



## SIMPOSIUM ILMIAH AKUNTANSI 5

### IMPRESSION MANAGEMENT OF COMPANIES DURING COVID-19 PANDEMIC

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#### ABSTRACT

The purpose of this study is to investigate impression management behavior in public companies in Indonesia. This study uses management reports in the company's annual report as data sources to observe impression management behavior. The analysis is conducted using NVivo software. Our study confirms that most CEOs blame factors outside themselves when their companies are hit by Covid-19 COVID-19-triggered crisis. They blamed on, i.e. Covid-19, industry, and Indonesia. All these three factors equal portions in the annual reports. Our study has some limitations. First, we only analyze a small group of companies in Indonesia. Second, we limit our observation to 2020 when the crisis first hit the world. Because nobody has experienced this before so the wording may be uniform across the companies. Future research can analyze latter years, i.e. when some companies have built their resilience strategies amid the ongoing crisis

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#### INTRODUCTION

The figure below shows the movement of the Indonesian stock exchange composite price index from December 2019 to December 2020.

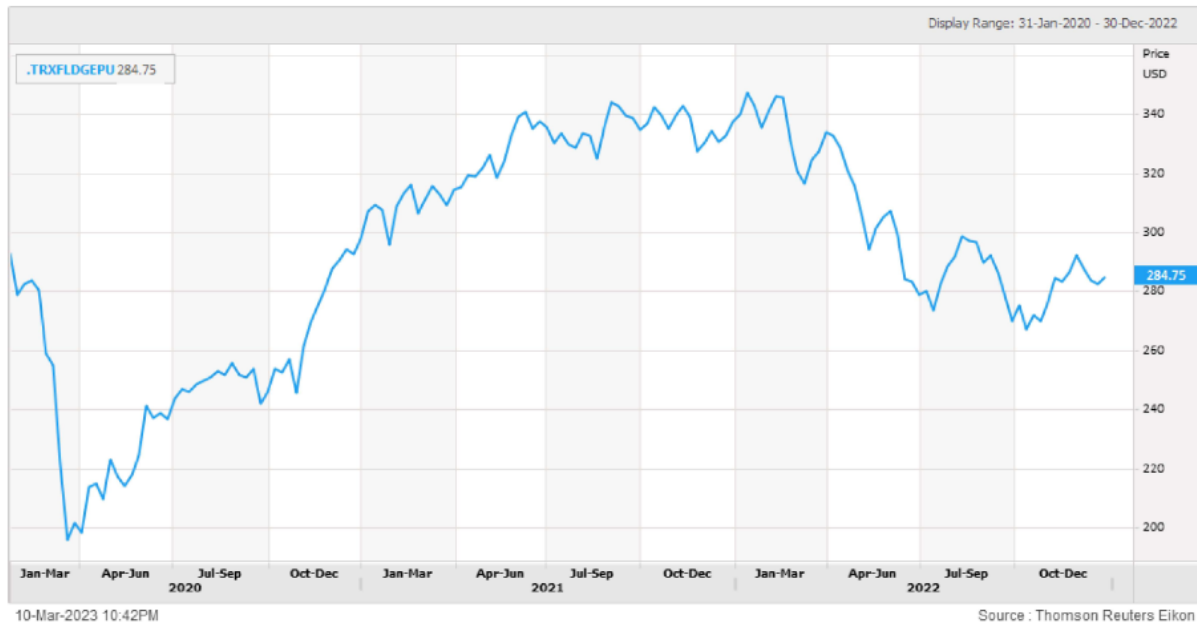


**Figure 1. The movement of Indonesian stock price index December 2019-December 2022**

Source: Thomson Reuters Eikon

The image shows that in March 2020, when the first confirmed case of Covid-19 in Indonesia, on average the stock prices fall. The decrease was steeper as compared to the

position at the last day of 2019. At the end of 2020, the index shows an increasing trend, before declining again until the first semester of 2021. The same pattern was shown in 2022. Even though the index has not rebound to its earlier position in 2019, overall it is moving to a new stable position.



