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The Impact of Socially Responsible Reporting on Successful Corporate Operations

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The aim of our research was to study the impact and purpose of the reporting on socially responsible conduct on the success of corporate operations. The data and information were gathered with the quantitative research method, whereas the instrument for gathering them was a questionnaire that was distributed among 759 large and medium sized organisations from the field of market services in the Republic of Slovenia. We have established that activities aimed at socially responsible conduct are directly connected with the success of corporate operations, especially the revenue ($p = 0.001$), the profit of a company ($p = 0.000$), operational growth ($p = 0.007$) and operational economy ($p = 0.002$), and are typical for organizations with a larger number of employees ($p = 0.032$). In this regard, the real estate and construction market activities received the lowest scores. Research results provide theoretical as well as practical benefits for everyone dealing with the planning, implementation and control of sustainable development, as well as socially responsible conduct within the organization.

Key words: sustainable development, social responsibility, market services, operational success

1 Introduction

Socially responsible conduct by organizations is in favour of the society, and can be the foundation of a long-term development and growth of said organization. With the questionnaire directed at the members of top management of organizations from the field of market services we wanted to study the expectations and objectives of reporting on social responsibility, and their impact on improving operational results. According to historical data, every society fails when social responsibility as the crucial element of ethical attitude disappears since it prevents narrow-minded and short-lived selfishness (Mulej and Hrast, 2012). The paradigm of social responsibility in general is gaining popularity within the global social environment (Avolio and Gardner, 2005). The focus is shifting towards the organisation's management in the field of employee motivation and constant adaptation to market demands (McAlister et al., 2005; Amabile and Kramer, 2007, 72-83; Daft, 2010; Yukl, 2010), towards new technological advancements, innovativeness, sustainable development of the organization (Becker et al., 2003; Wilson, 2010), and generally towards the knowledge management of the employees in the organization (Hron, 2004; Ortenblad, 2004; Nohria et al., 2008; Dimovski et al.,

2010). Also the demands and expectations of consumers keep changing. They require from the employees in those organizations to constantly adapt to the social environment, they demand an approach to the operational development as well as the creation of added value that is more and more innovative (Schwarz and Carroll, 2003; Kaplan and Norton, 2006; Jeston and Nelis, 2008; Markič et al., 2012).

In the current economic situation in the European Union, it is being explicitly emphasized that socially responsible conduct by organizations is no longer a lonesome or self-sufficient initiative to change the business environment. It is much more the most suitable tool for resolving critical socially-economic issues in the society (Mulej and Hrast, 2012). The principles and guidelines of social responsibility are outlined in the most recent release of the ISO 26000 standard, which links the principles of management with the business excellence model EFQM (Green paper, 2010; ISO 26000, 2010). The latter is especially important in the service industry since services are provided by suitably qualified and motivated employees. That is why mutual trust, personal and business reputation, as well as ethical operations of an organization and its employees are the basic conditions that need to be fulfilled in order to assure a successful cooperation with the consumers in the long-term (Windsor, 2006; Celinšek and Markič, 2008).

In all developed economies, services in general represent the biggest and growing economic sector from the viewpoint of employment, social capital, and added value. That is why the competitiveness of services is the key determining factor of growth and welfare in modern economies. Besides, services that are directly linked to products or production also play an important role in assuring the competitiveness of the industrial sector. The employment potential of the service sector has been changing significantly over last 50 years. According to Eurostat data for 2011 the employment share in the service sector in Slovenia is 67.26%, whereas the average number in the EU member states is as high as 76.98% (in 2008, the average was 75.79%) – the number is highest in the most well developed EU member states. A very important role of social capital in the global economy plays the field of “market services” as defined by Panorama of European Business. For EU member states, the share of “market services” in the total capital raised in 2011 was 48.09%, whereas it was 43.45% for Slovenia, which means an increase from 42.29% in comparison with the year of 2008 (Eurostat, 2012).

Successful organizations propel the development of business excellence and social responsibility models for a comprehensive improvement of the competitiveness of a state. The EFQM business excellence model can serve as an example of integration and as a system for the improvement of an organization's operational success on the basis of the integration of models and leadership standards (Singhal and Hendricks, 2004; Bukovec and Markič, 2008). Numerous studies worldwide and in Slovenia confirm that the connection between social responsibility and economic success has been identified (Kern Pipan, 2010). Therefore Bakker et al. states that 127 empirical studies were reviewed in 2003. Mostly, they confirmed the positive link between individual key components of social responsibility and a financial success of an organization (Bakker, 2008). There have also been international studies on the meaning of social responsibility and its impact on the operational success of companies conducted. They included organizations from the Republic of Slovenia (KPMG, 2005; KPMG, 2008) that in the first place pointed out very limited awareness and generally gravely insufficient reporting on the crucial meaning of social responsibility principles and their consideration in their business environment. What is more, organizations merely acknowledged socially responsible conduct as highly limited forms of sponsorships and donations to non-governmental organizations and associations. They were mostly unfamiliar with environmental aspects, sustainable development, excellence, and the improvement of operations. Also Bodlaj in his research statistically proves the direct connection between market focus of an organization in the social environment, innovations, and business excellence. Integrated standards of managing an organization have been established as the starting point of this link (Bodlaj, 2009).

In Slovenia, a formal quality and excellence strategy until 2015 has already been developed (SFBE, 2011). Also a national strategy of social responsibility according to the international standard ISO 26000 has been elaborated as an upgrade of excellence models, which significantly supports the resolution of the global social and economic crisis under the current circumstances. But as a matter of fact, no real

effect has been observed in business practices, especially in the field of understanding the meaning and benefits of sustainable reporting on socially responsible conduct, whereas this is the most evident in the service sector (Fink Babič and Biloslavo, 2012). The latter can even be the key to economic development and the growth of the entire society, especially under these critical economic circumstances. Innovations and a revamp of business processes, suitable motivation of employees, constant improvement of competencies of managers and the whole workforce, development and research, as well as creating a higher added value in the operations of an organization are inevitable in order to enable a long-term development and growth of the organization (Kottler and Lee, 2004; Verle et al., 2012).

In the context of the research, we created the following hypothesis H1: “Reporting on the social responsibility to external stakeholders is more characteristic of organizations with successful operations.” With the hypothesis, we want to assess the impact of socially responsible reporting on operational success. Therefore the purpose of this article is to research the impact and the actual meaning of reporting on socially responsible conduct on operational success of medium sized and large organizations from the market services sector in the Republic of Slovenia.

2 Methodology

The quantitative research method, as described by Easterby-Smith, Thorpe and Jackson (2008), served as the foundation for the drafting of the questionnaire. Based on the findings of pilot testing performed in August 2012, we prepared the final version of the questionnaire, which comprised 11 groups of questions. All the selected variables within individual groups measure the field in question or its dimension. In order to prepare the content of the questionnaire, we used some of the existing measurement instruments from previous research, i.e. the questionnaire at the Horus award (Mulej and Hrast, 2012) on the influence of constant improvements and human capital (Kern Pipan, 2010), correlation between social responsibility and financial success of organizations (Gray and Milne, 2004; Porter et al., 2006; Bakker, 2008; Margolis and Elfeibein, 2008), as well as the meaning of social responsibility in Slovenian organizations (KPMG, 2008; CSR, 2009; KPMG, 2011; Fink Babič and Biloslavo, 2012). For the evaluation of questions, we used the 5-grade Likert scale for comparing individual results of the research with previous studies, and their effective processing with the SPSS software.

Within the poll that was carried out in September 2012, we distributed the questionnaire among 759 organizations registered in the “market services” sector. The questionnaire was usually addressed to senior executives (members of the management board, executive officers) as the representatives of top management, who also carry the greatest responsibility for taking the principles of social responsibility into consideration, and for the operational success of their organization. The purpose of the questionnaire was to obtain a written assessment of the impact of internal and external aspects of social responsibility – in the forms of activities and report-

ing. At the end of the poll, the data were exported from the "FluidSurveys.si" environment and imported into the SPSS software suite. All gathered primary data were statistically analysed using suitable descriptive and inferential statistics. We used a normality test (the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test) to examine the distribution of the gathered data and determine the statistical characteristic in most cases (one-way t test). With the Spearman's rank correlation coefficient, we examined the connection between the aspects of activities and reporting on socially responsible conduct within the organization and in the social environment. Whereas with the independent samples nonparametric test (Kruskal-Wallis), we examined the existence of characteristic differences with regard to the activity sector, size, productivity, efficiency, and ownership of the organization.

