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SHAREHOLDERS' PERCEPTION OF MANAGEMENT COMMUNICATIONS IN ANNUAL GENERAL MEETINGS: NARRATIVE OR NOT?

This study investigates management communications in annual general meetings (AGMs) from a narrative perspective. This study evaluates the effective elements of AGMs from the shareholder's viewpoint. According to the theoretical framework, the authors developed a conceptual model and extracted the suggested narrative model for the first time. The shareholder's perception was measured through a questionnaire survey containing three sections – narrative, audience, and narrator – with 32 indicators from 151 shareholders measuring shareholders' opinions about AGMs in Iran. The results indicate that although shareholders do not consider the AGM communications made by management board as a narrative, they obtain relevant information with a logical flow in AGMs, and believe that these relations are useful. The characteristics of the management board impact on the persuasiveness of their communications. The results supported the mediating effect of AGM communication between managers and shareholders.

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1. INTRODUCTION

The Annual General Meeting (AGM) is a firmly established aspect of organizational life and yet it has rarely been the focus of accounting research (Jeacle, 2008). The core business of AGMs traditionally and legally comprises three elements, summarized as legal formality, communication, and accountability (Apostolides, 2010). Studies that investigate an AGM assign different roles to it: a historical role (Jeacle, 2008), as a (an) corporate governance instrument, accountability, and transparency mechanism (Apostolides, 2010, 2007; Carrington and Johed, 2007; Cordery, 2005; Hodges et al., 2004; Strätling, 2003), and a powerful formal communication medium

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for the disclosure of financial information (Firth, 1981; Olibe, 2002; Garcia-Blandon et al., 2011, 2012; Martinez-Blasco et al., 2014, 2015; Lawal, 2016). By reviewing AGM studies in accounting, one finds out that most studies have assessed and analysed the impact of AGM announcements on capital market variables (e.g. Firth, 1981; Brickley, 1986; Rippington and Taffler, 1995; Olibe, 2002; Garcia-Blandon et al., 2011, 2012; Martinez-Blasco et al., 2014, 2015; Lawal, 2016), but there has been little consideration for the atmosphere at AGMs and the possible effects of their communications on shareholders' cognition and behaviour. Therefore, this study intended to investigate the effective elements of management communications in annual general meetings from the shareholder's viewpoint.

Strätling (2003) enumerates one of the principal functions of the AGM as providing a forum for discussions between directors and shareholders about past performances and future business policies. The AGM typically represents the simultaneous disclosure of qualitative and quantitative information to investors and other stakeholders that are not typically available in the financial press (Olibe, 2002). Jeacle (2008) contends that "non-financial information disclosed at the AGM adds insight to the understanding of organizational activities and brings life to the reported financial figures". Carrington and Johed (2007) state that one direct advantage of being present at an AGM is that any spoken explanations complementing the financial accounts themselves can also be recorded. Surveys have shown that private investors may not be capable of understanding the financial accounts because of their complexity and a growing complexity of accounting reports. The AGM provides another way of overcoming this complexity and remoteness, namely by complementing the financial accounts with narratives and visual aids that help to link the accounts with the company's 'real-life' operations. The most common argument for retaining AGMs despite the negative criticism they have received is that it does provide a unique opportunity for the shareholders to meet top management face-to-face (Carrington and Johed, 2007). The benefit of this setting is that "the body language of directors gives an indication of the gravity of an issue raised as well as of the honesty and confidence of a statement" (Strätling, 2003).

Davison (2004) compares AGMs to periodic rituals. A ritual may be defined as a "body or code of ceremonies; an often repeated series of actions" (Davison, 2004). Lewin and Green (2009) name the psychological and functional benefits of rituals to participants and their audience. Smith and Stewart (2011) theorize that rituals work through three mutually reinforcing mechanisms entailing cognitive capture, emotional anchoring, and behavioural prescription. Some inter-dependent functions of rituals are: to provide meaning; communicate

important values; enhance group solidarity; and prescribe and reinforce significant events (Smith and Stewart, 2011). Although some studies suggest that rituals are useful in communicating accounting figures to an audience (Uche and Atkinson, 2015), there is not an empirical assessment about factors which are useful from the audience's viewpoint.

As well as the psychological and functional benefits of rituals, Jeacle (2008) regards AGM from the narrative perspective and argues that the interpersonal element of AGM proceedings yields its own narrative and reveals the "stories" behind the numbers (Jeacle, 2008). Carrington and Johed (2007) cite that Boland and Schulze in 1996, Roberts in 1996, and Lindholm in 2003 suggested that "narratives" of this kind are an integral part of the financial accounts simply by helping to make sense of them (Carrington and Johed, 2007). Thinking about narrative as an organizing principle supports the ritual view of communication. Narrative as communication is a constitutive and organizing approach (Herrmann, 2011). In recent years there has been a great deal of interest in the concept of narrative and its applications. Ontologically, narration can be considered as the very essence of human behaviour and a fundamental mode of thinking; we often organize and transfer our knowledge in a narrative form (Aarikka-Stenroos, 2010). Knowing narrative is the impulse to give order and meaning to story of life events (Sandelowski, 1991). Narrative is understood here as both a particular category of communication and a method of cognitive organization. In fact, narrative cognition may be fundamental to a meaningful human existence (Jones and McBeth, 2010). The aim of cognitive narratology is to develop the literary and generally semiotic study of narratives through cognitive modelling and to develop cognitive studies of mind and meaning by integrating insights from literary scholarship (Brandt, 2009). In general, some of the narrative functions are: a structure of and for cognition and perception; a negotiation of relationship(s) and connection(s) to self, others, and the environment; a process of social and cultural cohesion; a proximal experience; and a representational strategy for interpersonal communication systems (Mello, 2002). Narrative meaning is one type of meaning produced by the mental domain. It principally works to draw together human actions and the events that affect human beings, and not relationships among inanimate objects (Polkinghorne, 1988). Do shareholders consider AGM proceedings as narrative or not?

