# Focusing on Communication: CEO Letters of Securities Brokerage Firms in Times of Financial Market Distress

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**Abstract**

This paper presents classroom applications involving the CEO letters accompanying the annual reports of securities brokerage firms for fiscal years 2007-2009, a period characterized not only by the recession but also by the financial crisis. The applications are drawn from the authors' ongoing study of CEO letters of securities brokerage firms and their teaching activity (finance and business communication).

The study investigates (1) whether and how recession-related issues and excesses in the financial services industry are addressed in the letters; (2) which features of the letters contribute to the way the company and its performance are portrayed as relatively affected or unaffected by recession-related issues, processes and events; (3) the way is risk portrayed; and (4) the kind of knowledge about the recession is the reader expected to share. Selected features examined include (a) implicitly and explicitly positive and negative evaluative language; (b) personal pronouns (*we*, *you* and *I*) and references to the firm, the industry, other organizations and individuals.

The activities developed and the questions examined by the paper are of interest for students preparing for careers in the financial services industry. The reader of these letters is at times assumed to share knowledge of industry events that are not explicitly described. Moreover, the way implicitly positive and negative language is used highlights why it is important for students to be aware of taking a critical approach to corporate communications concerning financial performance, the industry and the firm's behavior. Finally, focusing on the letters represents an opportunity to examine leadership communication

## 1. Introduction

### *1.1 The scenario: CEOs, communication, and times of economic turmoil*

The last few years have been times of economic turmoil, from the business cycle recession to the subprime mortgage crisis. The financial meltdown, possible industry excesses, short-sightedness, a questionable approach to risk, and unethical behavior are issues in a range of industries, but this is especially the case in the Securities Brokerage Industry, an important sector linking corporations and investors and one that has been characterized by a number of high profile scandals in recent years.

Such issues, and in particular what could be called "industry excesses," have repercussions beyond the individual firms involved, affecting the reputation of the wider industry and the firms in the industry. This in turn may impact the firm's communication to shareholders and the general public. For example, communicating an ethical stance or at least addressing ethical issues appeared to be more important in CEO letters in the security brokerage industry shortly *after* the passage of the Sarbanes-Oxley Act in July 2002 when compared to the letters written before this legislation (Poncini and Hiris 2007).

In a difficult economic situation characterized by events connected to the financial meltdown, communicating an awareness of issues tied to the recession and financial crisis may continue to be important for firms in the Securities Brokerage Industry, perhaps with a view to being perceived as socially responsible and not at fault for "excesses", unethical behavior, and poor risk management. For example, depending on the language used in the firm's communication, a (poor) performance may be portrayed as out of the firm's hands because of the economic climate, or it may be portrayed as a result of the firm's deliberate actions.

### *1.2 Why CEO letters?*

In a period of extreme economic turmoil and heightened risk, it is interesting to examine communication by Chief Executive Officers (CEOs) because they are often considered the most credible voice of an organization. In the words of Argenti and Forman (2004: 110), "the CEO who stands at the helm of an organization can project *through his or her person alone* a company's commitment to goals, a commitment that would be less credible if voiced by anyone else" (original italics). Although CEOs and their actions at times draw criticism, their actions and words remain interesting examples of leadership communication.

The CEO letter, for example, is considered an important part of the annual report (see e.g. Cross 1990; Jameson 2000; Swales 1988). Also known as the Letter to Shareholders, the Executive Letter, or the President's Letter[1], this high-profile company document often encompasses topics that go beyond the financial performance of the firm itself. A number of studies confirm the interest in investigating features of these letters for the way the company's performance and other issues are represented (e.g. Crombie/Samujh 1999; Garzone 2005; Hyland 1999; Nickerson/De Groot 2005; Hiris and Poncini 2007).

With CEOs representing the most credible voice of an organization, especially when it comes to communicating commitment (see e.g. Rogers 2000), they are well positioned to communicate the firm's position on ethics-related issues, should this be their intention. This may conceivably be done with the firm's reputation in mind (see Fombrun/Shanley 1990 and Argenti 2003). Indeed, the CEO letter represents an opportunity for the CEO to address issues concerning the firm, the industry and wider society, and in doing so present the firm in a positive light.