According to the official data of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), there were altogether 759 registered companies under the "market services" designation (according to the Standard Industrial Classification of the Republic of Slovenia 2008 under the codes D through N) in the Republic of Slovenia on 31 March 2012 – 635 medium sized (50–249 employees) and 124 large (more than 250 employees). When sampling the organizations for the study we took the actually crucial impact of market services or services as sources of income provided by medium sized and large companies on the social product creation, their immediate influence on socially responsible conduct, and their fundamental focus on the expertise and certification of quality standards as well as the EFQM business excellence model. There are virtually no micro or small organizations in the field of "market services" (with less than 50 employees) whose conduct and reporting on socially responsible conduct would have a significant impact, or that have obtained quality certificates or other excellence models in Slovenia. They also do not boast of Awards of the Republic of Slovenia for Business Excellence. By sampling the organizations in the study that way, we could more reliably confirm the importance of factors of socially responsible conduct and reporting thereof on management systems in the field of market services that have the strongest impact on the social environment.

3 Results

136 participants across all fields of "market services" activities in the Republic of Slovenia filled out the entire questionnaire. The highest number (19 each) were executives from the fields of commerce, banking and insurance, as well as various other fields of economic activity (14% of all participants each). 41 questionnaires (31.2%) were filled out by representatives of large organizations (more than 250 employees), 67.7% participants were members of top management, 69.1% participants had at least a bachelor's degree or an equal level of tertiary education. The average age was 44 years and the average years of employment in the company they run was 14 years. The number of participants (136) out of total 759 invited organizations means a 17.9% participation share, which is acceptable for the integrity of the statistical analysis of data from this

research. The structure of the participating organizations in % by field of activity is shown in Table 1.

Table 1: Share of Organizations Participating in the Research – by Field of Activity

Field of activity	Share %
Commerce (G)	14.0
Finance and insurance (K)	14.0
Other various business activities (N)	14.0
Transport and storage (H)	10.3
Professional, scientific and technical activities (M)	10.3
Electricity, gas and steam supply (D)	8.1
Water supply, sewage treatment (E)	8.1
Construction (F)	8.1
Hospitality (I)	6.6
Information technology and communication (J)	3.7
Real estate (L)	2.2
No response	0.7

Social responsibility activities are usually conducted by the employees in an organization. They are directed towards a comprehensive environmental protection (waste sorting, energy efficiency), providing a safe and healthy work environment, respecting values and codes of conduct, efficient communication on all management levels, team work, and generally improving operating results and the development of the organization. The results of the research on the reporting about social responsibility in the form of activities are shown in Table 2.

With the one-way t test, we have confirmed that a large majority of companies execute all activities that are bound to external reporting. The only parameter with an above average rating is the sponsorship of events taking place in the local environment ($p = 0.410$). With the Spearman's rank correlation coefficient, we established how the reporting on social responsibility by means of activities of the employees in an organization is connected with the characteristics of the companies – with the revenue ($p = 0.001$), profit ($p = 0.001$), operational growth ($p = 0.007$), number of employees ($p = 0.032$), and the economy of a company ($p = 0.002$). We wanted to know if various activities from the field of socially responsible conduct executed in large "market services" companies impact the operation, revenue, profit, operational growth, economy, and productivity, which was demonstrated with the Spearman's rank correlation coefficient in Table 3.

The forms of reporting on socially responsible conduct have already been established in mostly large organizations from the sector of "market services". How they might be linked to the operational success, the field of activity, and the ownership of the organization is shown in Table 4.

With regard to the one-way t test we can confirm the statistically characteristic above average reporting on social

Table 2: Descriptive statistics – reporting in the form of activities

REPORTING in the form of activities	N	M	Me	Mo	St. Dev.
Our company promotes waste sorting, electricity and heating energy efficiency, as well as water conservation	136	4.6	5.0	5	0.627
Preventive activities in the field of occupational health and safety are a part of all operational processes.	136	4.1	4.0	4	0.820
In our organization, we regularly analyse processes and products/services in order to keep improving the organization, as well as its success and performance.	136	4.1	4.0	5	0.872
Our company encourages its employees to participate in team work and to strive for open communication by giving them an opportunity to participate in various sports, leisure and entertainment activities in a broader social environment (cycling, trekking, entertainment events).	136	4.1	4.0	4	0.953
In our company, we acknowledge the understanding of and the commitment to values, culture, and the code of socially responsible conduct of all employees.	136	4.0	4.0	4	0.834
As a rule, our company introduces environmentally friendly technologies into its products/services.	136	4.0	4.0	4	0.834
Our company encourages its employees to strengthen multiculturalism and tolerance towards others also by encouraging them to participate in charity activities and philanthropy in a broader social environment (blood donation, assistance to elderly citizens).	136	3.7	4.0	3	1.04
Our company regularly takes part in environmental cleanups and landscaping activities in a broader social environment.	136	3.6	4.0	4a	1.16
Our company provides regular donations to organizations that dedicate themselves to helping children and adolescents (e.g. organizing seaside vacations, events for children, setting up recreational surfaces).	136	3.5	3.0	3	0.981
Our company encourages its employees to participate in various cultural events in their local environment.	136	3.4	3.0	3	1.05
Our company provides regular sponsorships to professional and scientific conventions from our field of operation.	136	3.3	3.0	3	1.10
Our company provides regular sponsorships to sports clubs and events taking place in our local environment.	136	3.2	3.0	3	1.09
Our company provides regular sponsorships to entertainment and cultural events taking place in our local environment.	136	3.1	3.0	3	1.03

Table 3: Spearman's rank correlation coefficient – reporting (activities) and characteristics of companies

Reporting – Activities	Revenues	Profit	Operational growth	Number of employees	Productivity	Economy
r	0.284**	0.392**	0.240**	0.186*	0.159	0.284**
p	0.001	0.000	0.007	0.032	0.080	0.002
N	123	114	124	134	122	113

Legend: r – correlation coefficient; p – level of importance, N – number of participants

responsibility for some apparently already well established forms of reporting, whereas a statistically below average for other forms of reporting, also bound to various forms of communication with the public and the employees – shown in Table 5.

With regard to the Spearman's rank correlation coefficient of the reporting on social responsibility, we assessed the connection with regard to the characteristics of companies – the field of activity ($p = 0.028$), the revenues of the company ($p = 0.000$), profit ($p = 0.000$), number of employ-

Table 4: Descriptive statistics – reporting in the form of reports

REPORTING in the form of reports	N	M	Me	Mo	St. Dev.
7a – In the annual report, we present all the activities of social responsibility and sustainable development.	136	3.9	4.0	4	1.033
7e – Via the internal newsletter or other means of internal communication, the management regularly informs the employees about the key aspects of the company's social responsibility.	136	3.6	4.0	3	1.079
7b – Socially responsible activities are presented on the company's website.	136	3.5	4.0	3	1.192
7g – The results of socially responsible conduct are presented at various meetings with customers, suppliers, and the local community.	136	3.2	3.0	3	0.971
7f – Socially responsible conduct is presented at forums, conferences, and professional symposia.	136	3.0	3.0	3	1.180
7d – Socially responsible conduct is presented several times a year at press conferences and media briefings.	136	2.9	3.0	3	1.137
7c – We actively participate in bidirectional online communication (blogs, social networks, such as Facebook, Twitter, etc.).	136	2.7	3.0	2	1.215

Table 5: One-way t test – reporting in the form of reports

	Test Value = 3				95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
reporting_7a	9.959	135	0.000	0.882	0.71	1.06
reporting_7b	5.251	135	0.000	0.537	0.33	0.74
reporting_7c	-2.681	135	0.008	-0.279	-0.49	-0.07
reporting_7d	-1.056	135	0.293	-0.103	-0.30	0.09
reporting_7e	6.996	135	0.000	0.647	0.46	0.83
reporting_7f	0.000	135	1.000	0.000	-0.20	0.20
reporting_7g	2.648	135	0.009	0.221	0.06	0.39

Table 6: Spearman's rank correlation coefficient – reporting in the form of reports and company's characteristics

REPORTING – REPORTS	Field of activity	Ownership	Revenues	Profit	Operational growth	No. of employees	Productivity	Economy
r	-0.189*	-0.049	0.486**	0.329**	0.119	0.346**	0.228*	0.163
p	0.028	0.576	0.000	0.000	0.189	0.000	0.012	0.085
N	135	135	123	114	124	134	122	113

Legend: r – correlation coefficient; p – level of importance, N – number of participants

ees ($p = 0.000$), and its productivity ($p = 0.012$) – shown in Table 6.

With the Kruskal-Wallis test, we assessed the reporting on social responsibility with regard to the ownership of organizations participating in our research – shown in Table 7.

With the Spearman's rank correlation coefficient, we evaluated Hypothesis H1, thus examining if more successful companies are more eager to report on social responsibility by means of activities or reports, which is shown in Table 8.

