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Title: Sermons of corporate identity: argument in two corporate annual reports

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The scholarly literature on the rhetoric of annual reports is limited. Besides a few scholarly studies, almost everything written on the annual report is prescriptive advice by communication and accounting professionals. (There is a large body of this prescriptive literature; the annual report is, in many ways, a troubled genre whose users are often unsatisfied with the value—and sometimes even the aesthetics—of these publications.) The reason for this may be that the annual report is, in terms of content, mostly financial data. In other words, to the extent that an annual report is an argument, it appears to rely on what Aristotle called nonartistic proofs, verifiable evidence external to the invention of the rhetor. And this may make it less attractive to scholars of rhetoric. After all, if the only thing one can do with an annual report is look at arrangement (ordering of facts) and delivery (design), the genre really belongs more in the realm of graphic design or accounting than rhetoric. Some scholarship exists on the ability of annual reports to effectively and accurately convey information to investors (e.g. Nilsson, 1997; Scott & Smith, 1992; Beattie & Jones, 1997) and the visual epistemology of the genre (Graves, Flesher, & Jordan, 1996). Other scholarly examinations of the genre are clearly suspicious of the corporations producing these reports (e.g., Hager & Scheiber, 1990; Courtis, 1997). Far less, however, has been done on the annual report as rhetoric (in the non-pejorative sense).

This is unfortunate, since the annual report genre is an important one. More than 11,000 are produced each year at a total cost to industry in excess of \$5 billion; in addition, the annual report is frequently described as the single most important source of information about a company and its financial health (e.g., Hutchins, 1994). Hundreds of billions of dollars are invested, or not invested, because of these documents.

The reasons listed above are more than sufficient to justify studying annual reports, but they also deserve examination because they are rhetorically rich. This should surprise no one. Even the most non-rhetorical considerations of the annual report genre speak to its rhetoricity. One detailed examination of annual reports by Jawahar Lal (1985), done from the viewpoint of financial reporting and the proper approach to disclosure of financial information, rather than rhetoric, is influenced by rhetorical factors.

For one thing, the question of audience is addressed. Lal argues that "investors (both existing and potential) are singled out as the dominant user-group...[the] primary uses of published annual reports...the investor (existing and potential) is the primary user of corporate annual reports" (pp. 41-43). Lal cites various other studies that support his point, including one by the Financial Executive Institute that "current shareholders and prospective shareholders (and those who influence their decisions) are the primary audiences for corporate financial reporting" and that "90% of the companies allocate first priority in financial reporting to the existing shareholders" (cited in Lal, p. 41) with the "financial community" of security analysts and other financial opinion makers (i.e., advisors

to decision makers) as the secondary audience (Lal, 1985, p. 41)

Lal also points out that the factors involved in disclosing financial information (one of the primary purposes of printing an annual report) include considering users, purposes, quality and quantity of information disclosed, and mode of disclosure (p. 38), factors which without too much difficulty can be translated into terms more familiar to rhetoricians: audience, aim, content, and genre. Furthermore, Lal points out that the information in annual reports can be either accounting or non-accounting (p. 16), the latter being "qualitative, narrative, unaudited, and futur-oriented [sic] prose" (Chambers, cited in Lal, p. 16). Lal believes that this information can be "as useful to investors as the accounting information" (p. 16) since this qualitative information can reveal things that cannot be revealed numerically. All this suggests that the annual report, which might be seen as a genre with the transparent and innocent purpose of objectively communicating financial data (and it almost goes without saying that such a purpose must be suspect for various reasons) is also a genre with a rich rhetorical component.

It is impossible to make generalizations about a genre based on only a few texts. It is possible to identify directions for further research by identifying features in one text that provide clues about how to approach the genre to which it belongs. It is also impossible to discuss these texts in their entirety in this kind of forum. There is not enough time. For example, I will focus in this paper on the annual report as a kind of sermon, a ceremonial form of discourse, a community-unifying statement of vision that is timeless in itself although it often invokes future action. It is also true, however, that annual reports are descriptions of the progress and past activity of the organization. In this sense, they are far more judicial or forensic than sermonic or epideictic. Suffice that this discussion is more on the order of ethnography than experiment, and the scope is deliberately limited.

We can begin with some observations about sermon rhetoric. One of the major functions of sermon rhetoric is social leadership. In other words, the goal of the sermon is not always "recruitive" or "radical." It does not always focus on converting sinners, on bringing new members into a community. Instead, much sermon rhetoric is "conservative." It is not trying to change people; it is trying to promote existing views. It is aimed at people who are already members of the congregation. Its main purpose is to maintain and strengthen the ideology and social bonds that already exist within the congregation. One of the principle ways that this is accomplished is by defining and defending a vision or mission statement for the community.

