice of providing stakeholders with an excess of irrelevant and useless information, which may result in their overlooking the really important issues from the perspective of the decisions made.

Narration in accounting (primarily in reporting) correlates with the impression management techniques. The description/story can be presented in a certain way to trigger the intended impressions among the stakeholders, under the influence of which the specific financial and business decisions, intentionally directed by managers, can be made. Manipulating the stakeholders' perceptions is focused on influencing their opinions about the company by managers using an impression management strategy. Managers' behaviours may include hiding certain information or combining it with the effects of internal and external factors. From an accounting perspective, the main goal of the impression management concept is to interpret the changes in financial results published in annual reports (Adelberg, 1979, pp. 179–190) and try to control and manipulate the impressions which influence behaviour/decisions of the report stakeholders. The enterprises striving to strengthen their image and reputation use, increasingly frequently, the experience management techniques in their reports, which include six strategies (Merkl-Davies & Brennan, 2007, pp. 116–196):

- a strategy for obscuring unfavourable situations or outcomes:
 - manipulation of the text readability level;
 - rhetorical manipulation involving the use of persuasive rhetoric;
- a strategy for highlighting positive situations or outcomes:
 - thematic manipulation — verbal emphasis on words, topics, financial results;
 - visual and structural manipulation — visual impact on the form of presenting quantitative and qualitative information;
 - performance comparisons — a compilation of information allowing the company situation to be presented in the most favourable perspective;
 - selection of these financial data, from among many, which present the company situation in a positive light.

The subject literature analysis in the area of non-financial narratives in accounting allows distinguishing the main areas covered by the analysis and referring to the text (Dyczkowska, 2019, p. 176):

- text attributes (e.g. thematic scope, relationship between the content and reality, analysis of text legibility, linguistic analysis of the text, analysis of the text overtones);
- premises and determinants referring to the disclosed content (e.g. the analysis of data as well as financial and non-financial indicators of a retrospective nature);
- the effects of disclosing the specific content (e.g. enhancing the company reputation, making a specific impression on stakeholders).

The Letters from the Management Board Presidents were selected for the analysis of non-financial narratives in accounting, as they express the mes-

sage from Presidents to potential stakeholders aimed at triggering specific behaviours and decisions. They also present the subject of analysis under the behavioural approach in accounting (Arvidsson, 2011, pp. 277–300).

The most common techniques used in analysing the Letters from Presidents are as follows: text analysis, syntax analysis, positive/negative keywords and cause-effect word counting. Kohut & Segars (1992, pp. 7–21), when examining the level of manipulating the impression in the Letters from Presidents to stakeholders, analyse the syntax (including the number of words, the number of sentences) and the meaning of the text. The researchers identified correlations between the described retrospective and prospective events and high and low ROE (e.g. the companies with high ROE refer more frequently to retrospective events). The research carried out by Hooghiemstra (2010, pp. 275–300) examines the meaning of the text focusing, in particular, on explaining the causes of good and bad information disclosed by the Presidents of American and Japanese companies. The research results confirm that the Presidents of American companies highlight good information and attribute it to the appropriate actions and decisions made by the management boards. The managers of Japanese companies, however, also claim the responsibility for worse results. The analysis of many Letters from the Management Board Presidents also confirms that the reasons for positive results (successes) are explained as the consequence of intentional actions performed by the management board and possibly other events dependent on the company management board, whereas the causes of negative results (failures) are explained as the effects of external events beyond the influence of the management board (e.g. currently the COVID-19 pandemic).

The research covering correlations between the narratives presented in the Letters from the Management Board Presidents and the behaviour of stakeholders addresses, e.g.:

- predictions of future earnings per share by stakeholders based on the consistency of the President's letter tone with the results of the financial statements (if earnings per share grow, the letter should be written in a positive tone) (Hofstede, 1972, pp. 679–692);
- managing the impressions of stakeholders in relation to the company poor performance (Kaplan et al., 1990, pp. 63–92);
- order of the presentation of bad and good information and its impact on investors (Baird & Zelin, 2000, pp. 71–80);
- excessive optimism in the letters to stakeholders (Fijałkowska et al., 2015, pp. 35–45).