Table 7: Kruskal-Wallis test – ranks, reporting by means of reports with regard to the ownership

	Ownership	N	Mean Rank	M
REPORTING – REPORTS	mixed	11	92.23	3.81
	foreign (> 50%)	12	81.08	3.52
	domestic state owned (> 50%)	44	79.25	3.50
	public institution	6	62.83	3.07
	domestic private (> 50%)	62	53.69	2.96
	Total	135		3.26

Table 8: Spearman's rank correlation coefficient – operational success and reporting

		Productivity	Economy	Revenues	Profit_loss	Operational growth
REPORTING_ACTIVITIES	r	0.159	0.284**	0.284**	0.392**	0.240**
	p	0.080	0.002	0.001	0.000	0.007
	N	122	113	123	114	124
REPORTING_ REPORTS	r	0.228*	0.163	0.486**	0.329**	0.119

Legend: *r* – correlation coefficient; *p* – level of importance, *N* – number of participants

4 Discussion

The aim of the research was to obtain new aspects, knowledge, and information about the meaning and impact of the connection between internal and external viewpoints on socially responsible conduct and reporting on the success of the operations of large market services organizations. The most crucial are the results of the correlations between socially responsible conduct, socially responsible reporting, and economic success, which is the foundation of an organization's sustainable development.

The research verified the presumption that the representatives of top management in organizations gave highest scores (with regard to the reporting on socially responsible conduct) to the field of environmental protection, especially to the promotion of waste sorting, electricity and heating energy efficiency, as well as water conservation. When it comes to socially responsible activities, there is also a lot of emphasis on occupational health and safety for employees, promotion of team work, as well as continuous improvement of work processes, which are aimed at improving operational results. Activities aimed at socially responsible conduct have been confirmed to be directly connected with the characteristics of companies, especially the revenue ($p = 0.001$), the profit of a company ($p = 0.000$), operational growth ($p = 0.007$) and operational economy ($p = 0.002$), and are typical for organizations with a larger number of employees ($p = 0.032$). With regard to the current business environment, the real estate and construction market activities received the lowest scores, which serves as an additional evidence of the expressive economic crisis in the current social environment.

When executing social responsibility in the form of reporting, annual reports for reporting to the public outside the company and presenting the operational results via a website have established themselves as the most common practices, whereas reporting to employees rather takes place as an internal newsletter or other forms of communication. Communicating via social networks or presenting results at traditional conferences, forums, or meetings for partners and the media have established themselves to a much lesser extent. With regard to the ownership of an organization, reporting on socially responsible conduct has been acknowledged very well in case of mixed ownership or if majority owners are foreigners. The score is much lower in case of domestic private ownership or public institutions.

Results from our research are mostly in line with the findings from other studies, especially those that included organizations from Slovenia (KPMG, 2005; KPMG, 2008). The results state that the management in numerous organizations still understands the role and weight of socially responsible conduct when reporting to their social environment, but in practice it is still not evident enough in the implementation of systematic work process improvement (and thus the improvement of operational results). The results are also accordant with the statement that only the business excellence of organizations and their socially responsible conduct can be in favour of the society, and can be the foundation of a long-term development and growth of us all (Mulej and Hrast, 2012).

The results of the research have also demonstrated that companies with significant revenues, high profits, strong operational growth, and with an economical operation to a large extent report on socially responsible activities with the help of the activities in which their employees take part. Companies

with high revenues, high profits, and an even more significant productivity to a large extent report by means of reports.

We can therefore confirm the Hypothesis H1 made in the research; systematic reporting on their socially responsible conduct by means of activities and reports is characteristic for companies with high revenues and profits. The research was also based on the presumptions (a) that the portfolio of the stated scientific and expert literature from the fields of quality management, excellence models, and social responsibility standards is extensive enough to allow for a suitably comprehensive approach to the described study method; (b) that the formation of social responsibility factors has to include a growing number of requirements regarding environmental protection, and protection of the rights of consumers and employees, also because of the impact of the most recent global changes in business environments; (c) that especially large and medium sized organizations have a significantly stronger influence on the implementation of the factors of socially responsible conduct; and (d) that senior executives in the organizations possess more extensive knowledge and assume a bigger responsibility in understanding and respecting social responsibility factors. We have also identified some limitations stipulating that only large and medium sized organizations from the field of market services in Slovenia (which otherwise have a predominant influence on the social development) could be included in the research, and that usually only more successful organizations that at the same time assume a higher level of social responsibility can partake in the response to the research. We invited senior executives, who are usually better acquainted with the approaches and principles of social responsibility (as well as understand them better), and assume personal responsibility for the operational results of the organization, to participate in the research. The results of our research can be a good starting point for further studies of the importance of the aspects of social responsibility reporting for operational success, codependency, and the sustainable growth of an organization.

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Vpliv vidikov družbeno odgovornega poročanja na poslovno uspešnost

Namen naše raziskave je bil proučiti vpliv in pomen poročanja o družbeno odgovornem ravnanju na uspešnost poslovanja organizacije. Podatke in informacije smo zbrali s kvantitativno metodo raziskovanja, kot pripomoček za zbiranje pa smo uporabili vprašalnik, ki smo ga posredovali vsem 759 velikim in srednje-velikim organizacijam na področjih izvajanja tržnih storitev v Republiki Sloveniji. Ugotovili smo, da imajo aktivnosti družbeno odgovornega ravnanja neposredno povezanost z uspešnostjo podjetij, posebej na prihodek ($p=0,001$), dobiček podjetja ($p=0,000$), rast poslovanja ($p=0,007$), na ekonomičnost poslovanja ($p=0,002$) ter je značilno za organizacije z večjim številom zaposlenih ($p=0,032$). Pri tem so najnižje ocenjene dejavnosti poslovanja z nepremičninami in gradbeništva. Izidi iz raziskave ponujajo tako teoretične kot tudi praktične koristi za vse tiste, ki se ukvarjajo z načrtovanjem, izvajanjem in obvladovanjem trajnostnega razvoja in družbeno odgovornega ravnanja v organizaciji.

Ključne besede: trajnostni razvoj, družbena odgovornost, tržne storitve, poslovna uspešnost

Human Resources Annual Interview as a Part of Authentic Leadership

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In the paper one of the techniques used in human resource management annual interview as an important part of authentic leadership is discussed. Authentic leadership is the most important matter at the present moment in leadership development and emphasizes the leader's authenticity. For a leader to be authentic we believe he should have an in depth knowledge of people he is working with and that can be achieved through communication. One of the standardized forms of communication between a leader and his coworkers are annual interviews. In the research where 565 people participated we found out that annual interview is an important part of human resource management and is closely related to authentic leadership. The relation is especially relevant in the part of managing and collaborating with colleagues and subordinates.

Keywords: HRM, annual interviews, authentic leadership, communication

1 Introduction

Annual interviews are one of the techniques used in human resource management and are a very efficient leadership tool which is, when properly used, very interactive and has positive effects on the working environment and the work itself. Annual interviews are often used also as a tool to research work climate and work culture and above all as a way to find out what are the work discrepancies and how to motivate employees. Annual interviews are also a way to pass information on to the employees and to include the employees into the decision making process and the organizations functioning.

Authentic leadership is the latest evolutionary stage in leadership development and emphasizes the leader's authenticity. For a leader to be authentic we believe that one should have an in depth knowledge of the people with whom he is working which can be achieved through communication. One of the standardized forms of communication between the leaders and their coworkers are annual interviews.

These two terms are the main point of discussion in our study. With enough knowledge about annual interviews and authentic leadership we can make a new form of leadership that could suit all of the needs of employees in organizations of our time.

The aim of the study is to present, explore and outline the relationship between the use of the annual interviews process and authentic leadership in organizations. We have conducted our study in Slovenia. With the aim of improving

the annual interview process in organization the authentic leadership model is an answer to the call for new form of leadership that would suit the needs of employees in modern organizations (Dimovski et al., 2009). Hence, the focus of this study is on the impact that human resources annual interview has on authentic leadership. Implementation of the annual interview process in modern learning is based on leadership – direct influence on followers and should start at top management which must show with their behavior and open dialog that it is ready to dedicate itself to constant improvement (Phillips, 2003). The basic idea behind this paper is that human resources annual interviews are very important when trying to be an authentic leader in a learning organization. However, to be an authentic leader in a learning organization it is essential to know very well oneself and the organization in order to know what needs to be improved or changed.

We will determine the correlation between various aspects on the use of annual interview and authentic leadership and test how variables of the annual interviews concept determine various aspects of authentic leadership.

2 Human resources annual interview and authentic leadership

Human resource management (HRM) is the strategic and coherent approach to the management of an organization's

most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business (Armstrong, 2006). Valid theories in HRM provide frameworks for predicting, understanding and influencing the thoughts, feelings and behaviors of employees in the workplace. HRM theories also provide guidance for designing interventions and interpreting the results (Latham & Stuart, 2007).

Armstrong (2006) states that the terms "human resource management" and "human resources" (HR) have largely replaced the term "personnel management" as a description of the processes involved in managing people in organizations. HRM functions (selection, compensation, appraisal etc.) are closely linked to the traditional concept of the job and via this connection to various performance outcomes (Cardy et al., 2007) and they appear by employing one or more employees (Sezer, 2009).

Focusing on organizational performance mainly from financial stakeholders' perspective is no longer sufficient (Colakoglu et al., 2006). Human resource systems are related to firm performance (Arthur and Boyles, 2007). Effective management of people is increasingly recognized in the literature as a vital contributor to organizational performance and indeed survival (Jack et al., 2006).