**Figure 2. Stock price indices movement in developing countries January 2020-December 2022**

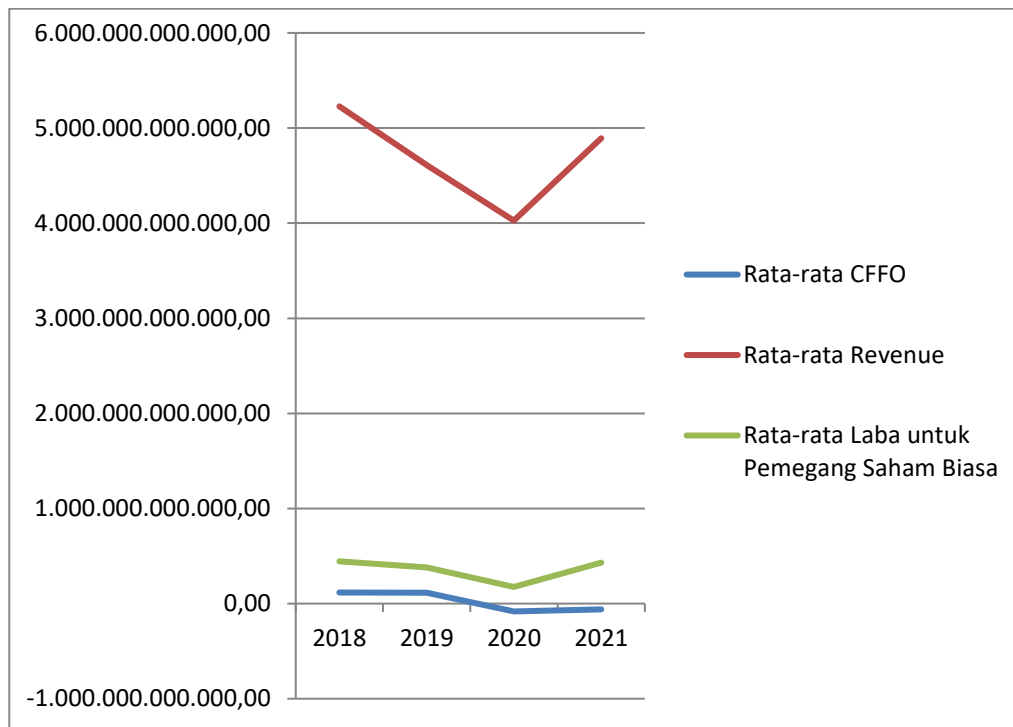
Source: Thomson Reuters Eikon

Image 2 indicates the composite price index movement during the same period, in developing countries. The graphic, taken from Thomson Reuters Eikon, shows the steep decline in 2020, starting from March 2020. Even though the price index indicates an increase, the increase then was followed by a decrease at the end of year. Both graphics indicate to us that economic condition has not reach it previous position in 2019. The Covid-19 has pushed global economy down to a difficult position.

In Indonesia, specifically, companies also experienced unprecedented condition than before. For example, in January 24, 2020, Bank Mandiri reported its 2019's net income as much Rp27.48 trillion, higher than 2018's net income of about Rp25 trillion. However, on the first quarter of 2020, the net income was only Rp10.29 trillion, lower than the reported net income in the same period in 2018. On January 28, 2021, Bank Mandiri reported the decrease of its net income to Rp17.12 trillion, or 37.71% lower than that of 2019.

The same condition was reported by Astra International. On February 27, 2020, the company reported its net income of about Rp21.71 trillion, higher than 2018's net income of about 21.67 trillion. A year later, on February 25, 2021, Astra International announced it net income of about Rp16.16 trillion, 26% lower than that of 2019's net income.

From macroeconomic side, the Indonesian 2020's economic growth was minus 2.7%, lower than 2019's growth, 5.02%. In 2021, the economic growth increased again in to 3.69%. As comparison, from 2011 to 2019, the lowest Indonesian economic growth was 5.01% in 2014, while the highest growth was 6.17% in 2011 (Badan Pusat Statistik, 2021).