Every kind of ritual offers its own unique narrative to meet its desired agenda. Although there are international differences in the AGM agenda (Carrington and Johed, 2007), their general outlines are similar. This study uses the context of Iran, where the corporations are required by Iranian trade

law to hold an AGM two to four months after the end of the corporation financial year.

An AGM's main decisions according to Iranian trade law are: electing/re-electing the board and auditor and legal inspector, approving the accounts and balance sheet, approving the board's proposal for the disposal of the profit/loss, discharging responsibility on the part of the CEO and the board of directors, and determining a widely circulated newspaper for publishing company announcements. Shareholders are notified about the AGMs dates through newspapers and those interested receive the entry card from the company.

By comparing the narrative and ritual concepts, one can find similarities between their functions; both focus on cognition and behaviour, and try to make sense and provide meaning for their audience and participants. In other words, it can be said that they are two sides of the same coin. A review of recent accounting studies (e.g. Uche and Atkins, 2015) shows that there has been scant assessment of the potential effects of organization's public ritual on their audiences. Thus, one does not know about the effects of managerial board explanations at AGMs on shareholders' cognition. Therefore, the authors aim to address this gap through the study of narrative communications and public rituals simultaneously, by merging psychological, functional, and cognitive perspectives of AGM with narrative communication perspective in order to investigate the effective elements of management communications at AGMs on their shareholders. The theoretical framework is based on narrative communication theory and narrative paradigm, while the next section elaborates the theoretical framework. This results in the attention to be directed toward the effects of company public rituals, especially AGMs, on their participants. According to the theoretical framework, the authors developed a conceptual model to empirically examine the effects of AGMs on shareholders. The authors extracted their suggested narrative model for the first time and used partial least squares structural equation modelling (PLS-SEM) software for data analysis. Partial least squares (PLS) was the method used for model estimation and testing.

The remainder of this paper is arranged as follows. Section 2 presents the theoretical framework and hypothesis development. Section 3 outlines the proposed model, the personally administrated survey, and the applied methodology. Section 4 analyses the descriptive statistics and findings of PLS-SEM software, and Section 5 shows the results and suggestions for future research.

2. THEORETICAL FRAMEWORK AND DEVELOPMENT OF HYPOTHESES

2.1. Theoretical framework

From a theoretical perspective, Smith and Stewart (2011) theorize rituals mechanisms as cognitive, emotional, and behavioural. Their general hypothesis is that rituals act as powerful moderators of channelling cognitive content, affective response and behavioural activity. They refer the term cognitive to mental information processing, including such elements as attention, perception, learning, memory, and decision-making. Emotional responses to organizational rituals connect with cognition and behaviour as a result of the nature of the statements made explicitly or symbolically during rituals. Rituals act as channelling cognitive content, affective response and behavioural activity toward cultural norms (Smith and Stewart, 2011). Lewin and Green (2009) also propose the psychological and functional benefits of rituals to participants and their audience. From a psychological perspective, rituals help create harmony and shared meanings between participants. From a functionalist perspective, rituals aid communication and identity creation.

Smith and Stewart (2011) and Lewin and Green (2009) state that rituals have cognitive and behavioural benefits and effects on their audience. In measuring the effect of ritual on the audience, there is a need to operationalize these concepts and identify their standards and elements. The relation between ritual and narrative mentioned earlier, helps to identify these standards and elements. De Beaugrande and Dressler (1981) in their theory of narrative communication, Fisher (2011) in his narrative paradigm, and Randall and Harms (2012) in their effective narrative elements, explain these standards.

Sydserff and Weetman (1999) explain that the study of narratives has developed from the seminal work of de Beaugrande and Dressler in 1981, called the theory of textual or narrative communication. De Beaugrande and Dressler define a core set of standards which determine the communicative effectiveness of narratives. The seven standards are: cohesion, coherence, acceptability, informativity, intentionality, intertextuality, and situationality. Cohesion refers to the ways in which different parts of the text, typically sentences, are linked together. Coherence emphasizes the structural organization of sentences, the flow of ideas and the dependency of sentences on previous sentences. Acceptability means that the narrative is not only cohesive and coherent but also contains information that is of relevance for the reader. Informativity, closely related to acceptability, asserts that the

narrative contains incremental information. Intentionality concerns the writer's attitude that there should be a coherent and cohesive text relevant to the writer's intentions, for example to distribute knowledge. Intertextuality is concerned with the ways in which the production and reception of a given narrative depends upon the users' knowledge of other material. Situationality means that the narrative must be relevant to the particular context in which it occurs (Sydserff and Weetman, 1999).

Fisher proposes a theory of human communication and compares and contrasts this view with the traditional rational perspective. He uses the term "narration" to a theory of symbolic actions that have sequence and meaning for those who live, create, or interpret them. The narrative perspective, therefore, has relevance to the real world. He uses the term 'paradigm' to formalize the structure of a component of experience and to direct understanding and inquiry into the nature and functions of that experience (Fisher, 1984). This paradigm presupposes that humans are essentially storytellers and the paradigmatic mode of human decision-making and communication is "the good reasons". The narrative paradigm insists that human communication should be viewed as historical as well as situational, as stories competing with other stories constituted by good reasons as being rational when they satisfy the demands of narrative probability and narrative fidelity (Fisher, 1984), whereas narrative probability refers to the formal features of a story and concerns the question of whether a story is coherent or "hangs together," thus narrative fidelity concerns the "truth qualities" of the story, the soundness of its reasoning, and the value of its values (Fisher, 1985).

Narratives crafted with emotion and logic, help make sense of disparate facts and can motivate people to make consequential changes in their behaviour. The communication pitfalls distract the audience and such cognitive dissonance causes confusion and incredulity, so the listener does not absorb the message. Effective narratives are largely the product of discipline and structure (Randall and Harms, 2012). Randall and Harms (2012) list four elements of effective narratives as follows: audience, purpose, acts, and flow. Effective storytellers know and understand their audience. They have a well-defined purpose for communicating with that audience. Effective storytellers choose the relevant building blocks of information to include 'acts' of the story. They create a flow that sequences these acts into a narrative arc and connect the ideas, layer in key themes and imagery, and pace the delivery. This process communicates a well-conceived purpose to a particular audience. This greatly increases the likelihood that the result will be a desired change in audience behaviour (Randall and Harms, 2012).