### *1.3 Learning goals: Integrating interdisciplinary research into teaching*

Most of us who are faculty or administrators of AACSB-accredited schools, and not only, spend significant amounts of time thinking about learning goals and designing rubrics and measures to assure learning. In this preliminary paper, we hope to show how CEO letters may serve as an innovative and instructive way to fulfill learning goals and thus fulfill AACSB standards. AACSB Business Accreditation Standard 15[2] mandates that we provide learning experiences in communication abilities and management-specific knowledge and skills areas such as ethical understanding and reasoning abilities as well as analytical skills (financial theories, analysis, reporting, and markets).

[1] In this paper we use 'CEO letters' to refer to the letters accompanying annual reports, including those analyzed for the present study, even though some of the letters were co-signed or signed by people also holding other positions.
[2] http://www.aacsb.edu/accreditation/business/standards/aol/standard15.asp

In our finance discipline, the most important analytical area to be taught and learned is the understanding of the concept of risk. Jane Hughes, in a January/February 2009 *BizEd* article entitled "What I Would Tell My Past Students" said: "When I was teaching, I liked to draw a risk-return graph on the blackboard and say, 'I'll teach you a year's worth of financial theory in 30 seconds. When return goes up, risk goes up. That's all you need to remember about finance.' She then goes on to tell about recent financial market scandals that always violated this principal.

So, beyond the mathematics of CAPM and standard deviation and understanding of portfolio diversification, the concept of risk (economic or business cycle risk, loss of principal risk, loss of income risk, reputational risk, accounting risk, etc.) may be innovatively introduced using examples of CEO Letters accompanying Annual Reports and in particular those for fiscal years 2007-2009. We identified this period for our letters because we could easily discuss risk, and students would have a frame of reference to risk-laden events. The 2007-2009 period encompassed both the start of the business cycle recession in December 2007 and its official end in June 2009 as well as the financial meltdown of March 2009.

The activities developed and the questions examined by this paper are of interest for students of finance not only in terms of understanding risk but also in terms of developing communication skills and a critical approach to the texts accompanying financial reports.

### *1.4 Scope of the paper*

The rest of this paper is organized as follows: Section 2 provides a theoretical framework for approaching social responsibility and social responsiveness, while Section 3 presents the research questions and the analytical framework used in the wider study (positive and negative evaluative language; active and passive forms, personal pronouns). Section 4 focuses on the data: the letters and their features of interest. It also includes a preliminary analysis. Section 5 provides examples for teaching applications. Concluding remarks are presented in Section 6.

## 2. Being socially responsible, or being socially responsive? Scandals, issues and excesses in the industry

### *2.1 Theories of social responsibility and social responsiveness*

This section presents the theoretical framework for the wider study on which teaching applications are based. Although this paper uses selected examples from the 2007-2009 CEO letters under examination, the examples themselves are drawn from the wider study, making it important to review social responsibility and social responsiveness with a view to approaching the CEO letters.

There are two main views of social responsibility in business[3]. According to the classical view, management's only social responsibility is to maximize profits. Economist and Nobel Prize winner Milton Friedman (1962, 1970), the most vocal proponent of this view, holds that managers are responsible for acting in the best interests of stockholders, so that a business

[3] The rest of section is drawn from Poncini and Hiris (2007).

should use its resources and perform activities in order to increase profits, as long as it follows pertinent rules and regulations and engages in competition and business activities without deception or fraud (Robbins/Coulter 2004: 100). The socioeconomic view, on the other hand, holds that management's social responsibility is not limited to making profits but also includes protecting and improving society's welfare (see e.g. Carroll 1991). In this view, corporations have a responsibility to the wider society since laws allow corporations to exist and product purchases support their existence.

In considering a company's actions and reflecting on the behavior of managers, it is interesting to compare social responsibility – in the most common use of the term – and social responsiveness.

Social responsibility commonly refers to a firm's obligation to pursue long-term goals that are good for society, going beyond the legal and economic requirements (see e.g. Bucholz 1990). This means that a business must differentiate between right and wrong when it aims to achieve good for society, and this in turn adds an ethical dimension to actions aiming to improve society. The firm can be considered a moral agent; it acts in a certain way because it feels it has a responsibility to act that way.