Iles et al. (2009) are comparing HRM to talent management (TM) and asking themselves whether TM is merely a re-packaging of what already exists, not being distinct from traditional HRM practices or disciplines. In TM a lot of time is spent on discussing to the development of the asset.

Others suggest that the role of HRM practices should be linked with the functioning of PM teams in order to understand to what extent it may condition knowledge creation processes (Bellini and Canonico, 2008).

Changes in competitive environments are resulting in changes to the nature of work. The level of success in light of these organizational changes will largely be determined by how effectively people are managed in the new organizational environments and those HRM practices that adapt to the new organizational conditions can add tremendously to the business and be a key to long-term competitiveness (Cardy et al., 2000). For instance, some discuss the role of HRM practice in developing the informed workplace (Othman & Teh, 2003). HRM also plays a major role in times of major transformations or strategic change (Den Hertog et al., 2010).

2.1 HR Annual interview

The annual interview is an in-depth discussion between the leader and a co-worker, throughout which they talk about everything that might improve: their relationship, working conditions, employee's motivation and employee performance. The interview gives an overview of past, present and future plans. The interview is carried out regularly at the same periods of time but at least once a year. In some organizations regular interviews every six months are being put in practice in some even regularly every quarter. It is advisable to start with an annual period of time and gradually shorten this period when managers and staff interviews are already familiar with it (Majcen, 2001: 15).

The annual interview gives the basis for evaluating performance at work, planning further development, education and employees career. Often this type of conversation is the only opportunity offered to an employee in a full year to align his aspirations and expectations with the requirements and expectations of the company (Brečević, 2000: 77.).

We would recommend to the companies to repeat interviews regularly, at least once per year so that the positive effects of the interviews would not be lost. That is also where the title of an annual interview comes, from the time period in which it should be at least once executed.

The annual interview between the manager and workers is the highest level of human resource management. The interview is therefore not intended to criticize the employee's work, behavior or conditions in which they work. Description of the terms is a simple declaration of the current state and the starting point for improvement. In-depth and systematic conversations at least once a year are the only real basis for individual career planning and at the same time they also benefit managers and the company. Annual interviews are not just an administrative procedure; they are means of creating a common vision, purpose and reason of the existence of the organization, informing the individual that understands how to contribute to the success of the entire company (Brečević 2000: 77).

2.2 Authentic leadership

A look at the taxonomy of the concept of authentic leadership will show us that leading researchers from the field of organizational behavior are interested in it (Luthans and Avolio 2003; May et al. 2003; George 2003; Avolio et al. 2004a; Gardner and Schermerhorn 2004; Avolio and Gardner 2005; Gardner et al. 2005; Iles et al. 2005; Sparrowe 2005; Copper et al. 2005). First Slovenian researchers to dedicate the attention to authentic leadership and development of positive organizational identity of learning organization are Penger (2006), Peterlin (2007) and Dimovski et al. (2009). Multi-dimensional influence of authentic leadership that reaches all employees is the main reason why so many researchers are looking into it.

The essence of authenticity is knowing oneself, accepting and remaining who you really are. Instead of accepting authenticity as a theoretical construct it is better to understand it as element of continuum where leaders and their followers are becoming more and more authentic the more they are preserving their true values, preferences and identity (Copper et al., 2005). Authentic leaders follow five dimensions (George, 2003): understanding their purpose, practicing solid values, leading with heart, establishing connected relationships and demonstrating self-discipline. Authentic leaders are people with high level of authenticity: they know who they are, what they believe in, what they appreciate and in interaction with others they act in accordance with their values and believes (Avolio and Gardner, 2005). Authentic leaders are self-confident, full of hope and trust, optimism and ethical (Cooper et al., 2005).

Main advantage of an authentic leadership is the chance for constant development that its environment and philosophy enables (Gardner and Schermerhorn, 2004). Crucial challenge of an authentic leadership demonstrates itself in the awareness of leaders that an individual is the most important part in the organizational network of knowledge (Storr, 2004; Sparrowe, 2005). Authentic leaders need to identify the advantages of their followers and help them to develop them and connect them with common goal, purpose, vision and identity of the organization. Even though authentic leadership may have direct impact on the behavior of followers (Jensen and Luthans, 2006; Ilies et al., 2005; Gardner et al., 2005; Harvey et al., 2006), its impact is much stronger and motivating if followers identify with their leaders. Consequently, the main thesis of this paper is that authentic leadership enables, support and progress the annual interview process with positive outcomes for parties, client and the interviewer. We claim that authentic leadership practices need to be developed in order that management can learn more effectively and consequently transfer knowledge with the aim of improving the positive effects of annual interviews.

Authentic leader's dedication to progress and development, starting at one's self, works as an indispensable example for co-workers. Authentic leaders need to be committed to constant learning (Schein 1992) that requires self-changing, high level of motivation for learning from one's mistakes, emotional power for dealing with fear and unpredictability, ability for establishing connected relationships and demonstrating self-discipline and self-trust.

3 Methodology

Research questions

Our study attempts to investigate three questions that emerge from the preceding discussion. Through the research, we attempt to determine:

R1: Are various determinants of annual interview and the concept of authentic leadership related and in which manner?

R2: How are the main variables that are constructing the concept of authentic leadership determined by the variables constructing the annual interview?

R3: Which interviews are perceived as more necessary: once per year or as-we-go?

Our survey first sought to determine the relation between annual interviews and the concept of authentic leadership and to determine in which manner they are related. With that issue we wanted to confirm that annual interviews give the basis for evaluating performance at work, planning further development, education and employees' career.

Second we tested how variables of the annual interviews concept determine various aspects of authentic leadership. We believe that not all variables of the annual interviews concept affect various aspects of authentic leadership in the same manner to the same extent.

The survey also investigated whether organizations perceived as more necessary one per year interviews or as-we-go interviews. Authors would like to recommend to practitioners to conduct interviews regularly, at least one per year. It is the only way that the positive effects of the interviews would not be lost.

Sample

Participants in this study were selected randomly. The subjects were invited to individually respond to a questionnaire. Participation was voluntary. The questionnaire was prepared based on the previously described theory and given to interviewers whose assignment was to randomly select respondents and bring back the filled out questionnaires. A total of 565 complete responses were obtained.

The sample consisted of 283 men and 282 women (n=565). The age range of the respondents was between 21 and 66 years. The average age of the respondents was 36 years and 3 month. The questionnaire was of the closed type.

For questions 3 to 25 we calculated the Cronbach's alpha coefficient. The value calculated is 0.874, which indicates great reliability of measurement. With regard to the composition and characteristics of the sample, we believe that it is representative.

Instrument and Variables

The questionnaire was of a closed type and contained 25 questions referring to the following:

- A. General data
 1. age
 2. gender
- B. Annual interviews
 3. We use annual interviews in our organization.
 4. We perform informal interviews in our organization.
 5. I can always state my opinion at the annual interview.
 6. At the annual interview, I feel that my "leader" really listens to me.
 7. At the annual interview, I feel that my "leader" understands me.
 8. At the annual interview I feel comfortable.
 9. At the annual interview speaks mostly just the "leader".
 10. At the annual interview the "leader" encourages me.
 11. I have the feeling that the leader is well prepared for the annual interview.
 12. Annual interviews are needed.
 13. Ongoing discussions are needed.
 14. At the annual interview I speak only the truth.
 15. At the annual interview I am also critical.
 16. I receive feedback from my superiors.
 17. Talking to my superior motivates me.
- C. Authentic leadership (What is your leader like?)
 18. Leader has a positive attitude towards work and colleagues.
 19. Leader is optimistic and has a strong personal self-image - a strong "I".

20. Leader gives hope for the development of solutions.
21. Leader builds trust among colleagues.
22. Leader has a lot of psychological support from colleagues.
23. Leader has a high degree of personal self-esteem.
24. Leader is primarily focused at finding the positive values of colleagues.
25. I personally identify myself with the leader (we have "the same view of the world").

Questions from 3 to 25 were measured on a scale ranging from 1 – I absolutely disagree to 5 – I absolutely agree.

4 Results and Discussion

In Table 1 the frequency for the variables is shown. As it can be seen from the table, the highest mean value among

the variables constructing annual interviews has the variable "Ongoing discussions are needed" (3.94) and the highest mean value among the variables constructing authentic leadership has the variable "Leader has a positive attitude towards work and colleagues" (3.73). In Appendix 1 the Pearson R Correlation Coefficients are shown for the above described variables.

With the predictors which were used to describe the "use of annual interviews" 31.9% variance of "Leader has a positive attitude towards work and colleagues" is explained. "I have the feeling that the leader is well prepared for the annual interviews" ($\beta=0.224$) has the most influence.

With second predictors which were used to describe the "use of annual interviews" 23.9% variance of "Leader is optimistic and has a strong personal self-image - a strong "I" is explained. "Ongoing discussions are needed" ($\beta=0.204$) has the most influence.