2.2. Development of hypotheses

By applying Fisher's narrative paradigm, De Beaugrande and Dressler's theory of narrative communication, and Randall and Harms' effective narrative elements, the authors formulated the underlying hypotheses.

Fisher believes that everybody evaluates the worth of stories based on two standards of narrative rationality: coherence and fidelity. These standards are measures of a story's truthfulness and humanity. Fisher regards the internal consistency with characters acting in a reliable fashion as the narrative coherence and asks whether the narrative 'hangs together'. Narrative fidelity is the quality of a story that causes the words to strike a responsive chord in the life of the listener (Griffin et al., 2011). In De Beaugrande and Dressler's theory of narrative communication, cohesion and coherence are text-centred standards that address the whole-text aspects of narratives (Sydserff and Weetman, 1999). Narrative coherence is the degree to which a story produces an integrated mental representation in its audience (Klein and Boals, 2010). If management communications ('stories') at AGMs meet narrative rationality, they will be considered truthful and will make meaning to shareholders. Therefore, we have the following directional prediction:

H1: There is coherence in management communications at AGMs.

H2: There is fidelity in management communications at AGMs.

Acts are the component parts of a story. They help to determine what is going to be achieved with each section of the performance (Randall and Harms, 2012). Randall and Harms (2012) list ten common acts. Similarly, in De Beaugrande and Dressler's theory of narrative communication, the requirements of the writer are recognized through the standard of intentionality. Situationality means that the narrative must be relevant to the particular context in which it occurs (Sydserff and Weetman, 1999). According to the concepts of acts, intentionality, and situationality, the authors unified them in the following hypothesis:

H3: There are relevant building blocks of information – called acts – in management communications at AGMs.

Effective narratives have a logical sequence of appropriate acts in a purposeful way. A series of well-chosen acts, with thought to the flow and pacing of each step, can create a compelling and clear narrative structure (Randall and Harms, 2012). This leads to the following hypothesis:

H4: There is a logical flow of acts in management communications at AGMs.

Powerful stories can achieve significant purposes. Effective narratives convincingly advance those purposes. The purpose of a story represents the

reason for telling the narrative to this particular audience, at this particular point in time, and on this particular subject. The purpose changes based on the audience information needs (Randall and Harms, 2012). According to De Beaugrande and Dressler's theory of narrative communication, acceptability and informativity consider the reader's information needs (Sydserff and Weetman, 1999). Therefore, purposeful narratives increase the likelihood to make changes in audience behaviour. The authors formulate a directional hypothesis:

H5: Management board communications at AGMs have a purpose.

In Fisher's narrative paradigm, when the narrator has not left out important details, tampered with the facts, or ignored other plausible interpretations, stories are coherent (Griffin et al., 2011). Randall and Harms (2012) note that if a narrator explains the narrative in an unclear way and undermines the points consciously or subconsciously, the audience loses trust. In these cases, such cognitive dissonance simply causes confusion and the listener believes the narrator is not telling the truth (Randall and Harms, 2012). Narrators link present narratives to past and anticipated future ones to establish or maintain a consistent and desired self-presentation (Merrill, 2007). Riessman (2002) explains that narrators use particular linguistic devices to communicate the meaning in their narrative constructions to their listeners. The narrative is constructed given the context and current perspective of the narrator, and for this reason changes in every account (Adorisio, 2015). As Jones and McBeth (2010) argue, the importance of narrator effects is well documented as an important component of narrative persuasion. Hypothesis 6 is formulated as follows:

H6: Management board's personal characteristics at AGMs have a direct effect on their communications being persuasive.

Potter states, "narrative is embodied through the text, the narrator, and the audience" (as cited in Holley and Colyar, 2009). According to Aristotle (as cited in Griffin, 2011), "it is not enough for a speech to contain a plausible argument; the speaker must seem credible as well; many audience impressions are formed before the speaker even begins" (p. 292). The audience feels assured only when the narrators give a consistent performance. The audience's perception of the narrator's character is a variable that promotes narrator credibility (Griffin, 2011). Considering the above discussion and hypotheses 5 and 6, hypothesis 7 suggests the mediating effect of narrative between narrator and audience as follows:

H7: The effect of the management board at AGMs on shareholders is mediated by management communications, such that the management board has an effect on the message, which in turn has an effect on shareholders.

3. RESEARCH DESIGN

3.1. Narrative conceptual model

According to the theoretical considerations presented in Section 2, this study tests shareholders' perceptions of management communications at AGMs. The proposed hypotheses are summarized in the proposed conceptual model. As Rodgers and Guiral (2011) contend, a theoretical design should be the compelling aspect in modelling relationships among constructs. In this study, the authors use structural equation modeling (SEM) to explain to shareholders on whom the aspects of management communications and tellers of such management messages had effects.

The SEM method allows researchers to simultaneously model, estimate, and test complex theories with the use of empirical data. The structural model represents the underlying theory or concept with its constructs (i.e. variables that are not directly measured), which are represented in structural equation models as circles or ovals, and hypothesized cause-effect relationships. When latent variables serve only as independent variables (i.e. single-headed arrows move only out of them), they are called exogenous latent variables. Moreover, when latent variables serve only as dependent variables (i.e. single-headed arrows move only into them), or as both independent and dependent variables (i.e. single-headed arrows move both into and out of them), they are called endogenous latent variables (Sarstedt et al., 2014).

Much of the increased usage of PLS-SEM can be credited to the method's ability to handle problematic modelling issues that routinely occur in the social sciences and highly complex models. The most prominent justifications for using PLS-SEM are non-normal data, a small sample size, and formative measures. When applying PLS-SEM, researchers need to follow a multi-stage process. The inner or structural model displays the relationships between the constructs being evaluated. The outer models, also known as the measurement models, are used to evaluate the relationships between the indicator variables and their corresponding construct (Hair et al., 2014b). Evaluating PLS-SEM results involves completing two stages. The first stage examines the measurement models, with the analysis varying depending on whether the model includes reflective measures, formative measures, or both. If the measurement model's evaluation provides satisfactory results, the researcher moves to the second stage, which involves evaluating the structural model (Hair et al., 2014a).

