Swedish Companies’ Perception of Quarterly Reports

Group: 1925
Oskar Olsson  850226
Samuel Sölgén  821231
Daniel Wiklund 830711
Abstract

Title: Swedish Companies’ Perception of Quarterly Reports

Course: EFO703 Bachelor thesis in Business Administration

Authors: Oskar Olsson (Västerås) Samuel Sölgén (Västerås) and Daniel Wiklund (Västerås)

Tutor: Leif Sanner

Keywords: Quarterly reports, Long-term value creation, Short-termism, Transparency and Financial Control

Aim of the Thesis: To investigate from a company’s perspective if the pressure for companies to produce quarterly reports has turned away their attention from working towards long term value creation. The companies investigated are listed on the large-cap section on the Swedish stock exchange (OMX Nordic Exchange Stockholm AB).

Methodology: A quantitative approach has been used and empirical data has been collected through questionnaires. The data has been analyzed and presented with descriptive statistics.

Theoretical Perspectives: A literature review has been conducted and resulted in a theoretical framework illustrating the concepts of quarterly reporting, long-term value creating, short-termism and forecasting.

Empirical data: The empirical data was collected by distributing questionnaires to the companies listed on the large-cap section of the OMX.

Conclusion: Companies listed on the large cap section of the OMX do not perceive that the pressure to produce quarterly reports affects them in a negative way. The study also showed that many companies lack awareness of the risks associated with short-termism.
Acknowledgments

We hereby wish to show our appreciation to the people who helped us with this thesis. Foremost we would like to thank our tutor Leif Sanner (senior university lecturer from the University of Örebro), for his supervision and guidance throughout this process. We would also like to acknowledge the statistical consult we received from Göran Bryding (senior lecturer in statistics & business administration, Mälardalens University).

Finally we would like to thank all the companies that participated in our survey, and our fellow students who provided us with constructive criticism throughout this process.

Västerås 20th of May 2008

Oskar Olsson
Samuel Sölgnén
Daniel Wiklund
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1 Introduction

In this section we describe the background to our thesis and the problem we have chosen to study. We also account for the study-aim, delimitations and the research approach of the thesis.

1.1 Background
Quarterly reports are a controversial element in the business world. They are considered to be a necessity in the struggle to keep the market as transparent as possible, nevertheless quarterly reports are also believed to compel companies and managers to focus on short term results or even manipulate accounts. All this in the process to produce positive numbers, when they instead should be working towards long term value creation (Rahman, Tay, Ong, & Cai, 2007).

According to Swedish law, SFS (2007:528) § 7 “No half year report is required if the company make a quarterly report public no later than two months after the first three months in the half year”. This makes the quarterly reports optional, under the Swedish judicial system. However there is a clause in the OMX Nordic Exchange Stockholm AB (from now on referred as OMX) listing agreement which stipulates companies to produce quarterly reports. There is also pressure from associations like Aktiespararna and Finansinspektionen (The Swedish financial supervisory authority). They are of the opinion that information available to the public and the shareholders should not be reduced but rather increased. The argument behind this is that a reduced flow of information will have negative effects, such as a decreased confidence in companies and the stock market as a whole. The recent development in this debate is the following; OMX turned in a motion to Finansinspektionen in which they stipulate a request to alter the current listing agreement. These alterations would have the consequence that companies would only be compelled to produce semiannually and annual reports; as a result the quarterly reports would become optional.
1.2 Problem Discussion
Quarterly reports are commonly considered as a necessity in order to promote transparency. Our belief is that there is not enough criticism against quarterly reports and how it affects the companies’ way of working. Our opinion is that quarterly reports may have more negative effects than currently considered, in the sense that it might affect companies to strive for short term profits and may make them more risk adverse in order to show positive results in every quarter, consequently undermining the important aspect of creating long-term value. Therefore we intend to conduct a study in order to investigate how companies perceive the pressure of mandatory quarterly reports. In our research we have not come across any studies on how Swedish companies experience how quarterly reports affect their way of working. For these reasons we find it interesting to conduct this study as a complement to the ongoing debate, of making quarterly reports optional.

1.2.1 Problem Specification
How do listed companies perceive that the pressure for producing quarterly reports affect their way of working, consequently turning away their attention from achieving long-term value creation?

