

Looking for hubris but finding realism in company annual report CEO letters to shareholders: an analysis using DICTION software

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Abstract of keynote address presented by Russell Craig at the International Conference on Discourse Approaches to Financial Communication, 2-6 February, 2014, Ascona, Switzerland.

We explored whether DICTION text analysis software reveals distinctive language markers of hubris in CEO letters to shareholders.

Initially, we analysed 34,000 words in 22 annual report letters to shareholders by CEOs of BP (Browne: 1998 to 2006), Royal Bank of Scotland (Goodwin: 2000 to 2007), and News Corporation (Murdoch: 2007 to 2011).

These letters were chosen because several prior qualitative studies concluded they contained hubristic language. Our analysis proceeded after presuming that Browne, Goodwin and Murdoch were hubristic personalities; and that their CEO letters contained distinctive language markers of hubris and reflected a common verbal tone of hubris. We concluded tentatively that strong, statistically significant out-of-range scores for the master variable REALISM and its component dictionary variable, HUMAN INTEREST, reflect the language of hubris.

We endeavoured to validate these tentative conclusions by analysing a further sample of letters (comprising 345,000 words) of a wide range of other (presumably non-hubristic) CEOs. These included Rick Wagoner (General Motors), Haruka Nishimatsu (JAL), letters of 91 FTSE 100 CEOs, and 94 FORTUNE 500 CEOs; and by an even further cross-check analysis of a sample of 20 letters to shareholders by Jack Welch (General Electric, comprising 56,000 words).

Contrary to expectation that the pattern of results would differ, the language in the validating samples was statistically significantly high in REALISM and HUMAN INTEREST too.

This suggests that language with statistically significantly high scores for these variables is not a distinctive marker of CEO hubris, but rather, is a generic feature of language use in letters to shareholders of CEOs of major companies.”

Keywords

Chief executive officer; DICTION software; hubris; letters to shareholders; realism