In the case of reflectively measured constructs, the researcher begins by examining the indicator loadings. The next step involves the assessment of the constructs' internal consistency reliability. Then, the convergent validity of

the reflectively measured constructs is examined by the average variance extracted (AVE) for all items associated with each construct. The next step is to assess the discriminant validity of the constructs (Sarstedt et al., 2014). Formatively measured constructs are evaluated differently from reflectively measured constructs. The evaluation of formatively measured constructs involves the examination of (1) convergent validity, (2) collinearity, and (3) statistical significance and the relevance of the indicator weights (Hair et al., 2014a). The second stage of the PLS-SEM evaluation process involves the assessment of the structural model. First, a standard goodness-of-fit statistic is assessed. The next steps involve calculating the path coefficients, coefficient of determination (R^2), cross-validated redundancy (Q^2), and effect size (f^2). Prior to this assessment, the researcher must test the structural model for potential collinearity between the predictor constructs. In addition, the direct, indirect, and total effects of structural model relationships should be calculated. The consideration of total effects enables the examination of an exogenous construct's influence on a target construct via all the mediating constructs and thus provides a richer picture of the relationship in the structural model (Sarstedt et al., 2014). The authors used SmartPLS software version3.00.
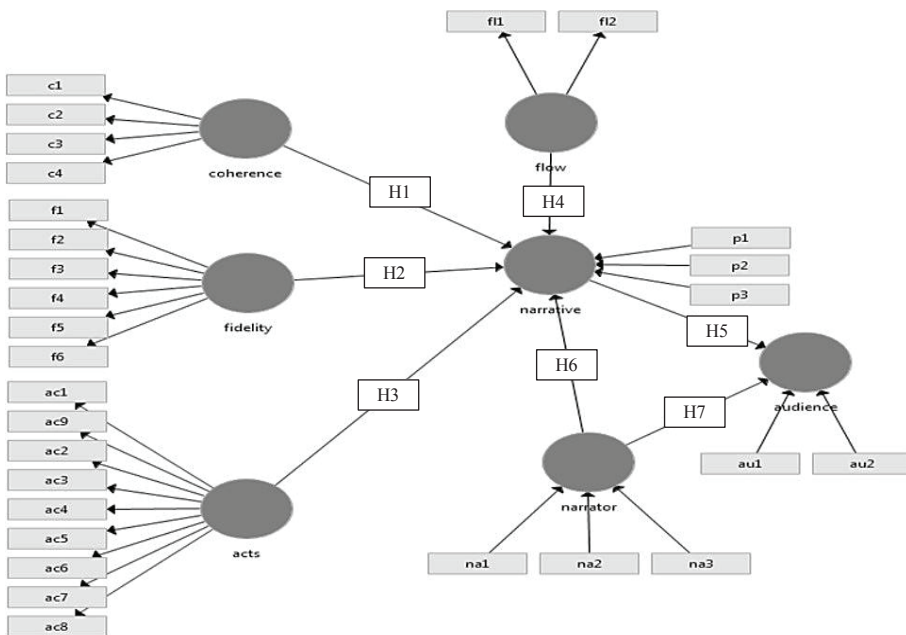

Fig. 1. Proposed conceptual narrative model

Source: authors' own study based on Fisher (1985), De Beaugrande and Dressler (1981), Randall and Harms (2012).

Figure 1 illustrates the proposed conceptual narrative model. All predicted relationships in this model are positive. These relationships express research hypotheses. In this model, c, f, ac, p, fl, na, and au stand for coherence, fidelity, acts, narrative purpose, flow, narrator, and audience, respectively. Coherence, fidelity, acts, flow, and narrator are independent variables for narrative as the dependent variable. Coherence, fidelity, acts, and flow include reflective indicators. Narrative and narrator are independent variables for the audience, which is the final dependent variable. Narrative, narrator and audience include formative indicators. Coherence constitutes four indicators, namely understandability, structured, resemblance, and making sense. The fidelity indicators are reliability, persuasion, factual, distortion, reasoning, and importance. Acts constitute nine indicators: approach, attitude, previewing, context, credibility, evidence, need, pay-off, and simplicity. Flow has two indicators, namely clear and logical sequence. Purpose of narrative has three indicators, namely information need, convincing, and shareholder interests. Narrator has three indicators, namely character, providing a look to the future, and personability. Audience has two indicators, namely status and experience.

3.2. Data collection

To test these hypotheses, the authors surveyed shareholders and their perception was measured through a questionnaire. As Hartmann and Slapničar (2009) argue, the choice of a survey study is based on two considerations. First, there are no publicly available archival data on the constructs that are relevant to our study. Second, studies on narrative communication and audience are usually perceived as concerning private information, which requires that the data collection be anonymous. This is easily achieved by the survey method. Data was collected using a personally administered questionnaire that was designed in accordance with the proposed narrative model. The survey containing three sections – narrative, audience, and narrator – with 32 closed-end questions and 5-point Likert scales, together with an explanatory letter, was developed, in which each question measures an indicator in the proposed narrative model. The final survey was ready after undertaking a pilot test with a small group of accounting professors and professional shareholders who individually read and commented on the readability and clarity of each question to establish content validity.