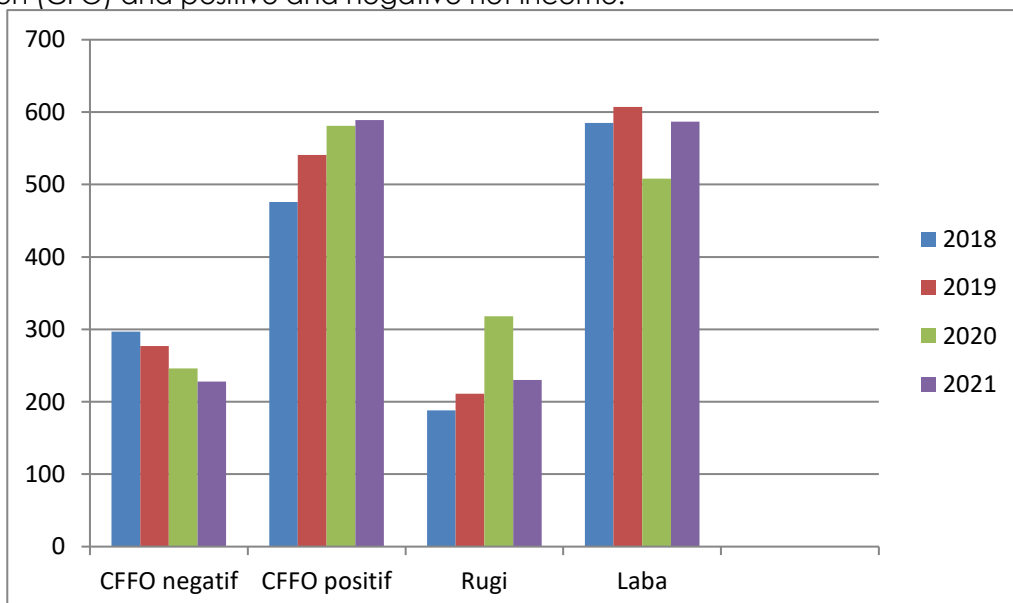


**Figure 3. Change in the average cash flow from operation, revenue, and income for common shareholders**

Source: Thomson Reuters Eikon

The Covid-19 pandemic have caused financial difficulties to many companies. They experienced decline of revenue and net income in 2020. Even more, the operating cash flows were also negative in 2020 and 2021. The negative operating cash flow confirmed with the cash flow prediction model during pandemic crisis proposed by (De Vito & Gómez, 2020) that, on average, companies can only maintain cash flow not more than two years. Moreover, according to their model which was based on public companies in 26 countries, 10% of the samples will stay liquid no more than the first six months since hit by the Covid-19 triggered crisis.

Figure 4 below presents companies that experience negative and positive cash flow from operation (CFO) and positive and negative net income.



**Figure 4. Number of public companies in Indonesian Stock Exchange that Report Positive, Negative Cash Flow from Operation and Net Income**

*Source: Thomson Reuters Eikon*

Of 827 listed public companies in 2020, 319 companies reported negative net income available to common shareholders. The lowest reported loss of Rp34.2 trillion was reported by Garuda Indonesia (GIAA), followed by Gojek Tokopedia (GOTO) of about Rp14.2 trillion and Lippo Karawaci (LPKR) of about Rp8.9 trillion. Among these three companies only GIAA that reported positive cash flow from operation, while the other two reported negative cash flow from operation. Moreover, 136 out of 319 companies that reported negative income also reported negative cash flow from operation. This implies that, to some companies, the financial condition was very serious.

The above evidence confirms that the 2020 and 2021 are both unfavourable times for economic and business. The crisis triggered by Covid-19 has brought companies to a situation unprecedented before. More and more countries locked its border since March 2020 and the restriction has caused a global slowdown. The impact was so severe to the end of the end of 2020 and companies have struggle to maintain the business.

When a company is in such situation, a manager will naturally find a way to explain the situation. Theoretically, the manager will look for an attribution to explain to the public about the firm's performance. Alonso Moreno & Jones (2022) studied on impression management by corporations during global financial crisis. Their research is different from other studies that studied impression management based on the individual company condition, not during a wider or global economic crisis. Their study concluded that impression management decreased during the global financial crisis as compared to impression management when the company itself experienced a performance decline during normal macroeconomic condition. It means that, when a company's performance deteriorates in the time of crisis, the manager will tell the public that the crisis causes the bad performance is the economic condition. Likewise, when macroeconomic is normal but the individual company's performance declines, the manager will seek the answer outside himself. However, when the company has a good performance, either in the time of crisis or not, he will find the explanation to the performance outside of himself. All in all, the manager will put the blame on something else when the situation is unfavourable, but will let people know he is responsible for a good performance.

In this research, when the Covid-19 became pandemic, we may assume people will seek the explanation to the failure of companies outside of the company. Because it was a pandemic, one can search for the answer to the global condition. There are at least three studies on the attribution of the firm performance on macroeconomic conditions, i.e. Staw et al. (1983) in the USA, Tassarolo et al. (2010) in Brazil, and Tsang (2002) in Singapore. They find evidence that managers have tendency to attribute negative performance to the external factors of the company. Tsang (2002) find a unique conclusion because he conclude that East Asian people tend to use their surrounding situation to explain most of their performance. It means that, different from expectation, East Asian people more likely to attribute their good performance to someone or something outside themselves.

Take Lippo Karawaci as an example to this phenomenon. In the Management Analysis and Discussion Section of its 2020 annual report (Lippo Karawaci, 2021:37) they describe the world economic condition in 2020 and how that condition impacted most of their business (paragraph 1); the Indonesian economic condition continued to decline despite the government intervention (paragraph 2); and economic difficulties faced by industries, negative growth in housing and office, and the impact of social restriction to their business (paragraph 3 and so forth). All these phrases point the attribution to external factor: the plague.

What Lippo Karawaci tells us about their condition in 2020 is different from what they put in 2019. Even though they also reported a loss both in 2019 and in 2020, but they shared different opinion on their performance in 2019. In the 2019's annual report (Lippo Karawaci, 2020:xi), the CEO of Lippo Karawaci signalled an optimism. Along the letter, he did not mind the negative cash flow from operation. He did put an emphasis on the importance of short term strategy to create some cash inflow. However, the cash flow was still negative in 2019. The same negative cash flow repeated in 2020. This time, the letter written by the CEO (Lippo Karawaci, 2021:i)

seemed to emphasized more on the cash flow and brought the pandemic into the equation and no mention on the operational factors. In short, if in 2019 he related the negative cash flow to the operational and strategy aspects, in 2020 he related the negative cash flow to the factor outside the company.