1.3 Purpose
We intend to investigate from a company’s perspective if the pressure to produce quarterly reports has turned away their attention from working towards long-term value creation. The companies we plan to investigate are the companies listed on the large-cap section on the Swedish stock exchange (OMX Nordic Exchange Stockholm AB).
1.4 Delimitations
The thesis is delimited to the large cap section on the OMX. We chose this delimitation because the corporations in the large-cap section represent the largest and leading companies in their respective industries, they are also the most actively traded and most recognized by the general public. Companies in the large cap section have also reached a certain level of maturity in the corporate life cycle, where they are now focusing on managing the business for the long term; consequently they do not have the same need to produce quarterly reports in order to attract investors (Krehmeyer, Orsagh & Schacht, 2006). Time and resources available were also factors when deciding these delimitations, with more time and resources we could have made a larger survey with a higher response rate, in order to increase the credibility of the thesis.
1.6 Disposition of the Thesis

1 Introduction

In this paragraph we present the background to the chosen problem, our purpose with the thesis and the delimitations we have selected.

2 Theoretical Frameworks

In this paragraph we present the theory behind quarterly reports, short term focus, forecasting and long-term value creation.

3 Method

Here we discuss our choice of method, in what way we implemented the empirical study, its validity and reliability. Also this paragraph explains and outlines the design of the empirical study that we conducted. We explain what kind of data is needed and how we collect it. Additionally, critique against the thesis is also presented.

4 Empirical Data and Analysis

In this section we present the results from the empirical study. We performed an analysis from the empirical data collected and the theoretical frameworks stated earlier in the thesis.

5 Final Discussions and Conclusion

In this paragraph we account for and discuss what we have concluded from our empirical study. We present the main findings from our analysis that answers to the purpose of the thesis.
2 Theoretical Framework

In this section we present the literature that is the foundation to our empirical study which is conducted later in the thesis

2.1 Quarterly reports

Quarterly reports or interim reports are financial statements which are produced and released by publicly listed companies. According to OMX, quarterly reports are mandatory and must be released no later than two months after the reporting period (§10 Noteringsavtal, 2007). The quarterly reports are fundamentally prepared like annual reports and quarterly reports must also be produced in accordance with the International Financial Reporting Standard (IFRS). Failure to comply or breaches to Swedish law is considered a violation of the contract with OMX and there may be ramifications. In contrast to annual reports, quarterly reports do not have the requirement to be audited, although the report must state if it is audited or not.

The main guidelines for quarterly reports follow as stated earlier the IRFS, which stipulate the following (van Greuning, 2004);

- To provide a fair presentation of financial position, financial performance and cash flows

- Fair presentation achieved through providing useful information (full disclosure) which secures transparency

- To secure transparency through a fair presentation of useful information for decision making purposes
These principles can be translated into; “The objective of financial statements is to provide information about the financial position (balance sheet), performance (income statement), and changes in financial position (cash flow statement) of an entity; this information should be useful to a wide range of users for the purpose of making economic decisions” (Van Greuning, 2004, pg. 3). The OMX listing agreement further states that the financial part in quarterly reports must begin with a bullet list were the total turnover, earnings after taxes and earnings per share are presented. The report will of course contain more information but OMX recommends that these three are presented first so that the markets can get a fast, reliable and homogenous representation of the company. Also future prospects, earnings guidance and deviations from the latest report must be acknowledged. According to OMX there cannot be any printed information in the quarterly reports that may affect stock price in an abnormal way. This kind of information must be immediately published as soon as it is known or by a public announcement when the quarterly report is released.

2.1.1 Why do quarterly reports exist?
There are several reasons quarterly reports are in usage, for example as a mean to forecast future results and informing shareholders of the company’s financial position. An article in the BNET business network reports on a survey conducted with companies in Malaysia, Hong Kong and Singapore which showed that the main benefit of quarterly reporting is that quarterly reports improves information flow to investors and promotes transparency. Governance is also improved as information is released more frequently, levelling the playing field between minority shareholders and controlling shareholders (Teen M Y, Vasanthi K K L, 2006). This is because controlling shareholders frequently get greater access to non-public information, than minority shareholders, moreover if the controlling shareholder has board representation this becomes inevitably true. Even when large shareholders lack formal board representation, they may often benefit from selected disclosures by management (Bainbridge, 2006).
The Council of Corporate Disclosure and Governance in Singapore (from now on referred as CCDG) concurs with these assessments and also adds the point that quarterly reports imposes financial discipline on companies as they regularly have to review their financial performance.