Social responsiveness, instead, involves the firm's ability to adapt to changing conditions in society, with managers acting in consideration of societal forces. Simply put, the firm acts to meet a social need that has become popular. If community service is considered important by the market, the firm 'responds' to this by choosing to engage in actions that support community service.

Table 1 compares social responsibility and social responsiveness in terms of their emphases and decision framework. It highlights the fact that the major consideration of a firm which is socially responsible is ethical, while for a firm which is socially responsive, it is pragmatic.

| | **Social Responsibility** | **Social Responsiveness** |
|---|---|---|
| **Major consideration** | Ethical | Pragmatic |
| **Focus** | Ends | Means |
| **Emphasis** | Obligation | Responses |
| **Decision Framework** | Long term | Medium and short term |

Table 1. Social responsibility versus social responsiveness (Robbins/Coulter 2004: 103, adapted from Wartick and Chochran 1985: 766).

### *2.2 A sample application: Social responsiveness after Sarbanes-Oxley (SOX)*

Since the current study builds on the authors' previous study (Poncini and Hiris 2007), which explores how ethical issues and industry scandals are addressed in the CEO letters accompanying the annual reports of firms in the Securities Brokerage Industry (2002-2003), the previous study is summarized here as an illustration of a sample application of the theoretical framework described above.

The dataset for the original study consists of letters written in 2002 and 2003[4] and thus encompasses a set of letters written before and a set written after major scandals and ensuing legislation, specifically the Sarbanes-Oxley Act, passed in July 2002.[5] Besides drawing on theories of social responsibility and social responsiveness, discussed in Section 2.1 above, the investigation also examined the relation of these two concepts to ethics in business. The study examined the use of implicit and explicit evaluation, selected lexical items, and personal pronoun references, noting differences in the two sets of letters (these features are discussed in Section 3). It identifies implicit and explicit means by which the letters refer to scandals and address ethics-related issues, noting subtle shifts in the way firms position themselves with respect to industry events that affected investor confidence.

In our (2007) study, the comparison of the two sets of letters and the analysis of extracts show that the letters written after SOX foreground social responsiveness on the part of the firm: in the letters, the CEOs, and by extension the firms, address those issues that became important in the market and in society after visible scandals in the industry and the passage of Sarbanes Oxley.

Our analysis shows that in the year after SOX, the letters use a number of implicit and explicit means to refer to industry events such as scandals and in particular the role played by the brokerage industry and individual firms. In these cases the features suggest a response to wider industry and social concerns about unethical behavior.

For example, in comparing the two sets of letters, in the letters written in the first year after SOX, there are numerous explicit references to corporate governance while in the letters written prior to this legislation there is not a single mention, though the concept of corporate governance has been the object of attention around the world for a number of years. Clearly this is in response to the fact that corporate governance became an especially ‘hot topic’ around the time of visible scandals in the industry.

Moreover, other means are also used in the letters following SOX to address governance (e.g. the use of *board*) and ethics-related issues without explicitly referring to them (e.g. reference to *confidence* and *research*). In some cases ‘investor confidence’ is used to refer implicitly to negative events in the industry, which are in the past, and in these contexts there are sometimes subtle shifts in the way firms position themselves with respect to industry events that affected investor confidence. Again, this seems to be a response to wider concerns, since in the set of letters written before Sarbanes-Oxley such concern was not evident.

This kind of application is extended to the current study of the 2007-2009 letters with regard to the recession and the financial crisis. At the same time, features examined in the 2002-2003 letters, such as the treatment of corporate governance and ethics, will also be examined in the 2007-2009 letters with a view to expressions of social responsibility vs. social responsiveness.

4 Most of the letters were written in 2002–2003 for the relative Fiscal Year (FY) ending in 2001–2002; the few exceptions depend on different Fiscal Year Ends (FYEs) and are evident in the table in the Appendix (e.g. the Raymond James’ letter following the Sarbanes-Oxley Act was written in 2002 and not 2003 because its FYE ended in September 2002, early enough for the annual report and accompanying letter to be prepared the same calendar year).