In the assessment of non-financial narratives, e.g., a comprehensive method used in social sciences can be applied — content analysis. Weber (1985) defined it as a research method which “uses a set of procedures to draw reasonable conclusions based on the analysed text. The conclusions may refer to the message author, the message itself or the addressees of the message”. The combination of a narrative with economic processes is a fact, as exemplified by the applica-

tion of text analysis to the analysis of financial markets (Boudoukh et al., 2019, pp. 992–1033; Bowden et al., 2017, pp. 544–564).

The narration disclosed in non-financial reports allows, e.g., receiving the message implied in the Letter from the Management Board President to stakeholders and its impact on the financial result (Cewińska et al., 2017, pp. 23–59). The influence of disclosed information can be approached as self-promotion that shapes investors' decisions.

3. Methods

Due to the complexity of the phenomenon under study, analyses the narratives (supported by the analysis of text overtones) included in the Letters from the Management Board Presidents of the WIG-20 companies listed on the Warsaw Stock Exchange, in terms of their implied message to the stakeholders. The following research methods were used in the empirical part: the method of document analysis (Letters from the Management Board Presidents), in particular the analysis of both texts and words, the analysis of text overtones and the analysis of keywords.

The Letter from the Management Board President and addressed to the stakeholders should be approached as an element connecting enterprise reporting in the financial (financial statement) and non-financial (non-financial statement) dimension. The Letter from the Management Board President is attached to the financial statements (more broadly, to the annual report, in particular to the management report or the report on non-financial information) and/or non-financial report (e.g. corporate social responsibility report) presenting information of mostly narrative nature. The Management Board has considerable freedom in preparing the aforementioned Letter regarding the scope of disclosed information and the method of its presentation, as it is not subject to auditors' examination. The Letter from the Management Board President contains a lot of information not directly derived from the accounting system, such as qualitative, narrative, prospective and informal information. However, this information should be correlated with the information included in the respective financial reporting because its task is to strengthen and confirm the impression created by the financial statements (e.g. a positive message in the Letter from the Management Board President should confirm good financial results of the company).

The content and the tone of the Letter from the Management Board President to the stakeholders may be intended to evoke specific impressions. Therefore, it can be concluded that the used words matter more than the context created around the formulated thought. The tone of the Letter reflects the subjective opinion presented in its text (Beattie, 2014, pp. 111–134). The analysis of the text overtones consists in identifying and grouping the text (its fragments or the entire content) based on the used words having specific emotional implications (positive, negative). Loughran & McDonald (2011, pp. 35–65) developed lists

of words with a specific meaning regarding the texts from the financial area, which were updated in March 2015. These lists include, e.g.:

- words having negative implications (e.g. abuse, bankruptcy, barrier, exclusion, inheritance);
- words having positive implications (e.g. achievement, progress, benefit, creativity, cooperation, improvement, satisfaction, success);
- words expressing uncertainty (e.g. ambiguity, approximation, doubt, probability, variability);
- words related to contentious issues (e.g. adjournment, annulment);
- words related to limitations (e.g. obligation, compulsion, requirement).

The above word classification is used to determine the tone of the information presented in the annual reports. The analysis of the implied information included in annual reports was the subject of numerous studies in the area of finance and accounting (Huang et al., 2014, pp. 1083–1113; Merkl-Davies & Brennan, 2007, pp. 116–196).

4. Results

In order to analyse text overtones in the narrations of the Letters from the Management Board Presidents of the companies included on the WIG-20 index list from 2019, the main messages addressed to the stakeholders and the key words are summarized in Table 1. The presented text is a synthetic narrative (the most important fragments)⁷ prepared by the author based on the original Letters from the Management Board Presidents of the analysed companies. Only in 4 Letters from the Management Board Presidents a short narration can be found about the pandemic (CDProjekt, LPP, Play, Santander Bank). The author expects that direct references to the pandemic will be presented, to a greater extent, in the Letters from the Management Board Presidents issued for 2020 and among the key words the COVID-19 pandemic and coronavirus will be included. Probably the narration will present the information about the undertaken actions and behaviours aimed at minimizing the impact of negative effects resulting from the pandemic on the operations of a particular company. The examples of such activities undertaken by the analysed companies are presented in the section addressing narrative economics (narrative about the pandemic in the first half of 2020). The specific words having either positive or negative overtones were highlighted in the texts of individual Letters from the Management Board Presidents from 2019 (using bold and italics). The key words used in the text can represent different parts of speech such as nouns, verbs, adjectives or adverbs. The relationship between words (e.g. comprehensive offer, global campaign), in particular the cause-and-effect relationship, is also essential and meaningful for the text analysis.