The unit of analysis refers to the level of aggregation of the data collected during the subsequent data analysis stage (Sekaran, 2003). The unit of analysis for this study is the shareholder, who must have the following four criteria: 1) usually attends AGMs, 2) is a shareholder of corporations, 3) is familiar

with financial statements and analyses, and 4) can sell or buy his/her own shares. From each industry, one corporation is randomly selected whose AGM is held in Tehran. The final 18 companies represent a sample from approximately 294 listed companies in March 2015. Appendix A contains descriptive data regarding company name, logo, industry, and the date of AGM. Iranian trade law declares that all AGMs must be held two to four months after the end of the corporation's fiscal year, i.e. at least 10 days before the meeting, the audited accounts are available for consideration. The presence of more than half of the voting shareholders formalizes the meeting. The fourth chapter of Iranian Code of Corporate Governance deals with the AGM articles. In Iran, for most companies fiscal year ends in the middle of March, and corporation's AGM date is between middle of May and middle of July. All AGMs are hosted in a physical location. On the date of the corporations' AGMs, the authors were present at the designated place and addressed qualified shareholders who were interested in filling in the questionnaire and asked for them to complete it. The authors personally distributed the survey to qualified shareholders immediately before the AGMs, and collected them after the meeting.

In this study, the total population of qualified shareholders is unknown. As Hair et al. (2014a) state, there is difficulty of obtaining large sample sizes in surveys, often due to the lack of willingness to take the time to complete questionnaires. This led to the necessity of determining the minimum sample size required to estimate the model and thus the authors applied the 10 times rule. Hair et al. (2014a) find that "this rule of thumb is equivalent to saying that the minimum sample size should be 10 times the maximum number of arrowheads pointing at a latent variable anywhere in the PLS path model". When building on the 10 times rule of thumb, one needs 50 observations. Hair et al. (2014a) explain that following Cohen's (1992) recommendations for running a power analysis using the G*Power program, one would need 147 observations to detect R^2 values of around 0.1, assuming a significance level of 5% and a statistical power of 80%. Therefore, this determined sample size can be considered sufficiently large. Non-response bias is a common concern in questionnaire surveys. To avoid this problem, the authors personally collected the questionnaire and checked the responses. However, from the 165 collected responses, 151 could be analysed. An abbreviated version of the survey is found in Appendix B. Cronbach's alpha coefficient of 0.7 or more is an acceptable reliability coefficient (Hair et al., 2011). The test of Cronbach's alpha is considered as a classic criterion to check the questionnaire's reliability. In this study, the reliability analyses yielded values of 0.821 and 0.825 for Cronbach's alpha and Cronbach's alpha based on standardized items, respectively.

4. RESULTS

The demographic information consists in questions, such as education, age, and gender. Most of the respondents were male, had Bachelor's degree and were aged 25–35. Table 1 contains the descriptive information of the sample of respondents.

Table 1

Descriptive information

	Education				Age					Sex	
	Diploma	Bachelor	Master	PhD	Under 25	25–35	35–45	45–55	Over 55	Female	Male
Frequency	32	75	42	2	14	72	26	26	13	38	113
Percent	21.2	49.7	27.8	1.3	9.3	47.7	17.2	17.2	8.6	25.2	74.8

Source: authors' own research.

4.1. Measurement model

In the course of the indicator reliability assessment, four indicators were removed from the initial model because they exhibited loadings clearly below the required level and thus had adverse effects on the construct measure's convergent validity and internal consistency reliability. These indicators are: c1 – understandability, f2 – persuasion, ac6 – evidence, and ac9 – simplicity. Table 2 provides an overview of the loadings and their significance.

Table 2

Loadings and their significance

	Original sample (O)	P values		Original sample (O)	P values
ac1 ← Acts	0.448	0.024	c4 ← Coherence	0.520	0.012
ac2 ← Acts	0.484	0.000	f1 ← Fidelity	0.513	0.004
ac3 ← Acts	0.470	0.000	f3 ← Fidelity	0.463	0.011
ac4 ← Acts	0.725	0.000	f4 ← Fidelity	0.636	0.000
ac5 ← Acts	0.699	0.000	f5 ← Fidelity	0.768	0.000
ac7 ← Acts	0.559	0.000	f6 ← Fidelity	0.461	0.011
ac8 ← Acts	0.535	0.001	fl1 ← Flow	0.547	0.001
c2 ← Coherence	0.833	0.000	fl2 ← Flow	0.934	0.000
c3 ← Coherence	0.642	0.001			

Source: authors' own research.

Table 3

Composite reliability results, AVE values, and the Fornell–Larcker test results

| Construct | Composite reliability results | | | AVE values for convergent validity | | | The Fornell–Larcker test of discriminant validity | | | |
	Original sample (O)	T statistic (|O/STDEV|)	P values	Original sample (O)	T statistic (|O/STDEV|)	P values	Acts	Coherence	Fidelity	Flow
Acts	0.764	9.577	0.000	0.324	7.997	0.000	0.569			
Coherence	0.710	9.815	0.000	0.459	9.830	0.000	0.282	0.677		
Fidelity	0.709	10.285	0.000	0.337	10.394	0.000	0.382	0.381	0.581	
Flow	0.726	14.680	0.000	0.586	15.414	0.000	0.429	0.307	0.385	0.765

Source: authors' own research.

The internal consistency reliability is assessed using composite reliability. Composite reliability for reflectively measured constructs ranged from 0.709 to 0.764, exceeding the minimum requirement of 0.70. The AVE values and significance for the reflective constructs indicate that all constructs are significant. Furthermore, the Fornell–Larcker criterion demonstrated that all AVE values for the reflective constructs were higher than the squared interconstruct correlations, indicating discriminant validity. Table 3 shows the composite reliability results, AVE values for convergent validity, and the Fornell–Larcker test of discriminant validity.

The alternative approach for discriminant validity is based on the multitrait-multimethod matrix, and the heterotrait-monotrait ratio of correlations (HTMT). If the HTMT value is below 0.90, discriminant validity was established between two reflective constructs (Henseler et al., 2015). Table 4 provides an overview of the HTMT criterion.

Table 4

HTMT criterion

	Original sample (O)	T statistic (|O/STDEV|)	P values
Coherence → Acts	0.540	3.441	0.001
Fidelity → Acts	0.711	6.753	0.000
Fidelity → Coherence	0.958	4.294	0.000
Flow → Acts	0.748	4.502	0.000
Flow → Coherence	0.681	2.283	0.023
Flow → Fidelity	0.766	3.351	0.001

Source: authors' own research.