5 Most of the letters were written in 2002–2003 for the relative Fiscal Year (FY) ending in 2001–2002; the few exceptions depend on different Fiscal Year Ends (FYEs) and are evident in the table in the Appendix (e.g. the Raymond James’ letter following the Sarbanes-Oxley Act was written in 2002 and not 2003 because its FYE ended in September 2002, early enough for the annual report and accompanying letter to be prepared the same calendar year).

## 3. Analytical framework

This section presents the analytical framework for the wider study on which teaching applications are based. It first presents research questions and then discusses the linguistic features of interest examined.

The ongoing investigation of CEO letters for fiscal years 2007-2009 addresses two main kinds of questions. The first relates to the context of the securities brokerage industry, while the second relates to the interest in considering indications that suggest social responsibility or social responsiveness on the part of the firm in connection with the recession and financial meltdown.

In examining CEO letters for fiscal years 2007-2009, the current study addresses the following questions:

1. Are recession-related issues and excesses in the financial services industry addressed in the 2007-2009 letters and if so, how?
2. Are specific recession-related issues such as the housing bubble, the credit crunch and the subprime mortgage crisis addressed in the 2007-2009 letters and if so, how?
3. What features contribute to the way the company and its performance are portrayed as relatively affected or unaffected by recession–related issues, processes and events? Is the company portrayed as contributing to problems or solutions connected to recession–related issues, processes events? How is risk portrayed?
4. What kind of knowledge about the recession and the financial services industry is the reader expected to share?

In addressing the above questions, the study examines selected features in the data, including (a) implicitly and explicitly positive and negative evaluative language regarding issues encompassed by the research questions; and the performance and behavior of the firm and the industry (evaluation as discussed by Thompson and Hunston 2000, presented in Section 3.1 below); (b) personal pronouns (*we*, *you* and *I*) and references to the firm, the industry, other organizations and individuals (use of first names, last names and titles). In exploring how companies position themselves in relation to the recession, the financial crisis, industry events and ethical issues, other features also receive attention, including choice of subject; transitivity and voice (i.e. active vs. passive forms, "who (or what) is doing what to whom (or to what)").

In addition, by comparing the letters written before the recession and / financial meltdown and afterwards, the paper aims to identify features and differences between the sets of letters that may suggest social responsibility and/or social responsiveness.

### *3.1. The significance of evaluation and personal pronouns*

Evaluation (or 'stance') can be used as a cover term "for the expression of the speaker's or writer's attitude or stance towards, viewpoint on, or feelings about the entities or propositions that he or she is talking about (Thompson/Hunston 2000: 6-7). An examination of evaluation is significant because it provides indications of the ideology or values underlying a text (see e.g. Hunston 1994, Thompson/Hunston 2000) and is closely tied to social interaction (see e.g. Hyland 1999). Consequently, investigating how evaluative language is used in the letters can illustrate how it reflects and constructs shared values, whether these shared values concern the company's performance, the economic, social and legal environment, approaches to corporate governance, and so on. The paper explores explicit, implicit and other selected kinds of evaluation.

Examining the use of the personal pronouns *we, you*, and *I* will allow their use to be linked to the negotiation of individual and group identity and the alignments that the company and/or the author(s) ('drafters' signing the letters) take up with respect to the company, shareholders, investors, clients, employees, competitors, and so on. Pronouns thus provide important indications of the relationships between the company and these actors. References to the firm, the industry, other organizations and individuals, including first and last names and titles, are therefore of interest to the analysis.