⁷ Drilling down the text is possible, e.g., by generating summaries, i.e. preparing an outline of the document that reflects the most important facts, taking into account the key words (Lula, 2005).

The analysis of narrations presented in the Letters from the Management Board Presidents of the companies included on the WIG-20 index list allows the author to make the following conclusions:

- the discussed Letters usually consist of 2–3 pages, their content is most often accompanied by photos of the Presidents, the addressees (e.g. Dear Shareholders) and the sender (name and surname of the President) are always provided;
- in the last part of the Letter, the Presidents express their gratitude to stakeholders (in particular shareholders and employees) for their confidence in and commitment to the company;
- the narrative presented in the Letters refers to the macroeconomic situation which affects the company operations and the achieved results. It is an economic narrative;
- all Letters take the form of non-financial narrations about the particular company activities in 2019. General financial information is used to confirm some facts (e.g. the value of the achieved financial result, sales);
- narrations refer to the financial situation, implemented projects, current activities and plans for the future, actions aimed at sustainable development and environment protection;
- the message conveyed by all Presidents resulting from their narration is positive, confirming the good standing and market position of the given company;
- in 5 cases the Presidents signalled some problems, hidden among the abundance of good narratives. In the case of 4 companies, the indicated problems resulted from the difficult macroeconomic situation on the markets (JSW, MBank, PGNiG, PKN Orlen), however, the appropriate actions taken up by the companies saved them from negative effects of these situations;
- in 5 cases, the Presidents in their narrative highlighted the problem of the COVID-19 pandemic and its future impact on company operations (JSW, KGHM, LPP, Play, Santander Bank);
- the Letters from the Presidents constitute an important element of narration and reporting, they are an introduction to both financial and non-financial reporting (e.g. for the corporate social responsibility report),
- adjectives, nouns and verbs have been highlighted as the usually used words with positive or negative overtones;
- the most commonly used words having positive overtones: friendly, continuous, comprehensive, advanced, improvement, growth, development, strengthening, accessibility, cooperation, implementation, establishing, adjusting, maintaining, finalization, modernization, innovation, responsibility, sustainable, optimization, expansion, strategy, efficiency, achievement, improving, leader, expert, quality, technology, implementation, initiatives;
- the most frequently used words with negative overtones: restrictions, challenges, deteriorating, interruptions, difficult macroeconomic situation, unpaid, put up for sale, mortgage loans in Swiss francs, problems;

- the most frequently used keywords: macroeconomic milieu (determinants), financial results, investments, strategy, client;
- the components of non-material resources were listed among the key words, the importance of which is particularly important in the era of knowledge-based economy, primarily in creating the market value of companies and achieving a competitive advantage. The words: clients (relations with clients), employees (human capital) and brand were distinguished.

The conducted research confirms that the Presidents of the analysed companies provide the potential stakeholders with a positive message and picture regarding the activities of their companies, which allows for the creation of their image and reputation. The positive narration used by the Management Board Presidents of WIG-20 companies in the Letters disclosed in 2019 is a form of assurance and security that despite the difficult situation brought about by the COVID-19 pandemic, the analysed companies are capable of meeting their future challenges in 2020. However, only the narratives presented in the Letters from the Management Board Presidents for 2020 will allow assessing the scale of the phenomenon and the possibilities open to companies in overcoming the difficult economic and financial situation.

5. Conclusion

According to the Noble Prize winner Tokarczuk (2019, p. 5) “The way we think about the world and — perhaps more importantly — the way we talk about it is, therefore, of great importance. Something that happens and is not told ceases to exist and dies. (...) Whoever has a story and tells it — rules. The problem today is (...) that we do not yet have any ready-made narratives not only for the future, but even specifically for <<now>>, for the ultrafast transformations occurring in the today’s world”.

Narrative is an essential part of both economics and accounting. Narrative economics can be used to develop narratives in accounting. The narratives originating from economics are processed and disclosed in accounting (reporting), being additionally provided with managers’ narratives. The narrative referring to the COVID-19 pandemic was used to present the activities and processes taking place in the economy from the economic perspective which, in the future, will be disclosed in, e.g., the Letters from the Management Board Presidents.