### **Problem Definition**

Previous researcher like Caillouet (2022) defines a crisis as a series of events that impedes firm's legitimacy in the beginning, but later its survival. She states that many companies are not prepared to face the crisis. When the crisis actually hits, companies do not want to be seen contrary to the public expectation so that their positive image must be preserved.

The Covid-19 pandemic has triggered world-wide crisis. Even though the pandemic is under control, but people believe that it has not ended (Shmerling, 2022). We may say that today's condition is not as bad as in 2020 and 2021 when most, if not all, companies were impacted. We believe that companies communicate differently in the time of crisis as compared to normal situation. We also believe that their individual condition will determine how they communicate to the public. Therefore, the questions that we are trying to answer are as follows.

1. When COVID-19 hit in 2020 and 2021, causing the company to suffer losses, how do managers report these losses in the annual company report?
2. If the company had a good performance in 2019 but experienced a decline in 2020 and beyond, how does the company report this decline in performance?
3. If the company had a good performance in 2019 but experienced a decline in 2020 and beyond, how does the company report this decline in performance?

### **Research Objective**

The crisis situation is the perfect time to study attribution behavior, especially in the context of companies. Research on corporate impression management and corporate communication behavior during and outside of crises. The two closest crises are the monetary crisis that hit Asia in 1997-1999 and the financial crisis in some countries around the world in 2008. Both crises were only related to certain regions and aspects of life. The crisis triggered by COVID-19 affects every aspect of human life. In modern history, a crisis triggered by this virus has never been this severe. So, the aim of this research is to study corporate impression management behavior during a crisis.

### **Research Significance**

This research is important to study the behavior of managers during a crisis. In a governance environment where managers are burdened with performance targets and compensated based on their achievements, this research questions the behavior of managers during a crisis. Knowledge of this behavior is important for literature on impression management and attribution theory. To date, there has been no research on impression management during a crisis because of the COVID-19 pandemic, especially in Indonesia. Therefore, this research will be the first to investigate this field.

### **Research Scope**

This research is a qualitative study. Observations are conducted on the company's annual reports for the years 2020 and 2021. The content examined is the management's discussion on company performance. This section can be titled "Management Analysis and Discussion," "Letter to Shareholders," or "Management Report." Some companies may combine all three under one title or divide it into just two sections. However, all companies will separate the discussions or deliberations from the board of commissioners and directors. The focus of this research is on the discussions made by the directors, as they have direct operational responsibilities. The analysis is conducted on the narratives used by the management during the observation period.

## LITERATURE REVIEW

### *Impression Management*

Impression management, according to Tedeschi & Riess (1981), is any behavior of a person aimed at controlling or manipulating the attributions and impressions formed about that person by others. A similar definition is also conveyed by Schlenker (1980), which is a conscious or unconscious effort to control the projected image in real or non-real social interactions. The idea of impression management was initially tested through experimental methods. The empirical questions asked at that time, for example, were "Why do people engage in impression management tactics? What tactics are used? What impression or identity do they want to display? Does the process happen intentionally and with a purpose?" Tedeschi & Riess (1981).

Tedeschi & Riess (1981) further explain that the explanation of impression management behavior can be explained by at least six foundations: based on the social roles played in symbolic interaction; avoiding blame and gaining credit; maintaining self-esteem; strategic self-presentation; power and social influence; and creating connotative impressions.

The explanation of these six foundations is as follows. First, in symbolic interaction, impression management functions as an individual's alignment with the social rules that encompass a situation and helps them get out of the bad condition they are accused of. Besides being used to avoid negative judgments as a result of bad accusations, an individual also cares about gaining credit for their praiseworthy actions. To achieve this, a person uses strategies to (a) avoid blame and social disapproval by disconnecting themselves from negative actions and outcomes and at the same time (b) receive praise and social approval by associating themselves with positive actions and outcomes. Third, impression management is seen as a way to establish power and influence over the targeted individuals or groups. In this way, a person, for example, can enhance others' perception of the actor's social attractiveness. Fourth, the actor projects various identities to others in an effort to create prominent impressions or to support the impression of possessing resources related to power. The power referred to here is social power that can make others obedient or compliant to threats, promises, warnings, recommendations, persuasion, or other forms of influence that the actor seeks to build through impression management tactics. Finally, impressions of a person can be placed in a two-dimensional space with an X and Y axis. X represents good-bad and Y represents strong-weak, so a person can be defined as good and strong; good and weak; bad and strong; and bad and weak. An actor who wants to manage impressions of themselves will seek ways to avoid or create certain images, depending on the audience, situation, and the actor's goals.

This theory then evolved from a theory that explains individual behavior to a theory that explains organizational situations (Hooghiemstra, 2000). He states that organizations can strive to influence people's perceptions of the company using self-representational tools. The common thread of utilizing impression management strategies is that stakeholders get the impression that the company's activities and performance align with their expectations. Achieving this alignment is the motivation for companies to engage in impression management (Leary & Kowalski, 1990) dan (Rahman, 2012).

