The Pragmatics of Financial Communication. Part 2: From Public Sphere To Investors

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Abstract

Research in financial communication has long been dominated by scholars in accounting and finance, who largely focused on the extratextual aspects of financial disclosures, such as the choice (not) to reveal information or the impact of new regulatory standards. In contrast, the past decade and a half has witnessed a significant shift of attention toward the linguistic and textual elements of financial communication. Finance scholars have started to develop text analysis approaches to investigate, in particular, market sentiment and its impact on stock prices. At the same time, accounting scholars have engaged in the so-called narrative turn by investigating the rhetorical aspects of voluntary disclosure.

Recent developments in the field, however, dig deeper and are beginning to shed light on the crucial functions of language use in financial communication. There is a growing interest throughout the disciplines to analyze the interplay of micro and macro structure in financial communication, which has been clearly reflected in academic initiatives and rapidly evolving subject areas in recent years. Bringing together these initiatives on a higher level, the AILA research network in financial communication set up in early 2018 enables scholars from all over the world to strengthen and elaborate on their research and its dissemination.

The two parts of the special issue “The Pragmatics of Financial Communication” aim to reflect these recent developments and to foster current and future initiatives in the field.

Keywords

financial communication, pragmatics

Research in financial communication has long been dominated by scholars in accounting and finance, who largely focused on the extratextual aspects of financial disclosures, such as the choice (not) to reveal information or the impact of new regulatory standards.

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The two parts of the special issue “The Pragmatics of Financial Communication,” beginning with the present Part 1, aim to reflect these recent developments and to foster current and future initiatives in the field.

Financial Communication as Conditio Sine Qua Non

Financial communication constitutes one of the most complex and crucial functions for business organizations: Whatever their size, scope, or industrial sector, companies constantly need funds to realize their operational and strategic activities. This creates a rhetorical exigence (Bitzer, 1968) for corporate leaders, such as CEOs, CFOs, and chairmen, who must communicate persuasively with investors to share a compelling case for why committing financial resources in their business is worthwhile (Palmieri & Palmieri, 2012). Therefore, excellence in financial communication requires an integrated approach where building and maintaining trust with financial market actors, such as investors and financial analysts (Whitehouse, 2017), is as important as sustaining positive relationships with employees and customers.

A Field Where Much Is Yet To Be Discovered

The growing attention by economics-based scholars on how financial information is strategically communicated has also met the interest in financial discourse by scholars in the humanities. Drawing on and applying theories, models, and methodologies developed in linguistics—argumentation theory, rhetoric, text production research, and related approaches—these scholars have examined the semantic, pragmatic, and rhetorical aspects of financial communication texts and text production by exploring various discourse genres and discursive processes characterizing this domain, such as corporate announcements, annual and quarterly reports, earnings conference calls, financial analysts’ recommendations, takeover documents, IPO prospectuses, central banks’ statements, or rating decisions (Gautier, 2012; Rocci, Palmieri, & Gautier, 2015, Whitehouse & Perrin, 2015). Moreover, text production research has provided researchers in linguistic pragmatics and field research with advanced instruments to investigate individual and organizational text production in context (Jakobs & Perrin, 2014; Perrin, 2013).

Spreading the Word

As a sign of the growing interest in an interdisciplinary approach to the study of financial communication, several academic initiatives have emerged in the last few years.

2014. The first *DAFC* (*Discourse Approaches to Financial Communication*) international conference was held with the explicit goal of bringing together scholars from different disciplines who are interested in studying financial communication with a discourse and text analytic perspective (Rocci et al., 2015). Two DAFC conferences have taken place so far, one in 2014 (Ascona, Switzerland) and the other in 2017 (Lugano, Switzerland).

2015. The editors of this special issue have organized a *panel on The Pragmatics of Financial Communication* at the International Pragmatics Association Conference in Antwerp (Belgium). The panel focused on the linguistic-rhetorical text production strategies implemented by financial communication actors (Palmieri, Perrin, & Whitehouse, 2015). The lively interest and engaged participation in the panel inspired the creation of this double special issue, in which financial communication is examined from a pragmatic perspective, i.e. a perspective that basically conceived of communication as a social action that occurs—and can only be understood—in context (Rigotti & Rocci, 2006). On the one hand, a pragmatic perspective examines how financial actors use communication to change the social reality where they intervene (for example, by modifying mutual commitments), build or repair trust, and, more generally, influence evaluations and decisions in the financial markets. On the other hand, as context always both influences and is influenced—constrained and enabled—by communication, a pragmatic perspective is also deeply interested in examining how environmental factors such as regulations, organisational structures, technology, and culture interact with communication strategies—both their design and production as well as their outcome and effectiveness—and the creation and exchange of meaning among market actors.

2017. Two well-received international panels were organized: *The Language of Numbers* at the 18th World Congress of Applied Linguistics AILA in Rio, Brazil (Whitehouse, Perrin, & Palmieri, 2017), and *Financial Literacy—A Key to the Real World* at the 15th International Pragmatic Conference in Belfast, Ireland (Whitehouse, Kovarova, & Wanzenried, 2017). They reflect the growing momentum in financial communication research and the emergence of new subject areas. In order to bundle and strengthen the research power and to facilitate the exchange and cooperation of scholars in financial communication, a corresponding network was set up.