Narrative facilitates communication, understanding figures, expands and supplements financial information and also allows interpreting the occurring economic processes. It remains the crucial attribute of modern accounting. Reporting is a special instrument allowing narration in accounting (non-financial reporting in particular). The increasing use of narration in reporting has benefits for both its authors and the addressees of information. Narrations offer an opportunity to explain the enterprise financial situation in a comprehensive way, its accomplishments and strategic perspectives for the future. However, narrations can be used as a tool for manipulation and impression management.

The analysis of the Letters from the Management Board Presidents representing companies included on the WIG-20 index list confirms that a well-written letter to stakeholders presents a synthetic summary of the past reporting period and a description of various factors' impact (primarily the economic ones) on the achieved results and accomplishments, as well as the indication of major trends in the given sector and the company market position. Text analysis allows selecting the keywords, among which an increasing importance is assigned to non-material resources, e.g. relations with customers and employees. The positive tone of the text presented in the discussed letters calms things down and encourages potential stakeholders to cooperate with the company.

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Appendix

Table 1.
Narration of the companies included on the WIG-20 index list disclosed in the Letters from the Management Board Presidents to stakeholders in 2019

Companies (sector)*	Narration in the Letters from the Management Board Presidents: main messages and key words
Alior Bank (F)	Mobility focused on customer convenience and independence in using a banking product/ service. Activities based on customer migration to the digital world, mobile application. A customer-friendly bank . Simplified credit process. Internet and mobile banking. A strategy based on combining traditional banking with a personalized digital bank. Key words: mobility, innovation, efficiency, strategy
Bank Pekao (F)	Continuous improvement of operational efficiency . Strategy pillars: smart growth leader , expert in efficiency, quality , expert in integrated risk management. Continuous development of remote distribution channels. Comprehensive product offer. Automation of internal processes. Digitization process involving advanced technologies aimed at the development of sales and services quality improvement in remote and direct channels. Employee involvement and attracting managerial talents . Implementation of further strategic initiatives . Key words: economic conditions, financial results, efficiency, customers, product offer, employees, strategy.
CCC (T)	Investments in IT aimed at higher efficiency . Development of retail space in perspective locations. Expansion in the e-commerce segment. Mobile application launching . Development of eobuwie.pl hybrid store network. Promotion of products among the youngest customers using social media. Products extended by new brands . <i>Problems with the newly implemented IT systems</i> which affected the sale of spring-summer 2019 collection. A strategy based on expanding the product offer, strengthening efficiency , financial stability and sustainable development. Key words: transformation, investments, results, customers, distribution, product, brand, strategy
CDProjekt (IT)	Business from the socio-economic and environmental perspective provides added value for stakeholders. The most intense year in the history. The final production stage of Cyberpunk 2077 game. Global promotional campaign . Participation in numerous industry events worldwide. Game debuts on new platforms. Investment in the company real estate. Attracting new talented employees. Signing an agreement with A. Sapkowski, the author of the “Saga about the witcher”. Key words: business events, financial results, socio-economic determinants
Cyfrowy Polsat (T)	A period of intense development . Strengthened position on the markets of television, telecommunications and television production. Accessibility for all Polish families, regardless of their place of residence and needs. Aggregation within the framework of international services and local broadcasters to meet the needs of viewers. Activity on the cinema market as a producer and co-producer. Cooperation with a leading provider of IT solutions. Very good operating and financial results . Mission implementation in the social sphere and in environment protection. Key words: financial results, clients, services, financial stability
Dino (T)	Store chain development . Opening a record number of stores. Development of logistics facilities. LFL sales increase in supermarkets. Building customer confidence, adjusting the range of goods to their needs. Actions aimed at protecting the environment (installation of photovoltaic panels on the roofs of supermarkets). Plans for the future: store chain expansion in south-western Poland, maintaining LFL sales growth, improving profitability. Key words: results, revenues, logistics, network development
Lotos (F)	Finalization of the EFRA investment project . Opening 500 fuel network facilities. Production shutdown of high-sulphur diesel fuel. Strengthening the concern position in the segment of stations located along motorways. Improving the level of service quality . Future plans: to become the leader in the alternative fuels segment, modernization . Developing an effective distribution system for customers. Supporting Polish sport and culture. Technological, market and investment challenges. Key words: financial results, macroeconomic conditions, development