Later, there have been quite a few studies that have used impression management theory for financial reporting and accountability, for example Merkl-Davies et al. (2011), Sandberg & Holmlund (2015), Ahmed Haji & Hossain (2016), and (Hooghiemstra (2000). Merkl-Davies et al. (2011) found that the sample did not use director statements to create an impression that is inconsistent with the meaning in the annual report. Instead, they concluded that negative organizational outcomes drive managers to seek retrospective explanations, rather than presenting a public image that is not consistent with the known internal Sandberg & Holmlund (2015) examined how companies act to create the impression that they are sustainable actors. The focus is on the tactics used by companies in sustainability reporting. Ahmed Haji & Hossain (2016) investigated how companies report and integrate various capitals after adopting integrated reporting practices.

Previously, some studies have also been conducted on the use of impression management theory. The investigations were carried out in three different countries with different cultures, i.e. in the US AS (Staw et al., 1983), in Brazil (Tessarolo et al., 2010), and in Singapura (Tsang, 2002).

Staw et al. (1983) examined the justification of organizational performance by testing self-serving attributions in the company's annual reports. Self-justification is an internal process that rationalizes the output or events for oneself and can also be seen as a process directed outwardly by someone. According to them, in the literature of impression management, a person can try their best to convince others of their abilities. However, that effort can also be seen as a self-justification process. In that study, they tested the manifestation of organizational justification. Organizations are predicted to try to justify their performance when communicating or conveying information about their efforts.

The study by Staw et al. (1983) used the annual report section of companies, namely the letter to shareholders, for analysis. The sample companies were those included in the Fortune 500. Each company was examined under two conditions: when performing well and when performing poorly. The researchers then encoded the information conveyed by the company's management in the letter to shareholders based on causal locus, positive or negative cause, positive or negative effect, and whether the event was future-oriented or not. From their findings they concluded that there is substantial evidence of self-serving attribution behavior by management members in the letter to shareholders. However, they also concluded that organizational performance is not a strong determinant for causal attribution because attribution does not significantly differ between high-performing and low-performing companies. Instead, the more negative the letter to shareholders, the greater the attribution to external factors. Additionally, if individual causal events in the letter to shareholders have a negative tone, they are more likely to be attributed to external factors rather than internal ones.

Tsang (2002) believes it is necessary to determine whether cultural differences influence self-serving attributions, especially in non-Western countries. According to Tsang, an important factor rooted in Asian society and influential in this context is the "face" and situationism. People believe that behavior is the most appropriate reflection of human nature or other internal attributes. This dispositional inference leads to correspondence bias, which can cause attribution errors if the true cause of behavior lies in the situational context rather than the actor's behavior. Tsang (2002) states that East Asian societies are not inclined to show correspondence bias. In other words, East Asian societies tend to use situational factors to explain others' behavior if these factors are more salient to them. This concept is known as situationism. In relation to management performance, if a company's performance aligns with the overall economic performance, management will tend to use external factors to explain these results in the annual report.

## RESEARCH METHOD

### *Research Design*

The research uses an exploratory qualitative approach. This approach is used to analyze content using NVivo software. The software helps researcher to capture data in reports or texts. The data to be captured are words, phrases, or terms found in the script that contain explanations from the company management. These words, phrases, or terms imply management explanations about the conditions experienced by the company during the pre-pandemic and pandemic periods. The captured explanations are also related to attributions of the company's conditions, language style, and other relevant factors. Examples of words/phrases/terms to be searched for include: success, achievement, failure, performance, improvement, decline, loss, profit, and others. Language styles, for example, include first-person singular and first-person plural, negative and optimistic sentences, the use of definite numbers or ranges, straightforward or figurative sentences, and others. Attribution to be considered includes who or what management attributes the company's achievements to in a particular year, the extent of management control over the company's performance, and others.

The data captured are from Indonesian companies' annual reports. We limit our investigation to 2020 annual reports. The companies' performance may vary as follows.

1. Reporting profit in 2019, profit in 2020, and/or the year after;
2. Reporting profit in 2019, loss in 2020 and/or the year after;
3. Reporting loss in 2019, loss in 2020, and/or the year after; and
4. Reporting loss in 2019, profit in 2020 and/or the year after.

In addition to net profit, grouping can also be based on the company's operating cash flow in the observation year. Analysis of the cash flow condition will be conducted, and grouping will also be done in the same way as in the profit/loss condition mentioned above.

### Analysis

The text that we analyse is from the Management Report (the Report). This part of annual report is shared between the commissioner and the executive. We only focus on the executive part because it is the duty of the executive to run the business and navigate through the crisis. The other reason is because we prevent redundancy of statements, especially when both party discuss about the company performance.