This is supported by the number of significant studies on leadership (e.g., Bennis & Nanus, 1985; Peters & Austin, 1985; House & Podsakoff, 1994) that draw attention to the importance of a leader defining the community (civil, corporate, etc.) of those who are being led by creating and promoting a vision or mission for that community.

Fred Craddock (1990) has written one of the central texts on sermon writing in the twentieth century. Writing from the viewpoint of a theologian, he does not explicitly argue that sermons should be used socially, but does emphasize the facts that sermons are produced within and for a community of congregates and that the pastor serves as a

leader of the congregation. Princeton theologian Thomas Long (cited in Murphey, 1994) argues that sermons should not only explain scripture, but should "function to shape Christian identity" (93). Other studies of sermon rhetoric that discuss how sermons shape vision include Harry Stout's The New England Sermon (1986) and Sacvan Bercovitch's The American Jeremiad (1978). While both of these studies focus on particular types of sermons, it is clear from their works that sermons can function as conservative engines, defining vision and even hierarchy for communities. Stout in particular draws attention to the social function of sermons in colonial New England, a society where the sermon "would become as important for social meaning as for spiritual enlightenment...[a genre which] defined and legitimated the meaning of their lives as citizen and magistrate, superior and inferior, soldier, parent, child, and laborer" (p. 23). That colonial New England was also a society seminal to corporate America may be significant. Even in a study of women preachers by Elaine Lawless (1996), who argues that the sermons of female preachers are "rarely didactic... women do not tell their congregations, 'This is what you should do'" (p. 93), there is a sense that these women are preaching vision. These preachers, Lawless says, are "speaking from the margins, they say, but they invite all who are listening to join them there on the edges....[they are] standing at the margins invoking a new era" (p. 107).

This should not be surprising. The genre that could be considered the ur-sermon is one that also examines the definition or vision of the community. In the Rhetoric, Aristotle defines three kinds of rhetoric: judicial, deliberative, and ceremonial. The first two are concerned with matters of law and government, and with issues distant in time from the speaker and listeners, respectively the past (one is defending someone, perhaps oneself, against the charge that this person has committed a crime) and the future (one is advising the city regarding *future* action). Ceremonial or epideictic rhetoric, often experienced in the form of the funeral oration (the most "sermon-like" kind of speech in the Rhetoric, is defined by George Kennedy as a speech where "the audience is not asked to make a judgement about a past or future action...Epideictic speeches either praise or blame and aim at showing that a person is honorable or shameful" (p. 15). Kennedy, in a note to his translation of the Rhetoric, suggests as an exemplar of this kind of rhetoric the funeral oration (p. 48).

In other words, the funeral oration, effectively the first sermon-like kind of discourse of which we have some theoretical examination, focuses on the present moment, on bringing people together to share in the celebration of the virtues of the deceased (or, in some case, to vilify a deceased criminal or tyrant). In celebrating certain virtues, the speaker defines the ideal of the society, what theorists of leadership might call its "vision" or "mission statement," and by extension the society in its ideal form. This is an exercise in community-building. In fact, the funeral oration was often used in a deliberative or advisory manner, celebrating virtues of the deceased in order to recommend them to the audience. In other words, while forensic rhetoric asks "what has the accused done or not done?" and deliberative rhetoric asks "what should we do?" the epideictic speech asks "who is (or was) this person" and by extension asks "who should we be?"

We can now begin to make some observations on the reports themselves. I looked at the annual reports for General Motors from 1991 and 1992. These were critical years for

GM. The company lost billions during this period and, due to a change in how health insurance had to be reported to stockholders, appeared to have lost even more. During 1992, although the company made a profit, it was a relatively small one and the losses in the North American Operations division—that is, the part of GM making and selling cars and trucks in the United States—were staggering. These problems dominate the qualitative aspects of these two annual reports, including the introduction of Jack Smith as the new CEO of General Motors.

As I mentioned earlier, these remarks cannot be seen as general statements on the genre, but only observations on two possibly representative texts. The most significant sermonic aspect of these two reports is the extolling of certain virtues. The obvious reason is that the audience is making a decision about the organization, whether to associate itself with the organization financially (and in some cases emotionally as well) or not. The use of annual reports to promote unity is a far less frequent element. I believe this is for two reasons. First, there is a difference in audiences. Sermons are addressed by members of a community to members of a community; annual reports are addressed to at least one audience that is arguably related but external to the community. Stockholders own the company, so they have an intimate connection to it, but many of them are not in the company, doing the day-to-day work. A second difference is that sermons generally do not have a judicial element—they do not ask an audience to make a decision about the past. Annual reports are *progress reports*. One of their rhetorical functions is to explain what the organization has been doing during the last year so that the audience can make a judgement about it. Naturally, the possibility that some annual reports may simultaneously have both judicial and epideictic functions complicates the analyses of these documents.