Companies (sector)*	Narration in the Letters from the Management Board Presidents: main messages and key words
JSW (M)	<p>Positive financial result despite the <i>difficult macroeconomic situation</i>. Reducing the negative impact of activities on natural environment (e.g. the reduction of greenhouse gases, efficiency improvement of production processes). Focus on technical progress and the implementation of innovations. Participation in corporate social responsibility.</p> <p>Key words: financial results, macroeconomic milieu, natural environment, innovation</p>
KGHM (M)	<p>Mining and ore processing activities carried out in a sustainable and rational manner. Financing structure optimization, bond issue. Good results in the extraction of copper, silver and other raw materials. Maintaining the position of a global industry leader. Improvement of operating results in the modernized Sierra Gorda mine in Chile. Development of domestic investments which strengthen efficiency. Implementation of 4E strategy (efficiency, flexibility, e-industry, ecology). Focus on the renewable energy sources. Implementation of ecological projects. A socially responsible company.</p> <p>Key words: results, production, strategy, position in the sector, investments, projects, renewable energy</p>
LPP (T)	<p>The <i>challenges</i> faced by the company include, e.g., <i>trade restrictions</i> on Sundays, the development of multi-channel sales, growing customer expectations. A successful year for the company (the highest level of sales). Position strengthening on the markets offering high sales potential. The development of a brick-and-mortar network and a parallel increase in online sales. Positive reception of the collection on markets with the greatest development potential. Global and positive reception of the “Reserved” collection. A new marketing campaign endorsed by the world famous celebrities. Expanding the distribution network. Intensive work on designing the logistics investment. Announcing the sustainable development strategy.</p> <p>Key words: financial results, market position, sales, clients, strategy</p>
MBank (F)	<p>Characteristics of the financial and business situation of the bank. The best operating result in the bank history. <i>Mortgage loans in Swiss francs</i> are a <i>problematic</i> issue in bank’s <i>operations</i>. Creating provisions for the risk related to foreign currency loans. <i>Unpaid dividends</i> to shareholders. Conservative credit policy ensuring high quality of credit portfolio. Cautious approach in risk management. Distinguishing feature — limited growth capacity. Increase in the number of retail clients. Elements of the new strategy: pillars, client, platform, efficiency and employees. New functionalities were introduced to the mobile application. Optimization, automation and digitalization of internal processes. <i>Bank put up for sale by the owner</i>. Focus on sustainable development.</p> <p>Key words: financial results, mortgage loans, provisions for future costs, revenues from current operations, risk management, retail clients, economic milieu, position in the sector, responsibility, strategy</p>
Orange (T)	<p>The strategy implementation ensured the achievement of financial goals. The increase in efficiency results from the comprehensive transformation of business processes in certain areas (network, commercial activity, distribution network, customer service). The pricing of most consumer services has been revised to reflect the “more for more” principle. Fibre optic network as the long-term company investment. Developing ICT services for business clients. Preparations for the implementation of 5G.</p> <p>Key words: financial results, telecommunications market, investment, customers, 5G implementation</p>
PGE (E)	<p>Analysis of the environment and developing own trendsetting solutions for the energy sector. Decision-making processes include, e.g., the needs of Polish electrical engineering system, social dialogue. Energy sector is influenced by the EU climate policy and social expectations. The company activities will be determined by the European Green Deal in terms of climate neutrality by 2050 and the reduction of emissions by 2030. The achievement of goals is possible as a result of the cooperation of employees, financial markets, investors, banks and insurance companies.</p> <p>Key words: economic milieu, social dialogue, EU climate policy</p>