Indonesian company's annual report is bilingual, i.e. Indonesian and English. We choose to English portion of the report to be analysed for two reasons. First, NVivo is based on English and there are features that may be best operated when the texts are in English. Word Frequency in NVivo is capable to analyse word based on its roots. For example, word like "talk" has synonyms with "speak" and has a specialized word like "whisper" and has a generalization like "communicate". Since the software is built in English, then the best language to analyse is also English. The other feature is called Sentiment. This feature can catch words with a positive and negative tone. Again, we believe that NVivo will work better if the text is in English. However, this choice is not without a drawback since the quality of English in the annual reports may vary across the company.

Lazkano & Beraza (2019) state that a content analysis has two steps: reviewing and categorizing information, and searching for and identifying patterns. Therefore, our first job is to find keywords that are related to the impression management behavior. This behavior relates to the event or the environment, or the situation a manager faces. For example, a manager may be in a situation that is favorable to him and the result of this action is also as he expects. Here, we may expect that the manager will be happy to inform others that he has accomplished his objectives. He may also express his feeling of accomplishment in a positive tone and choose words that will make others understand that he is a good manager. Therefore, we must read the Management Report of annual report and find the words that relate to the message or signal the manager conveys.

The year 2020 was the year of crisis. One may expect that company will suffer from the crisis and reported loss or negative cash flow from operation. However, that was not all true because some companies reported profit and/or positive cash flow from operation during the year. Therefore, we also have to be aware of the positive tones in the Report. The signal or the message a manager sends to the public will be different because of the favorable accomplishment he made during the crisis.

**Table 1**  
**Word Frequency**

Word	Length	Count	Weighted Percentage (%)
company	7	712	2.31
2020	4	555	1.80
pandemic	8	321	1.04
covid	5	317	1.03
year	4	269	0.87
also	4	260	0.84
business	8	228	0.74
economic	8	219	0.71
sales	5	186	0.60
indonesia	9	171	0.55
growth	6	165	0.53

products	8	140	0.45
due	3	134	0.43
market	6	131	0.42
performance	11	129	0.42
2021	4	121	0.39
increase	8	121	0.39
2019	4	109	0.35
global	6	109	0.35
board	5	107	0.35
billion	7	103	0.33
government	10	103	0.33
industry	8	101	0.33
world	5	100	0.32

Source: NVivo output

Table 1 provides words the most used words in the annual reports. We limit the words to 100 counts and more. Words in Table 1 were exact words that are used in the annual report. While the words in Table 2 are words that have the similarity with the word in the first column.

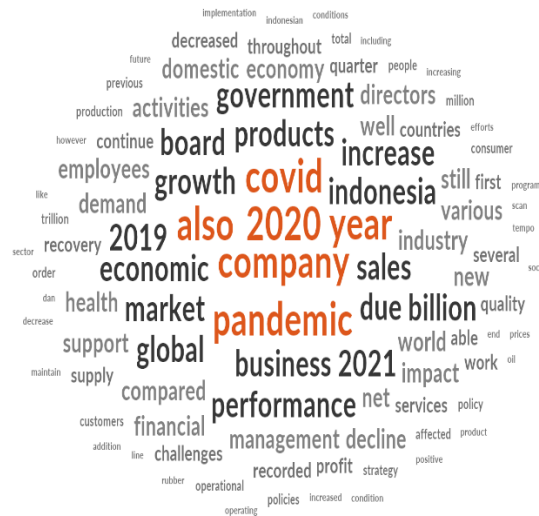
**Table 2**  
**Frequency of Similar Words**

Word	Length	Count	Weighted Percentage (%)	Similar Words
company	7	729	2.36	companies, company
2020	4	555	1.80	2020
pandemic	8	321	1.04	pandemic
covid	5	317	1.03	covid
year	4	310	1.00	year, years
products	8	282	0.91	product, production, productive, productivity, products, products'
also	4	260	0.84	also
businesses	10	246	0.80	business, businesses
increase	8	228	0.74	increase, increased, increases, increasing, increasingly
economic	8	222	0.72	economic, economical, economics
sales	5	192	0.62	sale, sales, sales'
continuously	12	177	0.57	continually, continuation, continue, continued, continues, continuing, continuity, continuous, continuously
markets	7	176	0.57	market, marketed, marketing, markets
indonesia	9	171	0.55	indonesia
growth	6	165	0.53	growth

operations	10	150	0.49	operate, operated, operates, operating, operation, operational, operationally, operations, operator, operators
industry	8	144	0.47	industri, industrial, industrialization, industries, industry
performing	10	141	0.46	perform, performance, performed, performing
support	7	140	0.45	support, supported, supporting, supportive, supports
due	3	134	0.43	due
managing	8	129	0.42	manage, managed, management, managers, managing
decline	7	126	0.41	decline, declined, declines, declining
2021	4	121	0.39	2021
governments	11	121	0.39	governance, government, governments, governments'
impact	6	114	0.37	impact, impacted, impacting, impacts
activity	8	114	0.37	active, actively, activeness, activities, activity
global	6	113	0.37	global, globally
2019	4	109	0.35	2019
policy	6	109	0.35	policies, policy
improve	7	108	0.35	improve, improved, improvement, improvements, improves, improving
board	5	107	0.35	board
challenging	11	104	0.34	challenge, challenged, challenges, challenging
employees	9	104	0.34	employee, employees, employees'
billion	7	103	0.33	billion
implemented	11	103	0.33	implement, implementation, implemented, implementing, implements
compared	8	100	0.32	comparable, compare, compared, compares, comparing
development	11	100	0.32	develop, developed, developers, developing, development, developments, develops
world	5	100	0.32	world

Source: NVivo output

From both tables we observe that "pandemic" and "Covid" are frequently used by corporations after "company" and "2020". The word cloud in Figure 5 also depicts the usage of these words by corporations.