The standardized root mean square residual (SRMR) enables an assessment of the average magnitude of the discrepancies between the observed and expected correlations as an absolute measure of (model) fit criterion. A value of less than 0.10 is considered a good fit (Henseler et al., 2014). The SRMR value of 0.112 for this model is significant and indicates that the measurement model is considered a relatively good fit.

In assessing formatively measured constructs, if an indicator's weight is statistically significant, the indicator is retained. If the weight is non-significant but is 0.50 or higher, the indicator is still retained, provided that theory and expert judgment support its inclusion. If the weight is non- significant and the weight is low (i.e. below 0.50), the indicator should be deleted from the measurement model (Sarstedt et al., 2014). However, researchers should be cautious about deleting formative indicators based on statistical outcomes for at least two reasons. First, the weight is a function of the number of indicators used to measure a construct – formative measurement has an inherent limit to the number of indicators that are able to retain a statistically significant weight. Second, eliminating formative indicators from the model generally should be the exception, as formative measurement theory requires that the measures fully capture the entire domain of a construct. Therefore, deleting an indicator may have adverse consequences for the content validity of the measurement model (Hair et al., 2014a). Table 5 shows the indicators' weights and their significance. Based on the data in Table 5, na2 and p2 weights are below 0.5, but both are significant at 0.1. In accordance with Hair et al. (2014a), the authors retained all the indicators in the measurement model.

Table 5

Formatively measured weights and their significance

	Original sample (O)	T statistic (|O/STDEV|)	P values
au1 → Audience	0.560	3.712	0.000
au2 → Audience	0.607	3.962	0.000
na1 → Narrator	0.682	5.264	0.000
na2 → Narrator	0.334	1.791	0.074
na3 → Narrator	0.573	4.025	0.000
p1 → Narrative	0.555	4.562	0.000
p2 → Narrative	0.235	1.895	0.059
p3 → Narrative	0.637	4.628	0.000

Source: authors' own research.

To assess the level of collinearity among the formative indicators, the researcher should compute each item's variance inflation factor (VIF) (Sarstedt et al., 2014). Collinearity assessment by means of the VIF yielded values of 1.011–1.280, which are well below the threshold value of 5. There was no collinearity problem among the formative indicators.

The aim of the convergent validity assessment is to have a measure that summarizes the essence of the construct that the formative indicators purport to measure (Sarstedt et al., 2013). Convergent validity of formatively measured constructs is determined based on the extent to which the formatively measured construct correlates with a reflectively measured (or single- item) construct that has the same meaning as the formatively measured construct (Sarstedt et al., 2014). To assess convergent validity, a redundancy analysis is calculated separately for each latent variable. This involves the use of an existing formative latent variable as an exogenous latent variable to predict an endogenous latent variable operationalized through one or more reflectively measured indicators. The reflective indicator can be a global item in the questionnaire (Wong, 2013). Hair et al. (2014a) suggest a correlation (path coefficient) of 0.80 or higher to establish convergent validity. This study used three single items as an overall measurement for the purpose of narrative, narrator, and audience. The analysis yielded path coefficients of 0.812, 0.814, and 0.850 for the purpose of narrative, narrator, and audience, respectively.

4.2. Structural model

Once the reliability and validity of the outer models is established, several steps need to be taken to evaluate the hypothesized relationships within the inner model. Prior to this assessment, the researcher needs to test the inner model for potential collinearity issues (Hair et al., 2014b). VIF values of this analysis ranged between 1.218 and 1.800, providing confidence that the structural model results are not negatively affected by collinearity.

Henseler et al. (2014) define the SRMR as the difference between the observed and predicted correlation, which is an absolute measure of model fit criterion for PLS. A value of less than 0.10 is considered a good fit (Henseler et al., 2014). The composite SRMR model yielded a value of 0.090 ($p<0.05$), which is acceptable. The results indicate that the proposed narrative model is a good fit to the data.

Table 6 shows the significance and relevance of the structural model relationships. The path coefficients illustrate the strength and direction of the relationships among the latent variables. Hypothesis H1 predicts that the structural path coefficient from coherence to narrative is positive and significant.

This hypothesis is not supported: the structural path coefficient is positive but not significant. Hypothesis H2 predicts that the structural path coefficient from fidelity to narrative is positive and significant. This hypothesis is not supported: the structural path coefficient is positive but not significant. Path coefficients from acts and flow to narrative support hypotheses H3 and H4, as acts and flow have positive and statistically significant direct impacts on narrative (p<0.01 and p<0.01, respectively).

Table 6

Path coefficients of structural model

Hypothesis		Original sample (O)	T statistic (|O/STDEV|)	P values
H3	Acts → Narrative	0.237	2.627	0.009
H1	Coherence → Narrative	0.043	0.493	0.622
H2	Fidelity → Narrative	0.026	0.274	0.784
H4	Flow → Narrative	0.206	2.660	0.008
H5	Narrative → Audience	0.573	7.316	0.000
H7	Narrator → Audience	0.133	1.463	0.144
H6	Narrator → Narrative	0.227	2.492	0.013

Source: authors' own research.

The result of the analysis of the path coefficient from narrative to audience shows support for hypothesis H5, as narrative has a positive and statistically significant direct impact on audience (0.573, p<0.001). Hypothesis H6 predicts a positive structural path coefficient from narrator characteristics to narrative (from the viewpoint of audience); the results show that H6 is supported (p<0.05).