Table 1: Frequency table for the variables

	Mean	Median	Std. Deviation
Annual interviews			
We use annual interviews in our organization.	3,57	4	1,044
We perform informal interviews in our organization.	3,64	4	0,98
I can always state my opinion at the annual interview.	3,59	4	1,04
At the annual interview, I feel that my "leader" really listens to me.	3,34	3	1,001
At the annual interview, I feel that my "leader" understands me.	3,41	3	0,937
At the annual interview I feel comfortable.	3,33	3	1,008
At the annual interview speaks mostly just the "leader".	3,33	3	1,018
At the annual interview the "leader" encourages me.	3,48	4	0,91
I have the feeling that the leader is well prepared for the annual interview.	3,8	4	0,972
Annual interviews are needed.	3,74	4	0,975
Ongoing discussions are needed.	3,94	4	0,968
At the annual interview I speak only the truth.	3,65	4	0,844
At the annual interview I am also critical.	3,58	4	0,945
I receive feedback from my superiors.	3,66	4	0,903
Talking to my superior motivates me	3,34	3	0,974
Authentic leadership			
Leader has a positive attitude towards work and colleagues.	3,73	4	0,861
Leader is optimistic and has a strong personal self-image - a strong "I".	3,64	4	0,874
Leader gives hope for the development of solutions.	3,63	4	0,851
Leader builds trust among colleagues.	3,52	4	0,886
Leader has a lot of psychological support from colleagues.	3,39	3	0,869
Leader has a high degree of personal self-esteem.	3,61	4	0,85
Leader is primarily focused at finding the positive values of colleagues.	3,54	4	0,894
I personally identify myself with the leader (we have "the same view of the world").	3,32	3	0,959

Table 2: Regression analysis for the dependent variables: "Leader has a positive attitude towards work and colleagues", "Leader is optimistic and has a strong personal self-image - a strong 'I'", "Leader gives hope for the development of solutions", "Leader builds trust among colleagues", "Leader has a lot of psychological support from colleagues", "Leader has a high degree of personal self-esteem", "Leader is primarily focused at finding the positive values of colleagues", "I personally identify myself with the leader" and independent variables representing the "use of annual interviews" (n=565)

Standardized Coefficients Beta for dependent variable:	Leader has a positive attitude towards work and colleagues	Leader is optimistic and has a strong personal self-image - a strong "I"	Leader gives hope for the development of solutions	Leader builds trust among colleagues	Leader has a lot of psychological support from colleagues	Leader has a high degree of personal self-esteem	Leader is primarily focused at finding the positive values of colleagues	I personally identify myself with the leader
Adjusted R ² :	0,319	0,239	0,755	0,212	0,210	0,148	0,218	0,148
Predictors:								
We use annual interviews in our organization.	0,04	-0,052	-0,081	0,000	-0,054	-0,092	-0,078	-0,055
We perform informal interviews in our organization.	-0,056	0,126	0,024	-0,038	-0,015	0,085	0,034	-0,025
I can always state my opinion at the annual interview.	-0,084	-0,155	0,004	0,015	-0,005	-0,108	-0,084	0,059
At the annual interview, I feel that my "leader" really listens to me.	0,17	0,119	-0,008	0,067	0,061	0,097	0,126	0,076
At the annual interview, I feel that my "leader" understands me.	0,063	0,026	0,17	0,193	0,047	0,096	0,092	0,064
At the annual interview I feel comfortable.	0,098	0,002	0,022	0,021	0,178	0,07	0,059	0,029
At the annual interview speaks mostly just the "leader".	0,037	-0,02	0,139	0,094	0,096	0,059	0,04	0,117
At the annual interview the "leader" encourages me.	0,057	-0,012	0,005	0,035	0,092	-0,009	0,145	0,051
I have the feeling that the leader is well prepared for the annual interviews.	0,224	0,133	0,176	0,094	0,083	0,181	0,141	0,097
Annual interviews are needed.	-0,036	0,07	0,072	0,062	0,077	0,019	-0,016	0,04
Ongoing discussions are needed.	0,106	0,204	0,06	-0,013	-0,107	0,139	-0,036	-0,09
At the annual interview I speak only the truth.	0,044	0,038	0,059	0,083	0,214	0,127	0,067	0,062
At the annual interview I am also critical.	0,001	0,03	0,000	-0,069	0,016	0,033	0,032	-0,011
I receive feedback from my superiors.	0,086	0,064	0,148	0,121	0,056	-0,044	0,148	0,069
Talking to my superior motivates me.	0,172	0,189	0,056	0,099	0,033	0,042	0,048	0,145

With next predictors which were used to describe the “use of annual interviews” 75.5% variance of “Leader gives hope for the development of solutions” is explained. “I have the feeling that the leader is well prepared for the annual interviews” ($\beta=0.176$) has the most influence.

With fourth predictors which were used to describe the “use of annual interviews” 21.1% variance of “Leader builds trust among colleagues” is explained. “At the annual interview, I feel that my “leader” understands me” ($\beta=0.193$) has the most influence.

With fifth predictors which were used to describe the “use of annual interviews” 21.0% variance of “Leader has a lot of psychological support from colleagues” is explained. “At the annual interview I speak only the truth” ($\beta=0.214$) has the most influence.

With next predictors which were used to describe the “use of annual interviews” 14.8% variance of “Leader has a high degree of personal self-esteem” is explained. “I have the feeling that the leader is well prepared for the annual interviews” ($\beta=0.181$) has the most influence.

With eighth predictors which were used to describe the “use of annual interviews” 21.8% variance of “Leader is primarily focused at finding the positive values of colleagues” is explained. “I receive feedback from my superiors” ($\beta=0.148$) has the most influence.

With the last predictors which were used to describe the “use of annual interviews” 14.8% variance of “I personally identify myself with the leader (we have “the same view of the world”)” is explained. “Talking to my superior motivates me” ($\beta=0.145$) has the most influence.

Discussion

Through our research we were able to answer our first research question (R1): “*Are various determinants of annual interview and the concept of authentic leadership related and in which manner?*” on the correlations between the variables composing the use of annual interviews and of those composing authentic leadership. From Appendix 1 we can see that almost all of the variables representing human resources annual interview are related to the variables representing authentic leadership and with all except for nine the correlation is statistically significant. For ten of the 111 statistically significant correlations the correlation is significant at the 0.05 level (2-tailed) and for the remaining 101 the correlation is significant at the 0.01 level (2-tailed). Only one correlation is negative and that is the correlation between variable “At the annual interview speaks mostly just the leader” and “Leader is optimistic and has a strong personal self-image – a strong “I”” ($r=-0.103$ at $p=0.014$).

We have also answered the second question (R2): “*How are the main variables that are constructing the concept of authentic leadership determined by the variables constructing the annual interview?*” by conducting regression analyses between the eight variables representing authentic leadership for which we supposed are dependent on the interdependent variables representing human resources annual interview. With the independent variables we can explain some percent of dependent variables. Most determinate by variables representing annual interview and between

the variables representing authentic leadership is variable “Leader gives hope for the development of solutions” with 75.5% explained variance. All other variables presenting authentic leadership could be explained around 20% to 30% variance. Least determine independent variables which were explained 14.8% variance are “Leader has a high degree of personal self-esteem” and “I personally identify myself with the leader (we have “the same view of the world”)”.

Which interviews are perceived as more necessary, our third research question (R3): “*Which interviews are perceived as more necessary: once per year or as-we-go?*”, can be answered simply by taking a look back at our frequency table for the variables (Table 1) where means for the “Annual interviews are needed” and “Ongoing discussions are needed” were 3.74 and 3.94 from which we could conclude, that they are both needed but still ongoing discussions are perceived as slightly more important.

Several limitations of this study need to be considered. First; the discussed findings and implications were obtained from a single study; generalizing the results should be done with caution. Second; the whole research was focused mostly on how human resources annual interview affects authentic leadership. We are aware that our concept could be influenced also by other variables that are not included in this study.

5 Conclusion

Annual interviews are an important part of human resource management and as can be concluded from this study they are also related to authentic leadership. The relation is especially relevant in the part of managing and collaborating with colleagues and subordinates.

This study provides basic insights into the connection between the use of annual interviews and authentic leadership and it can be summarized as follows: the use of annual interviews is one of the many things that are composed into authentic leadership, but it does not explain the whole concept of authentic leadership, because there is an infinite number of variables that influence authentic leadership and here we have only explained several of them.

On the basis of the results of the research we can maintain that the roots to the problem of successful implementation of the annual interviews also lie in the absence of authentic leadership skills and leadership practices. We have outlined the importance of highly developed organizational context and the development of positive psychological capacities: self-esteem, hope, trust, optimism and flexibility that need to be dispersed across the organization in order to gain greater organizational and follower outcomes and performance within the annual interview processes.

Based on our analysis we can conclude that of all the activities that construct authentic leadership, the part best explained by the use of annual interviews is that the leader using annual interviews gives hope for the development of solutions.