### Figure 5. Word Cloud

Source: NVivo output

**Table 3**  
**Income, Cash Flow, and Performance**

Year 2020		Good performance	Impact of Covid	Optimism	Strategy	Total
Income = Positive (24)						
	Operating cash flow = Positive (22)	20	10	12	17	21
	Operating cash flow = Negative (2)	2	1	2	2	2
Income = Negative (16)						
	Operating cash flow = Positive (8)	6	5	5	7	8
	Operating cash flow = Negative (8)	2	5	7	5	8
Total						
	<b>Total (40)</b>	30	21	26	31	39

Source: NVivo output

Companies may have a positive income or negative income and also experience a positive or negative cash flow as well. There are 24 companies that experience a positive income and the other 16 a negative income. The number of companies that experience a positive income and positive cash flow from operation are significant as compared to ones that have negative operating cash flow. On the other side, the number of companies with negative income and also negative operating cash flow are the same with ones that have negative operating cash flow.

Company that has both positive income and operating cash flow discuss more about its good performance during 2020, the strategy it employs, and optimism in facing the situation. It may also talk about the impact of Covid-19 to the business. For example, PT Gajah Tunggal puts,

"The impact of Covid-19 mainly affected sales in the second quarter of 2020, as demand for the Company's products declined, but sales performance recovered strongly in the subsequent quarters, although a decline in sales for the full year could not be prevented."

It then explains its strategy to achieve the performance,

*"The Covid-19 pandemic caused raw material prices to decline in 2020. This benefited the Company's margins as raw materials are a substantial part of the Company's cost base. Furthermore, the Company's efficiency measures contributed positively, which together with the aforementioned decline in raw material prices offset the negative impact of lower utilization rates. As a result, the Company's profit margins expanded from 17.5% in 2019 to 19.9% in 2020 and the Company was able to realize an increase in net profit from Rp 269 billion in 2019 to Rp 319 billion in 2020, despite the decline in net sales."*

Later in the Report, it describes the optimism,

*"Although the pandemic is currently still ongoing, there are positive signs that it should abate in the not-too distant future. As countries around the globe start to open up and human mobility is set to resume, the prospects for the Company should improve along with it."*

Let us compare the sentences used by other company that experiences a positive income but a negative cash flow, for example by PT Toba Pulp Lestari (INRU) as follows.

*"Seeing the results of this year's sales value which increased by 21.11% in the midst of unfavorable world economic conditions, the Company is optimistic that in the future the Company will be able to achieve even better sales results."*

Even though INRU had as positive income, but the cash flow was negative. The negative cash flow can be a signal that the company faced difficulties and this condition prevent it to disclose more detailed information. We also can see from the statement that "world economic condition" is used as the explanation for the performance.

PT Mandom Indonesia (TCID) reported a negative net income (or a loss), but a positive operating cash flow. The excerpt is as follows.

*"During unfavorable condition in 2020, the Company recorded a sales decrease by 29.1% from Rp 2.80 trillion in 2019 to IDR1.99 trillion. Domestic sales decreased by 31.7% from IDR2.05 trillion in 2019 to IDR1.40 trillion. Likewise, export sales decreased by 17.7% from IDR752.86 billion in 2019 to IDR619.32 billion. The sales decrease in domestic market was strongly influenced by the changes in consumer behavior both in terms of product consumption and store visit. Consumer mobility was fairly limited due to the Large-Scale Social Restrictions (PSBB) which was implemented for several times in various areas throughout Indonesia, particularly Java island. Whereas, the decrease in export sales was mainly influenced by situation in each destination country which was also facing the impact of COVID-19 pandemic."*

First, the company acknowledged that the condition was unfavorable. Then, it described a decrease in sales, either domestic or exporting sales. They pointed out the cause of the decrease in domestic sales in detail: consumer behavior and repeated social restrictions imposed by the government.

The other example is PT Goodyear Indonesia (GDYR). They had a negative net income but a positive operating cash flow. The opened the discussion in the Report by blaming the performance to the outside condition.