## 4. The data: The letters and their features of interest

Data for the current study consist of CEO letters for fiscal years 2007-2009 for the following firms:

| Name of firm | Fiscal Year End (FYE) |
|---|---|
| Charles Schwab | End of calendar year |
| Goldman Sachs | Last Friday in December |
| Legg Mason | End of first quarter |
| Merrill Lynch | End of calendar year |
| Morgan Stanley | 30 November in 2007 and 2008<br>30 December in 2009 |
| Raymond James | End of third quarter |

These firms represent the firms remaining from the original study's set of 9 firms classified by the Value Line Investment Service in 2002 as comprising the Securities Brokerage industry. According to the U.S. Census Bureau, "this industry comprises establishments primarily engaged in acting as agents (i.e. brokers) between buyers and sellers and buying and selling securities on a commission or transaction fee basis." The three firms present in the 2002-2003 data set and no longer present are: Lehman Brothers; Bear Stearns, and A.G. Edwards. The original study included the firm Morgan Stanley and Dean Witter, which is included in the present study as Morgan Stanley. The firms included in the original study are listed in the table in the Appendix, which shows how the dataset was organized into two data subsets representing letters written before and after SOX.

In preparing the preparing the present preliminary paper, the focus was on a subset of letters, as follows: Charles Schwab; Goldman Sachs; Morgan Stanley; and Raymond James.

### *4.1. Initial stage of analysis: Key items for comparison*

An initial qualitative examination of the data allowed several key lexical items to be identified ("content" words such as *economic* and *small*, as opposed to grammatical words such as *is* and *the*). The aims of the study and the wider industry context were also considered in identifying lexical items of interest (e.g. *crisis, liquidity, recession, risk* ) for the qualitative examination.

The examples used in the present paper were obtained through a qualitative examination. For the comparative analysis, instead, data will be generated automatically by using a text analysis software program on the electronically stored text files of the letters, including, for example, word frequencies, concordances showing the words appearing to the left and right of a chosen term (so the linguistic context of its use) and so on.

Table 2 below shows a selection of items identified for an in-depth qualitative and quantitative investigation in the present study,:

| | |
|---|---|
| Market | Long term / long-term |
| Recession | mortgage |
| Crisis | subprime |
| Risk | TARP – asset relief… |
| Liquidity | Liquidity crunch |

Table 2. Selected items identified for in-depth investigation specific to the financial crisis and recession, 2007-2009 letters

Table 3 below lists items identified for in-depth investigation in the first study, to be repeated for the current study of 2007-2009 letters in the third phase of the research.

| | |
|---|---|
| board | Regulatory |
| client / clients | Research |
| confidence / confident | Eliot Spitzer |
| ethics / ethical | Sarbanes (for Sarbanes-Oxley) |
| governance | scandal / scandals |
| Integrity | Trust |

Table 3. Items identified for in-depth investigation in the original study (Poncini and Hiris 2007)

## 5. Examples for teaching activities

This section presents examples drawn from the data and a short commentary for teaching applications. When working with passages, even without first providing a framework for reference, it may be useful to ask some general questions about the impression a text makes and what contributes to that impression. For example:

Who is being placed in a positive or negative light and how?
Who is being placed in an active role and how?

This can be a way to lead up to a discussion of the linguistic features of interest in passages from the letter and their effect.

### *5.1. A short example: Consider the cumulative effect*

Even a single sentence may have a number of features of interest. What is important is not necessarily the single occurrence of a particular term with a positive (or negative) connotation or the sentence structure placing the firm in a positive light: it is the cumulative effect of such linguistic choices and features that help build up a certain image of the firm or the context.

> **Extract 1.**
> In total last year, we assisted companies and governments in raising more than $142 billion in debt and equity to grow and create new jobs.

Morgan Stanley 2009

Various items of interest can be discussed with students. For example, the verb "assisted" is a positive process / action. In addition, "we" here refers to the firm and is in the subject position; this, together with the use of the active form of the verb "assisted" places the company in an active, helpful role. The remainder of the sentence is positive: the figure $142 is implicitly positive in this context, while "grow and create new jobs" includes 2 verbs with a positive connotation, with the result – "new jobs" – also positive, especially in times of economic turmoil.

This is just one example using one sentence. What is important is the cumulative effect of linguistic choices in a passage or in a the letter, not just a single occurrence of an active or passive form or the use of "we" to refer to the firm in the subject position.

It may be useful to compare an "invented" hypothetical alternative to the sentence in Extract 1. The sentence shown below includes the verb "assisted" in the passive form, so it is the same process as in the example above. In the case of the passive, the agent may or may not be indicated (here the agent is in parenthesis); should it not appear, the reader would not know who did the assisting.