The epideictic function, however, is alive and well in these documents. When annual reports provide financial information, nonartistic proofs of past performance, they are operating in the judicial or forensic sense. When they attempt to invent a character or ethos for the company, transforming it within the text into an entity with certain virtues, when they are no longer asking the audience to associate with them because of what they have done but because of who they are, the annual report functions as a sermonic text.

The argumentative elements of the 1991 report consist primarily of the opening letter from Chairman Robert C. Stempel to the stockholders and three supplemental essays entitled "Satisfying our Customers," "GM as a Global Competitor," and "People Changing General Motors." These sections are interesting for their reconstruction of the situation and its placement of information to generate a more positive view of the company. The letter begins with a description of the past year. While admitting that the losses GM has experienced are "unparalleled in its history" (p. 2), this admission is framed within a description of 1991 as a year in which the "rate of change... was unprecedented." Furthermore, the single admission of loss is surrounded by terms suggesting preparation and determination. Stempel declares that "our confidence... is unshaken," "the entire GM team is anticipating and responding quickly," and that "we will do what is necessary to make our operations competitive and profitable." He confides that the problems were severe, he does so while saying that "we anticipated a downturn during the war in the Middle East" (p. 2). Key terms in the letter also include "unshaken," "anticipating and

responding, "do what is necessary,"

Stempel suggests, in other words, that the losses GM had experienced in the last two years were linked more to external events like the Gulf War and breakup of the Soviet Union than poor business practice. Furthermore, the General Motors team is on top of the situation. Sometimes external conditions will create a temporary shortfall. There is nothing one can do about it. However, while other companies would have been taken unawares and perhaps destroyed by this turn of events, General Motors was alert and prepared for the changing times. The corporate virtues presented here are preparation and determination.

General Motors also attempts to identify itself with the corporate virtue of improved efficiency. If one looks for words related to improvements, both in quality and efficiency, they appear with pounding regularity. Nearly a third of Stempel's letter is spent on outlining how the company will become more efficient, reducing the number of employees and streamlining operations.

The latter sections of the letter are highly optimistic. After describing a series of actions that the company is taking, and promising that the workforce will be reduced by 1995 to roughly half its 1985 size, Stempel promises that the company will "run its business in an increasingly lean and responsive manner." "Lean," "productive," "a technology leader" are all used during the final paragraph of this middle section to describe the company (pp. 2-3).

Humility would seem an odd addition to this approach, but Stempel admits "the dramatic loss in consumer confidence and reduced automotive sales were more persistent than expected." In the "Satisfying Our Customers" section, the anonymous writer admits that "we still have a lot to do to change the perception of many consumers." One of the many testimonials from customers used later in the report has a young woman remarking, "GM has made some mistakes, but I think the quality is back where it should be." There are not many moments of humility in the 1991 report; the writers are too busy telling readers that General Motors is making the changes needed to be profitable again, but it is noteworthy that it does occur. Because Stempel and the other writers of the report do not simply ignore the reality that General Motors lost nearly six billion dollars in fiscal 1990 and 1991, but concede that losses did occur and might even, to an extent, be the fault of the company, they show both humility and awareness that would probably make audiences feel more confident. That they are willing to make this admission, and let outsiders like customers make similar remarks within the annual report (p. G), is an implicit claim to their honesty, integrity, and dedication to regain a leadership position in the industry.

The design of the CEO's letter also takes into account the likely reading habits of investors. Readers using business documents often scan for key points first. What Stempel wants readers to identify as the key points are published in this report as red headings of a larger font size than the regular text. These move from the admission that it was "a most difficult year," which places blame on the year rather than the company, to a declaration of "fundamental changes made," and ends with "looking ahead." Finally, a sidebar to the

letter, and the last thing a reader would notice if they were skimming the page from left to right, is a bulleted list of "some positive results." The overall effect would be a movement from trouble through determination and action to vision and positive results not only in the future but even during the troubled year of 1991.

The 1992 Annual Report from General Motors makes a statement before one even opens the cover. Instead of using slick magazine paper, the report is simple quality stock. The paper is heavy so it does not suggest cheapness; instead, it suggests rugged frugality.