2.1.2 Why does the Swedish financial supervisory authority promote quarterly reports for the OMX?

When OMX turned in a motion to The Swedish financial supervisory authority in which they stipulated a request to remove the information rule for quarterly reporting, the Swedish financial supervisory authority issued a response stating their point of view and several arguments for not accepting the motion (Heneryd & Axelsson, 2007). Their first argument is that a removal of mandatory quarterly reporting could lead to a higher risk of companies deceiving the market when the companies information reporting is reduced. According to them, quarterly reporting is an important way of communicating with investors when it comes to transparency and a continuing flow of information to the market which in its turn contributes to an effective price setting.

Their second argument is that a removal of the rule could result in investors only being given limited information as a ground for their investment decisions as well as making it more difficult to compare companies with each other. A removal would also mean that companies would only have to compose a semi-annual report. However the problem is that semi-annual reports have fewer demands on the content as well as reporting period. Semi-annual reports are also not included in the law of supervision of ongoing financial information.

They also mention that before January 20th 2010 a commission has to report to the EU-parliament concerning the openness of quarterly- and semi-annual reports and if investors can make a well based assessment of the publishers financial position, consequently that it would be reasonable to await the commissions evaluation before removing the demand on quarterly reporting.
2.1.3 How do quarterly reports affect the companies’ way of working?
A study of 133 large companies in Canada published in CA magazine concludes that quarterly results are perceived as subordinate to year-end results, consequently many decisions are postponed until the end of the year. For cost reasons, the most difficult and sensitive estimates are put off for as long as possible. Likewise, for strategic reasons or in hopes that it might just disappear, bad news are not announced until the last quarter. Additionally, management has tendencies to wait for the overall annual results before attempting to use available accounting practices, to enhance the final result announced in quarterly reports (Fortin, Martel & Trudeau, 1997).

The study also shows that most companies view quarterly reports as a subset of financial information on the overall result of the fiscal year, and not as an ongoing information process but instead as a mean to communicate four times a year. “Interim results are prepared in the expectation that a certain number of year-end adjustments will be made to correct the inaccuracies they contain because not enough time was spent on obtaining accurate results” (Fortin, 1997, pg. 20).

2.1.4 How can quarterly reports be used strategically?
As mentioned before companies have a tendency not to include bad news in the first three quarters (Fortin et al, 1997), and this can naturally have negative effect for the companies in the long-run. In the short-run however, this gives the company more leeway with the shareholders as they are not fully aware of all the aspects within the organization, and the company is free do make the necessary adjustments to perform well in the market, without outside pressure from investors and shareholders.

The quarterly statements can be used as decision making tools by comparing the current period statement with the result of the same quarter from the previous year. This comparison shows if trends exists in the company’s operating result (Temte, Boscaljon, Dizenhuz, Ferraro, Lummer, Filbeck, Kuhlman, Manzi & Smaby 2005).
2.1.5 Are there any alternatives to quarterly reporting?

There are currently no alternatives to quarterly reports for the companies listed on the OMX since they are required to produce quarterly reports, according to the listing agreement. If the requirement is removed they would still have to produce semi-annual reports, which as we have already mentioned lacks the same requirements (See; 2.1.2).

If quarterly reports would become optional, there are several alternatives when it comes to supplying information to shareholders and investors. The CCDG suggests the following changes and alternatives to mandatory quarterly reports for companies based in Singapore.

- Clarifying that voluntary periodic reports may be announced by companies without briefings or publicity statements
- Allowing shareholders to waive quarterly reporting if they decide that the costs outweigh the benefits
- Shortening time-frames for half-yearly and annual reports in place of quarterly reports
- Allowing companies to hold quarterly meetings in place of quarterly reports
- Allowing companies to use simplified formats for quarterly reports
2.2 Companies and short-term focus

“Short-termism refers to the excessive focus of some corporate leaders, investors, and analysts on short term quarterly earnings and a lack of attention to the strategy, fundamentals and conventional approaches to long term value creation” (Krehmeyer, Orsagh & Schacht, 2006, pg. 3).