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Kadrovski letni razgovori kot del avtentičnega vodenja

Povzetek - V prispevku so obravnavani letni razgovori, ki so ena izmed tehnik uporabljenih za upravljanje s človeškimi viri, kot pomemben dela avtentičnega vodenja. Avtentično vodenje je najbolj pomembna stvar v tem trenutku na področju razvoja voditeljstva in poudarja avtentičnost vodje. Da bi vodja bil avtentičen, verjamemo, da bi moral imeti poglobljeno poznavanje ljudi s katerimi dela, ter da je to mogoče doseči s komunikacijo. Ena izmed standardiziranih oblik komunikacije med vodjo in njegovimi sodelavci so letni razgovori. V raziskavi, v kateri je sodelovalo 565 ljudi smo ugotovili, da je letni razgovor pomemben del upravljanja s človeškimi viri in je tesno povezan z avtentičnim vodenjem. Povezanost je še posebej pomembna v okviru upravljanja in sodelovanja s sodelavci in podrejenimi.

Ključne besede: upravljanje s človeškimi viri, letni razgovori, avtentično vodenje, komunikacija

The Relationship between Delay in Announcing Quarterly Forecasts of Annual Earnings and the Type of Earnings News

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The current study aims to examine the relationship between delay in the announcement of quarterly forecasts of annual earnings and the type of earnings news in a unique context. Running a multiple linear regression on data collected from Rahavard Novin software and the companies' financial statements, is the method of this study to investigate this relationship. Consistent with the pattern of good news early, bad news late, it was found that there is a positive relationship between the bad news type and the amount of delay in announcing quarterly forecast of annual earnings; so that the firms with negative adjustments in earnings forecast (bad news), on average, have 12 more days delay in the announcement. Considering other variables showed that as coverage percentage - a sign of success - increases, the amount of delay in announcing earnings forecast decreases, but companies with losses per share, on average, have an additional delay of about 6 days. The results obtained indicate that at least, in some industries there is certain time for reporting. Finally, it became clear that in the period after the adoption of the new disclosure instruction, despite the increased deadline, the amount of delay in earnings announcement has declined by about 2 days. In this study, for the first time in Iran, one of the company's financial news (quarterly forecasts of annual earnings), have been classified into good and bad, based on comparison with the market expectation, and the relationship between the news type and the amount of delay in announcing the news, has been examined.

Keywords: Reporting delay, Good news, Bad news, Annual earnings per share quarterly forecast.

1 Introduction

The main qualitative characteristics associated with the content of information are 'relevance' and 'reliability'. If financial information is not relevant and reliable, it will not be useful. For information to be relevant, timeliness of its disclosure is a necessity. Reporting delay reduces the usefulness of information for users. Also, release of information as earliest time as possible, can prevent information from leaking to those close to the company and thereby reduce information asymmetry among the market participants. Considering the fact that time of disclosure depends on the corporate management, several studies investigated the factors affecting the decision on the timing of disclosure by company managers. A factor that has attracted the attention of researchers, particularly is the relationship between the type of news (good news versus bad news), and the timing of disclosure of the news. In the disclosure literature,

generally, it confirmed that companies tend to announce good news, early and bad news, late. According to a Tehran Stock Exchange (TSE) instruction, listed companies within the organization should announce their quarterly forecast of annual performance, based on 3, 6, and 9-month performance. On this basis, and given that in Iran, providing management forecasts of annual earnings per share is mandatory, at the end of each quarter, and within a certain deadline, the present study is to investigate the relationship between the type of earnings news and the amount of delay in announcing the earnings forecast per share.

The requirement to announce an earnings forecast, on a regular basis, and at the end of each quarter, has provided a unique opportunity to conduct research on the reaction of companies and the market, in response to this requirement. Based on the authors' findings, there is no such requirement in any other country. It suggested that the motivation of the Stock Organization for establishing this requirement

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is to move in line with the overall goal of improving the stock market transparency, and timely and pervasive access to information for users and investors, before and after transaction, (the information disclosure regulation for listed companies in the TSE, enacted in 2002). This study contributes to advances in accounting theory as to pragmatics aspect, because it tries to assess the reaction of the providers of the information themselves to the information provided.

2 Background and hypothesis development

2.1 Good news early, bad news late, pattern

Studies conducted since of the early 1980s, investigating the timing of earnings announcement, showed that corporate managers tend to release good news early and delay the announcement of bad news (Roychowdhury and Sletten, 2012; Cullinan et al, 2012; Senguptha, 2004; Bagnoli et al., 2002; Haw et al., 2000; Begley and Fischer, 1998; Damodaran, 1989; Kross and Schroeder, 1984; Chambers and Penman, 1984; Kross, 1982; Givoly and Palmon, 1982; Kross, 1981). Apparently first Beaver (1968) suggested that the lower than expected earnings (bad news) may be reported later than the higher than expected earnings (good news). Based on this, Kross (1981) conducted empirical research on the relationship between profitability and earnings announcement delay, which his result confirmed this subjective idea that bad earnings news is released late. Kross (1982) investigated the market perception of the delay in reporting and tried to understand whether market reacts the timing of annual earnings announcement. The results showed that the stocks of companies that released their annual reports later (including the holder of good news and bad) had lower abnormal returns than the companies did release their reports earlier than the expected time. Findings of Givoly and Palmon (1982) also confirmed this result. Chambers and Penman (1984) observed the differential positive Abnormal returns associated with an earlier than expected reports, concluded that when companies have good news, they publish their reports earlier. These three researches measured the market reaction to the delay, regardless of the type of earnings news.

Unlike previous studies, that examined only the announcement of annual earnings Kross and Schroeder (1984) investigated the relationship between the timing of quarterly earnings announcement (early or late) and the type of reported earnings (good or bad). They also investigated the differential effect of late earnings news on stock returns for quarterly announcements. The results of Kross and Schroeder (1984) showed that the quarterly earnings announced earlier than expected (1) contained better news, and (2) had higher abnormal returns than late announcements. Senguptha (2004) also investigated the factors affecting the timing of quarterly earnings announce-

ment. The results showed that, bad earnings news had a significant positive effect on the delay in the announcement of quarterly earnings.

Bagnoli et al. (2002) reported that managers who announce their earnings later than the expected date, eventually, their declared earnings is, on average, one percent less than the consensus forecast, per each day of delay, which shows that when earnings announcement is later than expected, it usually contains bad news and the further the delay, the worse is the news.

In the opposite direction with the results of previous studies Chen and Mohan (1994) have suggested that companies that report too early disclose bad news, a behavior that according to Skinner (1994) could be a preemptive action against the possible litigation risks.

The findings of Aubert (2009) from French companies are consistent with this interpretation. His findings indicated that there was a significant negative relationship between bad news and delay in announcing annual earnings.

Chen and Mohan (1994) conducted a survey on top management about the issues related to the timing of earnings announcement, and it became clear that about 50% of responding companies had a fixed timetable for earnings announcement. Companies that altered the reporting timing suggested that the level of unexpected earnings had the most effect on the decision about earnings timing. Lower than expected earnings (bad news) was more likely to cause a change in timing compared to higher than expected earnings (good news), and the possibility of changing the date (day) of announcement was more than changing the hour of announcement during a day.

Most of previous studies had pointed out that a pattern of "bad news, late," existed. However, consistent with the pattern of "good news, early," findings of Guay and Verrechia (2007) indicated that it is more likely for good news, to be announced early than bad news, and this is due to the inherent conservatism of financial reporting, that is, bad news is usually recognized and reported earlier than good news in the audited financial reports. This asymmetric recognition leads management to voluntarily disclose good news earlier than bad news, to be a compensation for the existing bias toward bad news in financial reporting standards.

Underlying patterns in the timing of earnings announcement are not fixed, and by the time, they change with the change in information environment and the advancement of communication and changes in legal and litigation environment. Begley and Fischer (1998) investigated whether or not the increased litigation risk in the United States during the 1980s, has been deleted the pattern of good news early, bad news, late'. Using a sample of the 1980s and early 1990s, they found strong evidence that despite the benefits and costs of delay in reporting bad news has changed but the pattern of timing still exist.

Philipich (2009) also investigated the effect of changes in the legal environment on the managers' disclosure strategies, particularly on the pattern of "good news, early, bad news, late". He concluded that the increased pressure

and litigation risk and potentially huge losses resulting from these risks, has reduced the directors' dare to delay news announcement and It has weakened the relationship between news type and amount of delay in announcing the news, and they inform us of the likelihood of its disappear in the long term. However, Haw et al., (2006) reported that although new legislative requirements on disclosure process significantly reduced the delay in reporting but the pattern of good news early, bad news late, still maintains in China.