Hypothesis H7 predicts that the narrator affects the audience through narrative. The direct path from narrator to audience is positive but significant at 0.15. As Sarstedt et al. (2014) suggest, total effect is the sum of direct and indirect effects and is calculated by the following equation:

total effect = direct effect + indirect effect = 0.133 + 0.227.0.573 = 0.263

The total and indirect effects of narrator on audience are 0.263 and 0.130, respectively. Since the direct effect of narrator on audience is 0.133, as is clear from Figure 2, and the total effect is much stronger than the direct effect, the important role of narrative is underlined. In addition, these results suggest that narrative mediates the relationship between narrator and audience and
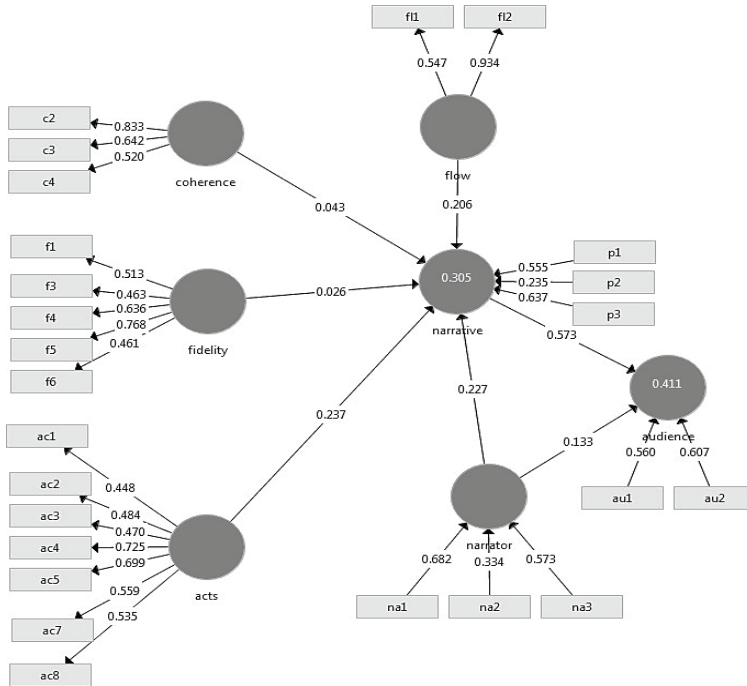
Fig. 2. Path model and PLS-SEM estimates

Source: authors' own research.

therefore supports hypothesis H7. To provide further evidence on this mediation hypothesis, it is worthwhile to test explicitly for this potential mediating effect using the method by Hair et al., (2014a). First, the narrative variable is excluded from the path model and the model is run again. The direct effect between narrator and audience is 0.412 and is significant at 0.001. Then, the variance accounted for (VAF) is computed using the following formula:

$$VAF = \frac{indirect\ effect}{total\ effect}.$$

The result yielded a VAF value of 0.4943, which, according to Hair et al. (2014a), suggests that narrative partially mediates the relationship between narrator and audience.

PLS analyses provide information on the relative importance of constructs in explaining other constructs in the structural model, which is relevant for

drawing conclusions (Hair et al., 2014a). The results regarding construct importance show that the most important construct from the audience's viewpoint is the narrative, followed by the narrator and acts. Analysis of the indicators' importance shows that p3, p1, na1, na3, fl2, p2, and na2 are more important than the others. Table 7 shows the results.

Table 7

Construct importance and indicators' importance

Construct importance		Indicator's importance								
	Audience		Audience		Audience		Audience			Audience
Acts	0.263	ac1	0.025	ac8	0.040	f4	0.007	na2	0.100	
Coherence	0.035	ac2	0.042	c2	0.018	f5	0.007	na3	0.128	
Fidelity	0.024	ac3	0.025	c3	0.009	f6	0.003	p1	0.350	
Flow	0.166	ac4	0.059	c5	0.008	fl1	0.048	p2	0.115	
Narrative	0.821	ac5	0.040	f1	0.004	fl2	0.118	p3	0.355	
Narrator	0.404	ac7	0.033	f3	0.004	na1	0.176			

Source: authors' own research.

R^2 is a measure of the model's predictive accuracy and can be viewed as representing the exogenous variable's combined effect on the endogenous variable(s). However, the decision for a model should be based on the adjusted R^2, which penalizes increasing model complexity by reducing the (adjusted) R^2 when additional constructs are added to the model (Hair et al., 2014b). The examination of the endogenous constructs' predictive power, as shown in Figure 2, shows that audience, the primary outcome measure of the model, has a substantial R^2 value of 0.411. The purpose of narrative is lower with an R^2 value of 0.305. The model presented in this study is the first narrative model and there is no alternative model for comparison. The adjusted R^2 for audience and narrative is 0.403 and 0.281, respectively.

Q^2 is a means for assessing the inner model's predictive relevance. Specifically, a Q^2 value larger than 0 for a particular endogenous construct indicates the path model's predictive relevance for this particular construct (Hair et al., 2014b). Hair et al. (2014a) recommend that the best approach is to use a cross-validated redundancy index or the Stone-Geisser Q^2 test (Sarstedt et al., 2014). The Q^2 for all latent variables is above 0 (audience: 0.264, narrative: 0.105), which suggests that the model has predictive relevance.

f^2 is computed by noting the change in R^2 when a specific construct is eliminated from the model. If an exogenous construct strongly contributes to

Table 8

f^2 results

	Original sample (O)	T statistic (|O/STDEV|)	P values
Acts → Narrative	0.059	0.936	0.350
Coherence → Narrative	0.002	0.121	0.903
Fidelity → Narrative	0.001	0.033	0.974
Flow → Narrative	0.045	1.122	0.262
Narrative → Audience	0.457	2.310	0.021
Narrator → Audience	0.025	0.548	0.584
Narrator → Narrative	0.041	1.101	0.271

Source: authors' own research.

explaining an endogenous construct, this leads to a high f^2 value (Hair et al., 2014b). Table 8 shows f^2 and its significance results. The f^2 of narrative to audience is 0.457 and significant, which describes the high-effect size of narrative on audience in the narrative model. Other f^2 results are not significant.

CONCLUSION

The main goal of this research was to assess Iranian shareholders' perception of an organization's public and periodic rituals – in this case AGMs – from the narrative communication perspective. This research was accomplished by conducting shareholders survey at AGMs. Based on the obtained results, there was no empirical support for the coherence and fidelity in management communications at AGMs. These results indicate that shareholders do not consider the communications by management boards at AGMs as a narrative. An interpretation of this finding is that different parts of these narrations are not linked together and do not sound reasonable. One probable explanation is that debating different issues at AGMs did not produce an integrated mental representation for shareholders.