Recent studies suggest that many long-term investment decisions taken by managers are made on the basis of short-term objectives, in order to meet quarterly earnings guidance. In a survey conducted by Krehmeyer et al, (2006) with more than 400 financial executives’, 80% of them indicated that they would decrease discretionary spending on such areas as research and development, advertising maintenance and hiring in order to meet short-term earnings targets. More than 50% of the respondents answered that they would delay new projects, even if it meant sacrifices in long-term value creation. Sanjeev & Robert, (2005) examines the effects of increased capital market pressure and disclosure frequency-induced earnings/cash flow on myopic behavior. Myopic behavior is defined as sacrificing long-term growth for the purpose of meeting short-term goals (Porter, 1992). Sanjeev & Robert, (2005) comes to the following conclusion in their study: When managers has to choose between projects were a conflict exists between short-term earnings and total cash flow, managers more often chose projects which they believed maximized short-term earnings as opposed to total cash-flow. The results imply that companies do not only use accounting actions to meet quarterly earnings expectations, even though the creation of long-term value is commonly accepted as one of the foundations of managers’ primary responsibility. These obsessions of meeting short-term goals are often obstacles that hinder companies and all type of investors from focusing on long-term value creation. Short-termism might have large financial consequences in the long-run. An excessive short-term focus combined with insufficient regard for long-term strategy can tip the balance in value destructive ways, with the consequence of undermining the markets credibility and discourage long-term value creation and investment (Krehmeyer et al, 2006).
2.2.1 Forecasting

A common segment of many companies quarterly reports are earnings guidance and financial forecasting. Earnings guidance provides information about a company’s expected future cash flow (Anilowski, Feing & Skinner, 2006). Empirical evidence has been found that suggests that information about a firm’s future earnings prospects is one of the most important aspects to investors (Jennings, 1987). According to a study conducted by McKinsey & Company, (2006) where they asked a worldwide representative sample of CFOs, CEOs and board members of publicly held companies about the pros and cons of earnings guidance. The study showed that a majority of companies produced earnings guidance quarterly and that the three most significant benefits behind issuing these reports were:

- Satisfying requests from investors and analysts
- Maintaining a channel of communication with investors
- Intensifying managements’ focus on achieving financial targets

It is important to keep an open channel of communication to your shareholders and investors. There are however several negative consequences and significant costs when it comes to earnings guidance (Krehmeyer et al, 2006).

- Unproductive and wasted efforts by corporations in preparing such guidance
- Neglect of long-term business growth in order to meet short-term expectations
- A “quarterly result” financial culture characterized by disproportionate reactions among internal and external groups to the downside and upside of earnings surprises
- Macro-incentives for companies to avoid earnings guidance pressure altogether by moving to the private markets
One of the most misguiding attribute of quarterly reports and financial forecasts is that they
give an illusion of complete business predictability, a faulty premise for companies and their
investors; the process is also very time-consuming and this is identified as the most
significant cost. (CFA Institute, 2006). According to Krehmeyer et al, (2006) companies
which have matured to the point where they can focus on managing the business for the
long-term and they have little need to provide earnings guidance to outside sources. What
was also noted were that companies who stopped providing quarterly earnings guidance
now offer “more” information in the sense of monthly operating data, which are of higher
quality and less susceptible to manipulations of earnings. Nevertheless according to
Krehmeyer et al, (2006) these companies still provides the analysts with the information
needed to complete their analyses.

2.3 Long-term value creation
There a three different forms of value, however in this thesis the focus is on shareholders’
value in the long-term perspective, because focusing on book value, which is the value in
accounting measures, and market value which is the total value on the stock market, are not
the best instruments when creating value for the long-term. The book value “uses
accounting principles that do not necessarily reflect realistic conditions” (Trotta, 2003, pg.
14), for example different depreciation techniques and the “problem with market value is
that the value may be based on a market bubble” (Trotta, 2003, pg. 18).

