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CAPTURING MEANING CONSTRUCTION IN FINANCIAL DISCLOSURE

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EXTENDED ABSTRACT

Our study takes as its motivation common concerns across a variety of disciplines regarding an understanding of the linguistic, rhetorical and argumentative functions of the narrative aspects of financial disclosures, however with one significant alteration. This is that we do not restrict our investigation to the textual aspects but also consider the discursive nature of numbers. Numbers and narratives are simply alternative, and complementary, media to be used in disclosure, and many of the linguistic, and all of the rhetorical and argumentative, considerations apply to both, and need to be addressed and analysed.

The exploration undertaken in this paper falls under the umbrella of social construction studies. We base our analysis on the proposition that the ideas, classifications, concepts and goals that we use in science, daily life, commerce and accounting are ours rather than nature's. They are merely a result of our *perceptions* and *interpretations* of the world around us. By drawing our attention to how ideas, solutions or conclusions we thought were given or even natural are instead *taken* i.e. selected from a myriad of possibilities, questions that might otherwise remain hidden or even unthought can begin to be asked. This exposes the ontological subjectivity or seemingly arbitrary nature of the social world. Following this notion language, and thus communication, do not mirror, but instead construct to some extent, reality. This notion relates to an anti-representationalist approach that echoes pragmatism promoted by (Rorty, 1979; 1982; 1991, 1997, 2006), who denied that we are related to the world in anything other than casual terms and rejected the notion that any statement can be true simply in virtue of the way things are, quite apart from how we describe them. As Hines (1988) argued, "in communicating reality, we construct reality".

Our starting point is the philosophical writing of John Searle. He offers an interesting notion of the social construction of reality, essentially arguing that 'truth' is itself an intersubjective construct within a community of broadly like-minded people. Searle (1995) makes a distinction between intrinsic and observer-relative features of the world and argues that ‘our world’ consists of both physical and social reality. He starts by making an ontological commitment to physical objects (i.e. brute facts) that exist independently of human minds, and then, based on the concept of ‘intentionality’, explains how social objects come into being. According to Searle people have the ability to communicate and share their beliefs and desires – termed ‘collective intentionality’- that can give rise to a specific type of social facts, namely institutional facts (see also: Putnam, 1981; Mouck, 2004, McKernan, 2007). The present study sees business transactions as an example of institutional reality that is constituted via social processes. Searle’s model explains that institutional facts, although ontologically subjective, as they require human practices to sustain their existence, could become epistemologically objective, if they have an effect that is universally agreed upon. This *agreement* can only be achieved through social communication and thus through the use of words and numbers which he sees as a constitutive factor in relation to social reality. These arguments are further developed through a number of other theorists and writers starting with the relatively technical structuralist views of Saussure (1857-1913) and Pierce (1839-1914) and moving on to the more socially and politically based thinking of Bourdieu (1931-2001) and Debord (1931-1994). A linking factor is the search for legitimacy by those in 'power' over the communication process.

Finally, we illustrate the application of our theoretical developments to the financial communication process, including explicit references to the rhetorical aspects of financial reporting, both numbers and narratives, from Pacioli and his times (late 15th century) to the IASB in 2013, i.e. from the rhetoric of double entry book-keeping to the rhetoric of 'fair value’. Double entry book-keeping, as with other methods of financial disclosure, is a process of interpretive framing of some set of business transactions and it has, in addition to an informative function, a rhetorical purpose (Carruthers and Espeland, 1991). Sociologists from many perspectives have appreciated the importance of how individuals frame, interpret, and understand their own actions. People both act and provide accounts of their actions. From Weber and Giddens we are reminded that the ‘subjective’ interpretations put on acts are at least as important as the acts themselves. Sometimes the purpose of these frames is simply to make sense of human actions, but frames are also important as a way to establish legitimacy for those actions. This applies very much to financial disclosure – the framing of the business transactions is very often designed to legitimise a particular interpretation of these transactions and not necessarily to report their ‘true and fair’ nature as others might see it. Further, and significantly, the framing of the regulations, and the (rhetorical) influencing by the regulator of the image and external perceptions which it seeks to engender, are themselves designed to impose legitimacy on only one out of a whole range of possible alternatives. We illustrate these regulatory considerations with topical reference to the IASB and its standards.

In summary the paper contributes to a broader understanding of financial communication as a social and humanistic construction, and challenges taken-for-granted assumptions about impartiality, neutrality and rationality in regard to financial disclosure.

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