A group of researchers handed in a proposal for a research network (ReN) with the International Association of Applied Linguistics AILA (Whitehouse, Palmieri, & Laskin, 2017). The research network is meant to enable scholars from all over the world to promote their research and its dissemination in all academic areas of AILA.

The Emergence of a Research Network and Field in Financial Communication

2018. The approved and established research network links applied linguists who address crucial aspects of text production (written, oral, and online) in the domain of finance in general and financial communication and literacy in particular. The aim of the emerging field of research is to investigate the complex and dynamic interplay of language use in organizations, domains such as economics and politics, and society-at-large. Appropriate inter- and transdisciplinary theories, methodologies, and solutions to practical problems will be developed. It is suggested that the analysis of financial communication (in particular, knowledge about financial literacy) can significantly improve our understanding of language dynamics in an increasingly professionalized and globalized world.

The analyses and findings of a steadily growing and engaged international community of scholars analyzing financial communication across various disciplines help gain deeper insights. These insights provide both scholars and practitioners with more elaborated concepts and theories related to, for example, the communication flow from the sources of information to the public sphere and finally to the investors. Part 1 of the special issue contains five contributions that analyze the preconditions and modes of corporate financial communication, from sources to the public sphere.

Part 2: From Public Sphere To Investors

Financial communication occurs in a communication context—the financial market—which is populated by several institutions and actors beyond enterprises and investors, such as financial analysts, regulators, rating agencies, and media (Healy & Palepu, 2001; Palmieri, 2017). Hence, in examining financial communication from a pragmatic perspective, it becomes important to consider not only corporate financial communication but also the processes by which information and opinions circulate across financial markets and the intertextuality produced by the constant interaction among all financial communication actors (Whitehouse & Perrin, 2015).

The structure of the present special issue takes this into account: “Part 1: From Sources to the Public Sphere” consisted of articles examining the preconditions and modes of corporate financial communication. The current “Part 2: From Public Sphere to Investors” focuses on how information is processed, discussed, and reexamined by various actors before reaching the ultimate decision-making investors—an area that has witnessed a significant shift of attention toward the linguistic and textual elements of financial communication.

*“Persuasion in earnings calls: A diachronic pragmalinguistic analysis,” by Belinda Crawford Camiciottoli*

The first contribution investigates persuasive language use in earnings calls. The analysis is based on earnings calls in 2009, when financial markets were still suffering from the global financial crisis, and in 2013 when markets had largely recovered. The findings offer insights into how earnings call participants use persuasive language strategically to achieve their distinct professional objectives as responsible providers of information (executives) vs. discerning seekers of information (analysts).

*“Formulations in delicate actions: a study of analyst questions in earnings conference calls,” by Maria do Carmo Leite de Oliveira and Silvia Maura Rodrigues Pereira*

The second contribution focuses on financial analysts’ discourse in earnings conference calls by investigating specifically how analysts handle delicate actions, such as formulating questions about a company's negative performance. Findings show that variations regarding the degree of generality and specificity of each version of a question play a crucial role in achieving the analysts’ interactive goal, namely gaining information without compromising the relationship with the company.

*“Evaluation Mitigators in Analyst Reports,” by Karol Marek Klimczak and Marta Dynel*

The third contribution examines the role of two groups of communication strategies, evaluation markers and mitigators, in establishing financial analysts’ credibility with regard to professional and individual investors. The findings point toward a specific group of mitigators, namely subjectivization, as a means of communicating expert opinion. These insights have implications for research regarding analyst behavior and for the development of professional writing skills.

 *“The Narrative Strategies of Winners and Losers: Analyzing Annual Reports of Publicly Traded Corporations,” by Alexander Laskin*

The fourth contribution focuses on the narrative strategies corporations utilize to communicate their annual results to investors and the financial community. With computerized content analysis, the study looks at the sample of over-performing and under-performing Standard & Poor’s 500 corporations and analyzes how management shapes their performance results using a variety of narrative strategies in their annual reports.

 *“The epistemic status of predictions in central bank reports – a cross-linguistic study,” by Pierre Lejeune*

The fifth contribution investigates strategies of hedging in central bank projections. The analysis of reports in English, French, Spanish and Portuguese suggests that, at a global level, hedging arises from two factors: external assumptions that limit the validity of the predictions, and the fact that central bank reports generally do not offer direct predictions but rather projections without assuming or attributing explicit responsibility regarding their validity.

*“Financial innovation and institutional voices in the Canadian press: A look at the Roaring 2000s,” by Pier-Pascale Boulanger and Chantal Gagnon*

The sixth contribution examines Canadian newspapers from 2001 to 2008 in English and in French. It focuses on the speech that journalists reported when covering new financial instruments. The data show a wider range of voices in the English subcorpus when compared to the French. In both subcorpora, however, journalistic attitude was neutral and critical voices were deselected, while institutional voices such as those of banks were foregrounded.

 *“The use of English-language business and finance terms in European languages,” by Linnea Anglemark and Andrew John*
The seventh contribution investigates the usage of English-language finance and business terms of four European languages. The findings suggest that, over the last twenty-five years, English terms have become increasingly common in Spanish, German, and Italian texts, but they are not being generally adopted in French. The study discusses possible pragmatic-functional reasons and implications of this development.

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