2.2 Determination of the type of earnings news

To determine the type of earnings news as to being good or bad, researches have typically compared actually announced figure with market expectation, to classify the announced earnings as good or bad. Earnings higher than market expectation (positive unexpected earnings) are considered good news, and lower than market expectations earnings (negative unexpected earnings), are considered bad news. However, the market expectation is measured by two criteria. To identify the market expectation, Initial researches used the random walk model (time series). In these studies, the increase in earnings compared to the previous quarter(s) or year(s) is considered good news and decrease in earnings is considered bad news (Philipich, 2009, Damodaran, 1989, Patell and Wolfson, 1982). In fact, market expectation obtained from the latest number(s) of earnings announced. However, in developed capital markets, in recent years, the more common criterion has been the mean. Median of the latest analysts' forecasts was used in some studies (Doyle and Magilke, 2012; Bagnoli et al., 2006; Begley and Fischer, 1998).

Also related to the factors affecting the timeliness of reporting, some research performed in Iran (Moradi and Poor Hosseini, 2009; Moayyeri, 2007; Sarhangi, 2001; Yaar Mohammadi, 2001). Of course, none of these researches has divided earnings into good and bad, based on comparison with market expectation. Specifically, in these studies, only the effect of net profit or loss, as good or bad news investigated on the amount of delay in reporting, that in two studies (Sarhangi, 2001; Moradi and Poor Hosseini, 2009) its effect on the delay in reporting, has been significant.

2.3 Requirements of TSE

In accordance with article 5 of the instruction of Information disclosure in listed companies (approved in Securities

Exchange Council, 2002) companies were obliged to announce their forecast of the annual performance based on prior fiscal year performance within at most, 30 days before the new fiscal year, and based on actual performance of each quarter, at most, 20 days after the end of the quarter. In addition, listed companies were obligated to forecast earnings per share (EPS) at the end of each quarter, at most, within 20 days after the end of the quarter. In this regard, in 25/7/2007 the TSE Board of Directors ratified the new instruction of information disclosure for companies listed in TSE. In Chapter III, Section I, paragraph 7 of these instructions, listed stock companies were obligated to announce their forecast of their annual performance based on actual performance of 1st, 2nd and 3rd quarters, up to 30 days after the end of each quarter.

About the relationship between the type of quarterly forecasts of annual earnings news and amount of delay in its announcement, there has not been performed any research outside Iran, because, as mentioned earlier, in most countries, forecast of earnings is optional, and in such an atmosphere, discussion of the delay in its announcement, is meaningless and accordingly, in other countries, there is no study to evaluate the delay in announcing quarterly forecasts of annual earnings. Nevertheless, specifically inside the country, there is no study conducted on the delay in announcing the forecasted earnings per share. Thus, based on the results of the previous studies, and consistent with the subject of the present study, to investigate this relationship, the hypothesis of this study is formulated as follows:

H₁: There is a significant positive relationship between bad earnings news and the amount of delay in announcing the news.

3 Research Methodology

Target population includes all companies accepted in the Tehran Stock Exchange, and the available statistical population (the sample) for this study includes all companies accepted in the Tehran Stock Exchange that the information about their announcement of quarterly forecasts of annual earnings and their annual and interim financial statements are available.

The following criteria have been used to form the available population (the sample).

- * Only firms that have issued 3, 6 and 9-month forecasts.
- * No forecast issued Between 3, 6 and 9-month forecasts.
- * No forecast issued in two months before the end of the first quarter.
- * No increase of capital occurred during the investigated year.

2 RAHAVARD NOVIN is an financial information software that collects and classifies the data from Tehran Stock Exchange. The data is provided in a technical pack and a fundamental analysis pack and more. The software is produced by MABNA CORP. Group. The website is: <http://www.mabnacorp.com>

Finally, based on these criteria, 440 firm-years of 236 firms remained. The study period encompasses the years 2004 to 2010 (7 years) and the research place is TSE. By the way, to collect data, financial statements of the companies, TSE website and Rahavard Novin software², were employed.

3.1 Research model

To test the hypothesis, the amount of delay in announcement forecast, has modeled as a function of factors influencing it as follows:

Where:

$$\begin{aligned} \text{DELAY} = & \alpha_1 + \alpha_2 \text{BAD} + \alpha_3 \text{GOOD} * \% \Delta \text{EPS} + \alpha_4 \text{BAD} * \% \Delta \text{EPS} \\ & + \alpha_5 \% \text{COVER} + \alpha_6 \text{SHARE} + \alpha_7 \text{SIZE} + \alpha_8 \text{BLOCK} \% + \alpha_9 \text{CONSOLIDATE} \\ & + \alpha_{10} \text{LOSS} + \alpha_{11} \text{POST} + \sum_{k=1}^{n-1} \beta_k \text{INDUSTRY} + \varepsilon \end{aligned} \quad (1)$$

DELAY: A numeric variable that equals the number of days between the end date of the quarter and the date of announcing annual EPS forecast based on the quarter performance.

BAD: It is a dummy variable that equals (1) if the sign of adjusted earnings per share is negative, otherwise 0. This variable captures the relation between bad news and amount of delay in reporting the news, expected this relationship to be positive. Approval or rejection of the research hypothesis will be done based on the sign and significance level of the coefficient of variable BAD.

GOOD*%ΔEPS: the Interaction of good news with the percentage of EPS adjustment that captures the effect of the magnitude of EPS adjustments on the relation between good news and the amount of delay.

BAD*%ΔEPS: the Interaction of bad news with the percentage of EPS adjustment that captures the effect of the magnitude of EPS adjustments on the relation between BAD news and the amount of delay. Its coefficient is expected to have a positive sign.

The percentage of EPS adjustment variable (%ΔEPS) is calculated by comparison of the announced EPS for each quarter with the EPS reported for the previous quarter. For the first quarter EPSs, The percentage of EPS adjustment is obtained by comparison of the last number of real earnings for the past year or the last forecast announced for the current year that is calculated as follows:

$$\% \Delta \text{EPS} = \frac{\text{EPS}_t - \text{EPS}_{t-1}}{|\text{EPS}_{t-1}|} \times 100$$

SHARE: the natural logarithm of the average number of traded shares from the beginning of the year up to the end of the considered quarter.

BLOCK%: The percentage of shares belonged to major owners (owning more than or equal to 5%), at the beginning of fiscal year. Following previous research, the two variables of SHARE and BLOCK% control for the effect of investors' information needs or market demand on delay in reporting (Aubert, 2009; Senguptha, 2004).

SIZE: the natural logarithm of sales revenue from the beginning of the fiscal year to the end of each quarter.

Disclosure literature has consistently showed that factors of company size are related to different disclosure measures (e.g. Senguptha, 2004, Bushee et al., 2003).

CONSOLIDATE: is a dummy variable that equals 1, if the company would prepare consolidated financial statements, otherwise 0. This variable controls for the effect of accounting complexity.

LOSS: is a dummy variable that is equal to 1, if a company reported zero or negative EPS forecast, otherwise 0.

COVER%: controls for the effect of coverage (realization) percentage of the annual earnings forecast in each actual quarterly earnings. Success of a company in realizing a greater part of the annual earnings forecast is a sign of better performance of the company, and it is expected that the greater coverage percentage, delay in announcement of earnings forecast reduce more.

POST: Considering the instructions of companies' disclosure, enacted 2007 august, Chapter III, Section I, paragraph 7, deadline to forecast annual earnings per share at the end of each quarter, has increased from 20 days to 30 days. POST dummy variable was entered into the model to control for the effect of change in the deadline. The variable is equal to 1, if the ending date of a quarter would be after the date the new instructions were approved, otherwise it equals zero.

INDUSTRY: Virtual variable for the industry a company belongs too. It shown that there are certain conventions among companies in each industry for their time of reporting (Givoly and Palmon, 1982). The industry categories used in this study are as follows: 1. computer services and other services, 2. Automotive and transportation, 3. Chemical, 4. Food, 5. Drug, 6. Machinery and equipment; 7. Building construction, cement and other building materials; 8. Rubber and plastics; 9. Credit institutions; 10. Investment and holding; 11. Metallic and non-metallic minerals, basic metals, and metal products.

4 Results

Table 1 shows how the available population has been formed out of the target population.

Table 1. The steps to form the available population

Forecasts announced over 2004 to 2010.	9114
Remaining forecasts after removal of the firm-years not having a three-month, a six-month and a nine-month forecast	5845
Remaining forecasts after removal of the firm-years having additional forecast between quarterly forecasts.	4547
Remaining forecasts after removal of the firm-years having forecasts within two months before 3-month forecasts.	1872
Remaining forecasts after removal of the firm-years having increase in capital during the investigated year.	1551
Remaining forecasts after omitting the firm-years due to lack of other data.	1320

Based on data recorded in the Rahavard Novin software there was a total number of 9114 announced forecasts for the firm-years that the end of their fiscal year was between 2004 to 2010, that after refining data based on the predetermined criteria, finally, remains 1320 observations from 440 firm-years and from 236 companies, which form the available population for this study.

Only firms that have issued 3, 6 and 9 month forecasts, have been selected so that the analysis would be based on the firms which comply with the instructions mandated by the authorities in Tehran Stock Exchange. The second and the third conditions are set so that additional recent forecasts between the standard forecasts may affect the pattern being studied.