Companies (sector)*	Narration in the Letters from the Management Board Presidents: main messages and key words
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PGNiG (F)	<p>Good financial results, despite a <i>difficult situation on the raw materials market</i>. Notification regarding the intention not to extend the Jamaican contract with Gazprom. The challenge is the diversification of gas supplies and own extraction in the country and abroad. Active work in the area of LNG. Discovery of the Shrek field located within the Norwegian Continental Shelf. Continuation of connecting new customers to the gas network, launching new LNG regasification stations. Completion of the peak load gas boiler construction and a gas station at Żerań CHP Plant. Strategy implementation: establishing Poland's energy security through the diversification of gas supplies, development of the hydrocarbon exploration and production sector. Participation in the development of low-carbon economy.</p> <p>Key words: strategy, financial results, exploration and production, distribution, production, climate policy, green energy</p>
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PKN Orlen (F)	<p>Good financial results despite the <i>deteriorating macroeconomic conditions</i>. The highest operating result in retail sales. Positive impact of the diversification of crude oil supply sources on operations, despite the longest in history <i>interruption</i> (46 days) of crude oil <i>supply</i> via the "Friendship" pipeline. Investments (completed installations in Lithuania and in Plock). Development of petrochemicals, within the framework of which the Research and Development Centre will be established. Commencement of the Energa Group acquisition and the continuation of activities aimed at the merger with Lotos Group in order to build a multi-energy concern. Planned investment in offshore wind farms as part of the renewable energy development. Cooperation with R. Kubica.</p> <p>Key words: economic milieu, financial results, investments, multi-energy concern, brand</p>
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PKO BP (F)	<p>Increase in the scale of operation, excellent financial results and the improvement of efficiency indicators. Improving internal processes and extending the offer for customers. Industry and WSE leader. The bank was awarded the title of "Bank of the Year in Poland". The activities aimed at the principle of sustainable development and environment protection. Success of the IKO mobile application. The leader of mobile banking in Poland. Participation in the investment which created a platform for digital signing and electronic document flow. Appointing the National Cloud Operator, which offers services related to data storage and remote processing, digital transformation and cybersecurity.</p> <p>Key words: economic situation, profit, market and sector position, digital transformation</p>
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Play (T)	<p>The most frequently chosen network in Poland. Ensuring contact with family and friends. Constant access to services. Access to educational platforms supporting the new remote learning model. Activities focused on the Internet security. Extended Directory of Remote Services. Involvement in social initiatives. Employee engagement.</p> <p>Key words: economic situation, client, financial results, services, social initiatives</p>
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PZU (I)	<p>Record-breaking net profit in history and the increase in dividends. "New PZU" strategy implementation — more than just insurance. Extension of the distribution network, activity in the banking sector, application of new technologies. Customer service on the insurance, financial and health market is provided by mojePZU platform. PZUZdrowie is the key area of customer relations. Launching the Virtual Outpatient Clinic and the Telemedicine Surgery. Optimization and automation of the processes using artificial intelligence. Changing the organizational culture. International cooperation and establishing strategic partnerships with the global financial institutions.</p> <p>Key words: net profit, strategy, position on the insurance market, organizational culture, employee involvement, stability, customers</p>
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Santander Bank (F)	<p>A company-friendly bank. Responsible banking for the customers, society and environment. Safety and innovation. Multi-channel quality of services. A new distribution model in retail banking. Internet banking and corporate banking. A leader in various areas of the financial market. Credit agreement based on the borrower's commitment to sustainable development. Responsibility: charity activities and volunteering, supporting the local community, issuing green bonds by the Ministry of Finance intended for, e.g., renewable energy.</p> <p>Key words: customer-centricity, financial results, macroeconomic milieu, business development, responsibility</p>
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Companies (sector)*	Narration in the Letters from the Management Board Presidents: main messages and key words
Tauron Polska Energia (E)	Implementation of development investments . Taking care of raw material safety. Extending the offer with new products and services for customers. Developing sensitivity to social needs and full responsibility for the environment. Updating the strategy and introducing climate policy. Key words: investments, products, strategy, results

Notes:

* F — Finance, T — Trade, IT — Information Technology, T — Telecommunications, F — Fuels, M — Mine, E — Energy, I — Insurance.

Words with positive overtones — **bold**, words with negative overtones — *italics*.

Source: Own preparation based on Alior Bank (2019), Bank Pekao (2019), CCC (2019), CDProjekt (2019), Cyfrowy Polsat (2019), Dino (2019), JSW (2019), KGHM (2019), Lotos (2019), LPP (2019), MBank (2019), Orange (2019), PGE (2019), PGNiG (2019), PKN Orlen (2019), PKO Bank (2019), Play (2019), PZU (2019), Santander Bank (2019), Tauron Polska Energia (2019).