1992 is a year of dramatic change at General Motors. Chairman Stempel has been replaced by John Smith, Jr., who now serves as CEO and President. John Smith faced, among other problems, a public relations nightmare for General Motors. Although the company technically edged into the black—Smith points out that the company made a profit of \$92 million (p. 1), which might indicate stagnation when one considers that the total net sales for the company was more than \$132 billion—it is far from recovering. In addition, it is clear that General Motors, as a car company, is in serious trouble. In 1992, General Motors made money on financing, computers, and with GM Hughes Electronics. As far as making cars in North America, however, GM lost \$4.5 billion in 1992. Finally, due to change in accounting regulations, General Motors had to report health care costs that made it appear the company had lost a staggering \$20 billion dollars. Smith spends quite a bit of time in his letter, explaining that these losses do not "affect our cash flow or our ability to pay dividends" (p. 1)

One thing that is interesting is that the Annual Report provides a commentary from John G. Smale, the Chairman of the Board of General Motors. Smale deliberately draws attention to the fact that he is not "involved in the day-to-day operations of the business" (p. 3) and that "Jack Smith and his management team... have the unqualified support of the Board" (p. 3). Smale also draws attention to the change in the report's style, remarking that "I hope you can sense from Jack Smith's letter, both its tone and its content, that there is a new spirit at General Motors—the Corporation is committed to a new vision and a new direction" and "You will notice that this annual report is a dramatic departure from past practices" (p. 3).

Much of this ties into what I believe Jack Smith was trying to do with this annual report. He wants to instill confidence in the stockholders by emphasizing the simple but central corporate virtue of leadership. Jack Smith's letter gives the impression of vision and determination, character issues that are essential for a corporation that is seen as being in crisis. Smith talks about leadership, emphasizing that while GM has new and relatively young leadership, that leadership is "experienced," they "know what the problems are," and they are "well positioned" to take advantage of growth in international markets (p. 2). Each of five members of Jack Smith's management team are described with action verbs—"leads," "heads," "guides," "insists," and "envisions"—that suggest leadership qualities. Finally, he points out throughout his letter that General Motors has new values and a new vision. This combination of terms—"vision," "youthful energy," and "experience"—all suggest that the very character of General Motors has changed and changed in a way that makes renewed prosperity possible. As Lal might argue, this is the kind of argument that

cannot be made effectively with financial data.

Smith also deals with the touchy subject of downsizing. Here, he places blame not on the employees but on the company itself. While this might be seen as humility, Smith makes it clear very quickly that sometimes one must make hard choices to survive in the current global market. He is sorry that the thousands of people who have been fired have lost their jobs, but he saw no other choice. In this, he simultaneously presents two virtues—regret over having to hurt thousands of workers but at the same time unyielding loyalty to the greater mission of restoring General Motors to prosperity—that suggest what kind of leader he is. In doing so, it is likely that Smith chose to present his leadership style in a manner that was likely to be more palatable to the stockholders reading the report than the workers who had either lost their jobs or known people had had lost their jobs.

There is an emphasis on action in this report. The front cover of the report boldly announces that "GM Is Accelerating its Progress" (the actual title—General Motors Annual Report 1992—is in the smallest font that appears on the title page), that the company is "streamlining operations, improving competitiveness, and reducing costs." Section headings are simply "New vision, new values," "How we will win," and "where we are winning." Smith focuses on the fact that General Motors has already become more streamlined and efficient. 13,500 employees at the central office have been reduced to 2,300. Smith says his team has "acted quickly and decisively to stop the financial bleeding. We speeded up our cost-reduction initiatives. We moved quickly to initiate a single, global sourcing strategy...we accelerated the introduction of common systems and processes" (p. 2). When Smith discusses future action, he begins each item on his list with "we must," suggesting a determination to continue what has already been started.

There is an interesting difference between the two reports. While Stempel focused on laying blame outside the company (while maintaining the virtues of humility and awareness by admitting that a little of the trouble may have been General Motors' fault) and explaining what he planned to do in the future, Smith seems more active. More of his letter is focused on proving his leadership for the company by showing stockholders what has already been done.

As Kenneth Burke reminds us, we always run out of time to say everything we want to say. I would like to close by revisiting the main points I have made so far. First, I believe the annual report genre to be one worth studying, not only because of the influence the genre has on contemporary audiences, but because the apparent dominance of nonartistic proofs such as financial data belie the genre's rhetorical richness. In particular, areas such as document design and readability have barely been scratched. Further, I would argue that the artistic proofs of annual reports affect audiences in significant ways. Finally, I would suggest that it may be helpful to treat annual reports as both judicial *and* ceremonial rhetoric. Annual reports are judicial in that they set out to prove to the audience what the company has done for them. They are ceremonial or sermonic in that they use such devices as the letter from the CEO and testimony from representative members of the corporate community to argue the vision and corporate virtues of the organization.

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