The number of firm-years in the sample to examine the hypothesis equals to 400 firm-years, including 1200 observations (a 3 month, a 6 month and a 9 month observations for each firm-year). Using systematic random method the sample was selected out of the available population. Then, using SPSS software, a linear regression (Enter method) was run on the data. Based on preliminary results, the data contain a standard deviation more than 3, in the curve of distribution of residuals of the model were considered outliers and removed and the regression was run again. After repeating this process several times, the final sample obtained includes 1160 records, which was used to test the hypothesis.

4.1 Descriptive data

Tables 2 and 3 provide descriptive statistics for the variables used. After removal of outliers, the number of observations remaining to run the final regression and test the hypothesis was 1160 observations.

Table 2. Descriptive statistics of quantitative variables in the model

Variable	Mean	Standard deviation	Minimum	Maximum
DELAY	40.38	18.61	3	103
GOOD*%ΔEPS	0.09	0.73	0	18.22
BAD*%ΔEPS	-0.13	1.12	-28.37	0
%COVER	0.38	1.09	-25.03	17.33
SHARE	12.56	2.53	3.00	19.08
SIZE	25.52	1.40	17.93	30.62
BLOCK%	0.7440	0.1887	0	0.9931
Number of observations: 1160				

Table 3. Descriptive statistics of dummy variables in the model

Variable	Frequency of (1)
BAD	198
CONSOLIDATE	337
LOSS	42
POST	799
Number of observations: 1160	

As shown in Table 4, F statistic is 8.930 and significance level less than 0.001 that confirms adequacy of the model at a level of higher than 95% confidence. Accordingly, it can be accepted that the model is capable of explain (at least, part of) changes in the dependent variable by Independent variables.

The adjusted R square statistic shows that the model variables, in total, have power to determine 12% of the dependent variable variability. Thus, set of present affecting of the influencing independent variables present in the

Table 4. Model Summary

F statistic	Correlation coefficient	(R ²)	Adjusted R ²	Std. Error of the Estimate	Durbin-Watson
8.930 (0.000) *	0.368	0.136	0.120	17.456	1.640
* Significance level less than 0.001					

final model, all together, explain 12% of changes in the DELAY variable.

Table 5 shows coefficients obtained by the model fitted by regression for the association between delay variable and the predicting variables. Positive coefficient of 11.67 for the BAD variable shows that firms going to announce negative adjustments in the previous forecasted EPS, on average, have nearly 12 more days delay in announcing of that EPS forecast. This result is consistent with the pattern of good news, early, bad news, late. T-statistic is equal to 8.869, (significance level less than 0.001) that this result confirms our finding with less than one percent probability of error, and thus with more than 95% probability of confidence. Thus, the research hypothesis accepted; in other

words, there is a significant positive relationship between the type of earnings news, and the amount of delay in announcing quarterly forecasts of annual earnings.

Significant negative coefficient at 0.08 level for the interaction of bad news with the adjustment percentage (BAD*%ΔEPS) Shows that the magnitude of adjustments has a negative relation with the delay in announcing that adjustment; so that, the larger negative adjustments are announced earlier than smaller negative adjustments.

Coverage percentage variable (%COVER) with -1.143 coefficient indicated that higher coverage percentage, as a criterion of company's successful performance, causes the delay in announcing the EPS forecast to be decreased. The p-value is equal to 0.017 that shows the alpha error prob-

Table 5. Coefficients

Model variables	Expected sign	coefficient	t-statistic	Sig.
Constant	+	24.84	2.46	0.01
BAD	+	11.67	8.14	0.00
GOOD*%ΔEPS	-/+	0.96	1.35	0.18
BAD*%ΔEPS	-/+	-0.90	-1.75	0.08
%COVER	-	-1.143	-2.396	0.017
SHARE	-	0.239	0.985	0.325
SIZE	+	0.094	0.213	0.831
BLOCK%	-	3.387	1.085	0.278
CONSOLIDATE	+	1.964	1.486	0.137
LOSS	+	6.307	1.981	0.048
POST	+	-2.219	-1.883	0.060
Computer services and other services	-/+	9.164	2.478	0.013
Vehicles and Transportation	-/+	7.552	3.511	0.000
Chemical	-/+	2.793	1.341	0.180
Food	-/+	12.254	5.622	0.000
Machinery and equipment	-/+	10.072	4.439	0.000
construction, cement	-/+	11.359	5.848	0.000
Rubber and plastic	-/+	1.912	0.613	0.540
Credit institutions and ...	-/+	8.141	1.838	0.066
Investment and holding	-/+	1.896	0.731	0.465
Metallic, non-metallic, minerals ...	-/+	7.463	4.047	0.000
Dependent variable: DELAY				

ability in rejecting the correct null hypothesis was less than 2%. Thus with more than 95 percent confidence it can be said, there is such a relationship.

Consistent with initial expectations and previous studies, the positive coefficient of 6.307 for the LOSS variable shows that companies announcing loss per share, have on average, an additional delay of about 6 days. Significance level of 0.048 provides more than 95% confidence in the influence of this variable.

Coefficient -2.219 for the POST variable is opposite to the expectations, because it was expected that increase in announcement deadline from 20 days to 30 days, would increase the delay in announcing the quarterly forecasts of annual earnings (a positive coefficient for this variable). The resulting coefficient can be interpreted this way that basically, in recent years due to reasons such as technology advances and the increasing importance of timely reporting, delay in reporting forecasts has been reduced. With this interpretation, POST variable shows that over time the behavior of companies in announcing earnings has been changed. However, at the significance level of 0.06, the reliability of this result can be little reduced.

Significance of seven variables for different industries indicates that consistent with the results of previous studies, at least in some industries, there is a special time convention for announcing earnings, and/or managers in a particular industry try to release their EPS forecasts when their colleagues do that.

Also in investigated assumptions underlying the regression, to rely on the obtained results, it was clear that the Durbin-Watson statistic is equal to 1.640. Because of its proximity to number 2, it can be confirmed that the residuals are independent. In the Scatter plot of the standardized residuals against standardized predicted values, no trend is observed and the observations symmetry is around point zero, thus the residuals variances are homogeneous. The residuals distribution histogram and p-p plot chart show that the residuals distribution is normal, and eventually, according to the use of several independent variables, the amount of VIF statistic is less than 10 and the amount of Tolerance is approximately 1 that indicate there is no multiple colinearity between the variables.

5 Conclusion

In this study, we studied the relationship between news type and the amount of delay in announcing the news, In the case of quarterly forecasts of annual earnings. The initial expectation was that consistent with the pattern of "good news early, bad news, late", negative EPS adjustments are announced with more delay. In accordance with results of previous studies, it became clear that there is an inverse relationship between the news type and the amount of delay in announcing the news of quarterly forecasts of annual earnings, So that firms with negative adjustments in EPS forecasts, on average, have approximately 12 days further delay in announcing the forecast. Furthermore, it became clear the magnitude of negative

adjustments has a negative relation with the amount of delay in announcement. Examining other variables showed that with increasing the coverage percentage, as a sign of success of company performance, the amount of delay in announcing forecasts decreases. However, companies that announce losses per share, on average, have an additional delay of about 6 days. The results obtained also indicate that in some industries, there is a special time for reporting. Finally, it found that that in the period after the adoption of new disclosure instruction in TSE, despite increasing the deadline, delay in announcing quarterly forecasts of annual earnings has decreased, on average, by about 2 days. These findings could help regulators for setting better regulations in the capital market. We showed that managers have a so-called opportunistic strategy for announcing their earnings news. A reason for this behavior could be trying to attract less attention to bad news and avoid its undesirable consequences. What is their real intention and whether this strategy is successful to reach that goal, could be the subject for further research. It seems the results would be different based on the degree of efficiency of the market.

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Povezava med zakasnitvijo objave četrletnih napovedi dohodka in vsebino objave

Cilj prikazane raziskave je v specifičnem kontekstu proučiti povezavo med zakasnitvijo objave četrletnih napovedi dohodka in vsebino objave. Uporabili smo multiplo regresijsko analizo, podatke, ki jih je zbral programski paket Rahavard Novin, in finančna poročila podjetij. V skladu z vzorcem »dobre novice prej, slabe kasneje« ugotavljamo, da obstaja pozitivna povezava med vrsto slabe novice in velikostjo zakasnitve pri objavi prognoze letnih zaslužkov. Firme, pri katerih so napovedi zaslužka negativne (slabe novice) so objavljene s poprečno zakasnitvijo 12 dni. Če upoštevamo še druge spremenljivke, je pokazalo naslednje: če se poveča odstotek pokritja – znak uspešnosti – je zakasnitev manjša, toda pri firmah z izgubo se zakasnitev poveča za dodatnih približno 6 dni. Dobljeni rezultati tudi kažejo, da je za nekatere gospodarske panoge uveljavljen nek čas za poročanje.

Ključne besede: Zakasnitev, poročanje, četrletna prognoza, letni dohodek na delnico



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Vod v management sprememb

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