*"The Covid-19 pandemic had triggered severe economic downturns across the world in 2020 as governments imposed semi-lockdowns or mobility restrictions, which caused steep decline in global tire demand."*

However, because they still have a positive operating cash flow, they continued,

*"Although the Company's operating and financial results last year were affected by these conditions, the Company made significant achievements that had not only*

*cushioned the impact of the crisis, but would also strengthen the Company's business going forward."*

And then delivered their optimism,

*"The severe impact of the downturn was particularly felt in the first half of the year, while signs of recovery in the tire industry started to be felt in the third quarter and gained stronger momentum in the fourth quarter in line with improving trend of the economy.... ...We'll get through this crisis together and emerge stronger in the mobility business with hard work, dedication, and flexibility for the associates to innovate and give their best performance as reflected in the theme of the 2020 Annual Report: Freedom to Move."*

We can see that the company used a more positive word, like "stronger" several times. This word is to signal people outside the company that they manage to run the company amid the crisis. Even though GDYR's performance was not as good as GJTL, both companies reported a positive income and a positive operating cash flow. Moreover, both companies, because of their positive performance attributed their success to themselves.

Let us compare the sentences made by PT Metro Realty (MTSM) that had a negative income and a negative operating cash flow.

*"The Company's performance in 2020 had been challenged quite a lot by Government regulations that took effect at the beginning of the Covid 19 Pandemic where there were closings of shopping center buildings, restricted food and beverage businesses, as well as cinemas or tourist attractions that were forced to close for most of the year so that our business was also affected."*

The company used *"The Company's performance in 2020 had been challenged quite a lot by Government regulations..."*. This statement shifted the spotlight from the company's managers to the government. It was the government's regulation that caused the bad performance. Different from the other company that have a lengthy disclosure on the Report, this company had only six paragraphs and only one of them that discuss their 2020 performance which we quoted earlier.

Another example comes from PT Prasadha Aneka Niaga (PSDN).

*"The stability of coffee prices during the 1st quarter of 2020 did not last long, as the market quickly corrected as it adjusted to declining demand related to the World Health Organization's statement in March 2020 that the Covid-19 outbreak was categorized as a pandemic. Since then, we have experienced market volatility with several factors influencing price movements. The great harvest from Brazil and Vietnam have further exacerbated an already depressed market."*

Here, they put the blame on the WHO announcement about the pandemic. We can sense the tone of disappointment because they say that after the announcement, the market became volatile. They also stated that excess of supply from Brazil and Vietnam as the cause of market volatility. However, in a greater length in the Report, they repeatedly mention Covid-19 as the main factor for their bad performance.

**Table 4**  
**Crosstab: Income and Bad Performance**

Year 2020	Income = Positive (24)		Income = Negative (16)		Total (40)
	Current net income than previous year's = Increase (12)	Current net income than previous year's = Decrease (12)	Current net income than previous year's = Increase (11)	Current net income than previous year's = Decrease (5)	
Causes of bad	4	2	1	0	7

perform ance					
Impact of Covid	5	6	7	3	21
Indonesi a conditio n	5	6	8	4	23
Industry conditio n	8	5	6	2	21
Compa ny conditio n	3	2	2	0	7
<b>Total (unique)</b>	11	11	10	5	37

Source: NVivo output

Table 4 tells us that all the companies tell the story about their environment effect on their performance. To the profitable companies, either when the 2020 income was higher or lower than 2019, they tell the readers that Covid-19, Indonesian condition, and the industry situation drove the performance. The proportion of attribution on those three factors seem to be equal for these companies with positive income. On the other hand, companies that reported negative 2020 income but higher than 2019 income made more explanations on those three factors than those with negative 2020 income and lower than 2019 income.

**Table 5**

**Crosstab: Cash Flow and Bad Performance**

Year 2020	Operating cash flow = Positive (30)		Operating cash flow = Negative (10)		Tot al (40 )
	Current OCF than previous year's = Increase (22)	Current OCF than previous year's = Decrease (8)	Current OCF than previous year's = Increase (6)	Current OCF than previous year's = Decrease (4)	
Causes of bad performa nce	4	2	0	1	7
Impact of Covid	12	3	6	0	21
Indonesia condition	11	4	5	3	23
Industry condition	10	5	3	3	21
Company condition	4	1	1	1	7
<b>Total (unique)</b>	19	8	6	4	37

Source: NVivo output

If we observe Table 5, company that had a negative operating cash flow in 2020 and it also more negative than in 2019, used Indonesia and industry conditions to justify its bad performance. On the other side, when the operating cash flow was negative in 2020 but better than 2019, it focused more on the Covid-19 than on country or industry reasons.

## CONCLUSION

Our study investigates the impression management behaviour of company's manager. We focus our attention to the Management Report section of the annual report. We believe manager uses this section to inform his performance to the stakeholders. There is also another

section below the Management Report, but it contains report from the commissioner. We do not analyse this section because of the supervisory role of the commissioner.

Our findings indicate that manager does try to find explanation outside himself when the company suffers from the crisis. We classify three conditions to where the manager put the blame: Covid-19, industry condition, and Indonesia conditions. All of the company writes about Covid-19 as a factor to determine its performance. When the performance was bad, as measured by net income and operating cash flow, those three factors shared the same portion in the Report.

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