> **"Invented" alternative:**
> Companies and governments were assisted (by us) in raising more than….

With the passive verb form above, "companies and governments" are more prominent than "we-the-firm," which is still the agent of the process "assist," but appears later in the sentence (if it appears at all) as "us" and thus is no longer in the subject position. In the original Extract 1, instead, "we" is the agent of the active verb "assisted" and thus appears earlier in the sentence, as subject. Indeed, there is a subtle change in focus and emphasis when the sentence begins with "we."

### *5.2. The industry or the firm? Proactive, pre-emptive or passive?*

Extract 2 illustrates the interest in examining the use of pronouns and in particular the use of "we" in passages from the letters. "We" may clearly refer to the company in a particular context, such as in Extract 1 above, but the pronoun "we" can often be vague or ambiguous and thus strategic in certain contexts. For example, it could refer to the industry, so that the writer(s) of the letter may be speaking for the industry or calling the industry to action, but at the same time it could appear to refer to the company. Extract 2 below shows three different uses of "we", which are numbered for convenience.

> **Extract 2.**
> In the wake of the financial crisis, <u>we</u> [1a] believe that fundamental regulatory reform is critical for <u>our</u> [1b] industry – and the global capital markets. <u>We</u> [2] need to ensure that nothing like the financial

crisis of 2008 ever happens again, and we [3] are committed to working cooperatively with policymakers and to playing a constructive role in building a new regulatory framework.

Morgan Stanley 2009

- [1a] we-the-firm
- [1b] “our” is ambiguous: it would seem to be the industry of the firm, but “our” could refer to the other firms belonging to the industry since the second use of “we” [2] seems to go beyond the individual firm.
- [2] we-the-industry // we-who-can-have-an-impact
- [3] we-the-firm (though it could conceivably be an extension of a more general use of we, as in [2].

Even the first use of “we” connects to the wider industry though in the phrase “we believe,” “we” refers to the firm; similarly “we are committed” pertains to the individual firm.
It is also interesting to note the use of the word “crisis,” which has a negative value that does not depend on the linguist context. It is used in reference to the past (in the wake of; 2008) and in sentence about avoiding it in future.

The use of “we” along with specific verbs helps the firm portray itself as cooperative and as playing an active role in making sure the industry does not repeat or create the negative events of the past. The overall extract suggests responsiveness vs. responsibility.

### *5.3 Positive or negative? Individual firm or the industry?*

Extract 3 provides an example of how the potentially negative value of a word or reference, in this case *Troubled Asset Relief Program,* is diminished by various means (first and second part of the extract). It also shows how a reduction in net revenues and earnings per share are presented in a less critical manner (second part of the extract), attributing the reduction to an *improvement* – again, this is an occurrence of a word that is explicitly positive.

**Extract 3**

*The full repayment of Troubled Asset Relief Program (“TARP”) capital and the repurchase of the associated warrant.*

There is no question that the entire industry—including Morgan Stanley—benefited from TARP and the other initiatives undertaken by the government to stabilize financial markets. We are pleased to have repaid our TARP funds within six months with a 21 percent return for U.S. taxpayers.

Our results were muted in large part by the improvement in Morgan Stanley’s debt-related credit spreads (“DVA”). Although this improvement was a long-term positive for Morgan Stanley and reflected the credit markets’ increased confidence in the Firm, it reduced full-year net revenues and earnings per share by $5.5 billion and $2.84, respectively. Our results also were affected by the costs related to the repayment of TARP capital and the repurchase of the associated warrant.

Morgan Stanley 2009, signed Apr 2010

The acronym TARP is used later in the text instead of writing out *Troubled Asset Relief Program,* and a number of words with positive values are used. These include words like *benefited* and *pleased,* which are explicitly positive (to be noted is that ‘we” is in the subject position) and *stabilize* and *repaid,* which are implicitly positive in this context: they have a positive connotation. A time frame of 6 months is understood to have a positive value here, with the reader expected to understand that this is a short time period and that 21 percent is a good return for taxpayers, and so on.