The findings provide support for hypotheses H3 and H4, which indicates that shareholders achieve relevant information with a logical flow in AGMs. An interpretation of this is that although shareholders do not regard these communications as narrative, AGMs are informative and have a logical sequence. Since shareholders who take part in AGMs believe in their informativeness, the authors cannot generalize this finding to others who do

not take part in AGMs. This finding is comparable with research which assessed the effect of the release of value-relevant information during the AGM on the securities market. Although articles addressing the information content of AGMs show contradictory results due to the country's legal system, different data collection methods, and different market variables, the results provide support for the informational role of the AGMs in Iran.

The result of testing hypothesis H5 provides support for the effect of management board communications on shareholders. It indicates that from shareholders' viewpoint, these explanations meet information needs and demonstrate interesting points, but it is not as convincing as it should be. An interpretation of this finding is that shareholders attending an AGM believe in transmitting information during the meeting. This information makes changes in their cognition. Whereas previous researchers assessed the impact of releasing value-relevant information during the AGM on capital market variables, this study addressed the impact of speeches at AGMs on shareholders' perception. These findings provide support for the communicative effects of AGMs.

The result of testing hypothesis H6 provides support for the effect of managers' characteristics on the persuasiveness of their statements. Shareholders replied that at AGMs, when the manager or management board are credible and their way of talking, gestures, and posture are personable, their statement are effective and persuasive. They also agreed that an effective message provides a view at the way forward and a vision for a successful future.

The research model proposes that narrative mediates the relationship between narrator and audience (H7). The result supports the important role of narrative. Based on mediation analysis through the method of Hair et al. (2014a), narrative was found to mediate partially the link between narrator and audience.

The authors carried out this research in Iran, and the results are based on and interpreted in this context. The authors acknowledge that shareholders' responses are influenced by Iranian culture and ethics. This might be a reason of not supporting hypotheses H1 and H2.

This study has the following limitations. First, it uses survey measures. The authors collected data from different shareholders during corporations' AGMs, and thus had to attempt to overcome the typical limitations of survey research. This study is the first of its kind to consider management communications in corporations' AGMs from a narrative perspective, and therefore is prone to weakness regarding the validity and reliability of items and tests. The authors acknowledge that they relied solely on the underlying

theory to establish cause-and-effect relations but expect subsequent research in this field to improve the narrative model and revise its defects.

Future studies may examine the narrative model in detail and add other indicators to strengthen it. In particular, undertaking surveys in other countries and other times could be useful for comparing the results. The authors recommend using other methods for minimum sample size estimation. Two related methods are the inverse square root method and the gamma-exponential method (Kock and Hadaya, 2018). There is a need to expand accounting theory by interdisciplinary research because of growing attention to qualitative and non-financial information for improving the quality of financial reporting and disclosure, and because accounting targets people as users of accounting information.

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APPENDIX A

Overview of 18 companies			
Company	Symbol	Industry	AGM Date
Chador maloo	Kachad	Mining & Quarrying of Metallic Minerals	27 June 2015
Bama	Kama	Mining & Quarrying of Nonmetallic Minerals	9 June 2015
Iran Merinoos	Namrino	Textiles	20 July 2015
Fibre Iran	chafibre	Forest Products	13 July 2015
Carton Iran	Chakarn	Paper Products	29 may 2015
NaftSepahan	Shaspa	Oil & Gas Production	13 July 2015
Iran Yasa Tire	Pasa	Plastic Products	13 June 2015
Luleh-Machine Sazi Iran	Faluleh	Metals	14 July 2015
JaamDaroo	Fajaam	Metal Fabrications	20 July 2015
Absal	Labsa	Industrial Machinery/Components	9 July 2015
Pars Switch	Baswitch	Electrical Products	11 July 2015
Pars Khodro	Khepars	Motor Vehicles	4 July 2015
Kalber	Qalber	Beverages (Production/Distribution)	20 July 2015
Alborz Daroo	Dalber	Major Pharmaceuticals	5 May 2015
PetrochimiFarabi Kashi Pars	Shafara Kapars	Major Chemicals Home Furnishings	4 July2015 6 July2015
Siman Tehran	Setran	Building Products	11 July
Khak-Chini Iran	Kakhak	Other Nonmetallic Products	19 May 2015

Source: authors' own elaboration.

APPENDIX B

Abbreviated survey questions

Level of agreement with the statements (1 = I completely disagree, 2 = I disagree, 3 = neutral, 4 = I agree, and 5 = I completely agree).

<u>Coherence</u>

Management board communications at the AGM:

1) are understandable	2) are structured	3) have true resemblance	4) make sense

<u>Fidelity</u>

Management board communications at the AGM:

1) are reliable	2) are persuasive	3) are factual and real
4) are not distorted	5) are reasonable	6) are very important

<u>Acts</u>

Management board communications at the AGM:

1) use a fixed method	2) have an obvious attitude	3) are attractive to listen to
4) express relevant information for common understanding	5) give reason to trust the story	6) support the story by offering data and analysis
7) explain why to pay attention to the manager's narration	8) highlight the reward due to change in the current situation	9) are expressed simply

<u>Flow</u>

Management board communications at the AGM:

1) are clear and compelling	2) have logical sequence

<u>Purposeful Narrative</u>

Management board communications at the AGM:

1) meet audience information Needs	2) are convincing	3) express the interesting points for the audience

Overall question: do shareholders believe that management board communications at the AGM are effective and purposeful?

<u>Narrator Characteristics</u>

Management board communications are effective from the shareholders' viewpoint, if the manager or management board meet the following criteria:

1) their character is credible	2) they provide a look at the way forward and a vision for a successful future	3) their way of talking, gestures, and posture are personable

Overall question: do manager's or management board's personal characteristics at AGMs influence the effectiveness of their narrative?

<u>Audience needs</u>

Management board communications at the AGM from the shareholders' viewpoint are effective if they:

1) consider audience status	2) consider audience experience

Overall question: are the management board communications at the AGM effective from the shareholders' viewpoint when they consider shareholders' overall condition?

Source: authors' own study.