The second part of the extract begins with a passive construction so that the focus is on "our results," with the verb "muted" not particularly negative unless the entire sentence is read. The agent "improvement" has a positive value, and it is what has brought about a reduction in net revenues (the next sentence). The final sentence is also a passive construction, and once again, although a negative result is involved, the negativity is diminished by the use of verb that is more neutral, "affected," while costs are explained as related to the repayment of TARP capital, without writing out the entire name for TARP, which includes an explicitly negative term, "troubled."

Overall this extract presents difficulties in a positive manner, diminishing negative aspects by using positive words as agents of verbs that in the end negatively affect results.

### *5.4 A lost opportunity?*

In some cases, letters may use numerous passive constructions or long complex sentences that might not immediately make apparent who, if anyone, is taking an active role or who is responsible for the positive result. In Extract 4, the company had a positive result in the form of a relative lack of impact of the subprime crisis / in itself this is "distanced" from the company. However the reason for this, for example the company's positive techniques and procedures, are not highlighted in the sentence structures used. The superior risk management techniques, for example, allowing the company it to fare well during the subprime crisis, occur later in the sentence, which continues. The final list of 3 positive features of the firm's behavior appear as noun phrases and are "distanced" from the positive result.

> **Extract 4**
> The subprime crisis' relative lack of impact on Raymond James reflected the superior risk management techniques employed by the Fixed Income department and Raymond James Bank, as well as our conservative philosophy, dedication to rigorous due diligence procedures and daily execution in accordance with best practices.
>
> Raymond James 2007

It should be noted that sometimes using the passive voice and perhaps not indicating the agent of the verb / process can be a deliberate strategic choice. The use of the passive voice without specifying the agent means that involvement is unstated, hidden. In contrast, the effect of many occurrences of verbs in the active form along with the use of the personal pronoun we (or the company name) can help portray the company as active and involved.

## 6. Concluding comments

This paper has focused on CEO letters accompanying the annual reports of firms in the U.S. securities brokerage industry for fiscal years 2007-2009. It focuses on selected features of the letters, discussing some of the ways companies portray themselves, their performance and the industry during this period characterized by recession and financial crisis. Extracts from the letters and the related commentary provide examples that may be used to raise students' awareness of the way companies communicate about their performance and about issues in the industry. The use of CEO letters also represents an opportunity for students to examine leadership communication.

The questions examined by the paper are of interest to students as the reader of these letters is at times assumed to share knowledge of industry events and technical aspects of financial statements and performance that are not explicitly described. Indeed, the way implicitly positive and negative language is used, together with assumptions of shared knowledge and shared values in the letters, highlights why a critical approach to corporate communications concerning financial performance, industry scandals and the firm's behavior is extremely important today.

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## Appendix – Firms in the original study (2007)

| *Securities Brokerage Firm* | *BEFORE SOX (JULY 2002)* | | *AFTER SOX (JULY 2002* |
|---|---|---|---|
| | Letter date / FYE (set 1b) | | Letter date / FYE (set 1a) |
| A.G. Edwards | April 5,2002; FYE Feb2002 | | April 2, 2003; FYE Feb2003 |
| Bear Sterns | Early 2002; FYE Nov2001 | | Early 2003; FYE Nov2002 |
| Charles Schwab | Early 2002; FYE Dec2001 | | Mar. 10, 2003; FYE Dec2002 |
| Goldman Sachs | n/a Early 2002; FYE Nov2001 | | Early 2003; FYE Nov2002 |
| Legg Mason | June 4, 2002; FYE Mar2002 | | June 6, 2003; FYE Mar2003 |
| Lehman Brothers | Feb. 15, 2002; FYE Nov2001 | | Feb. 17, 2003; FYE Nov2002 |
| Merrill Lynch | Feb. 25,2002; FYE Dec2001 | | March 4,2003; FYE Dec2002 |
| Morgan Stanley and Dean Witter | Feb. 5, 2002; FYE Nov2001 | | Feb. 5, 2003; FYE Nov2002 |
| Raymond James Financial, Inc | Dec. 14, 2001; FYE Sept2001 | | Dec. 16, 2002; FYE Sept2002 |