According to Trotta, (2003) shareholders’ value in companies is created by three things;

- **Revenue increase.** The proposition that revenue increases value is self-explanatory
  “since the relationship is that rising revenue will drive increasing cash flow” (Trotta,
  2003, pg. 21), which in turn will increase shareholders value

- **Competitive repositioning** is three folded; the company can increase its market
  share, improve competitive intelligence or differentiating itself from the competition
• **Efficiency** according to Trotta, (2003), pg. 25 “improves cash flow by performing business processes better, faster, or cheaper than the current operation” which will also improve shareholders value. However the cheaper or downsizing approach has been heavily criticized for not adding value in the long term. Many companies being in the “cost saving mindset” are not looking for long-term value and growth, instead focusing on short-term profit.

So how do companies create long-term shareholder value? The answer to that is balance. “When companies find the right balance between profit and growth as strategic co-objectives, they achieve what we refer to as value-building growth. By outperforming their peers in terms of growth while keeping an eye on the bottom line, the value builders create the greatest sustainable shareholder value over the long term” (McGrath, 2000, pg. 5). According to the study conducted by Krehmeyer et al, (2006) they come up with five recommendations what managers and corporate leaders should do in order to create long term value. These recommendations are useful in order to see how value can be created in the long-term, and could take the edge off the current overemphasis on short-term performance.

• **Promote broad education of all market participants about the benefits of long-term thinking and the costs of short-term thinking**

• **Demonstrate leadership in shifting the focus to long-term value creation**

• **Reform earnings guidance practices:** All groups should reconsider the benefits and consequences of providing and relying upon focused, quarterly earnings guidance and each group’s involvement in the “earnings guidance game”

• **Develop long-term incentives across the board:** Compensation for corporate executives and asset managers should be structured to achieve long term strategic and value-creation goals
• **Improve communications and transparency:** More meaningful, and potentially more frequent, communications about company strategy and long-term value drivers can lessen the financial community’s dependence on earnings guidance
3 Method

In this section we discuss different methods and present our choice of method, we will also explain how our study will be conducted and assess its validity and reliability. Techniques for collecting and processing data are discussed and critically evaluated.

3.1 Qualitative
According to Auerbach, (2003) qualitative research can be defined as research that involves analysing and interpreting texts and interviews in order to discover meaningful patterns descriptive of a particular phenomenon. The most common tool to use when conducting qualitative research is to interview the subject while maintaining an empathic demeanour (Thietart, R 2001), which means accepting the subjects’ frame of reference, whether it is in terms feelings or in relevance.

A qualitative approach is not relevant in this thesis, since we want the perception on quarterly reports from all the companies in the large-cap section. If we had used a qualitative approach we would have only been able to get a few companies in-depth view on the subject.

3.2 Quantitative
Quantitative research can be defined as collecting numerical data in order to explain phenomena and analyze using mathematically based method (in particular statistics), (Muijs D, 2004). A benefit with a quantitative approach compared to a qualitative approach is that when the data has been collected the analysis can be straightforward and categorized as data. The most commonly used tool when conducting a quantitative survey is to craft a questionnaire in order to get the data needed (Thietart R, 2001).
When constructing a quantitative study the following steps have to be taken: Define research objectives, formulate hypotheses or make the survey descriptive, define what information is needed, decide what your population is, decide how to sample from the population, design your research instruments, collect the data and analyse the data (Muijs D, 2004). One advantage of quantitative research is that the data is presented based on statistical principles which are objective and easily understood. It is also trustworthy, as statistical presentation gives creditability to the researcher (Denscombe, 2000).

One of the disadvantages with quantitative research is that the questions asked become very important and without well-prepared questions the data is useless. There is also a risk that the analyst gets too meticulous with the analysis technique and takes away focus from the bigger picture. Too much data can be collected, leading to excessive amounts of units, variables and factors. The decisions taken during the analysis can lead to a misrepresentation of the data, as it is easy to manipulate (Denscombe, 2000).

Currently there are 67 companies listed on the large cap section of OMX (OMX, 2008). We sampled the whole population which made the quantitative approach and a descriptive survey the most effective since we wanted information from all the companies. The presentation of the collected data was also more effective to present with quantitative data, as opposed to qualitative data. By using a statistically based quantitative study we were able to get the opinions of a large percentage of our population, giving us a solid base for analysis.

3.3 Primary data
There are two choices of sources when collecting data, either primary or secondary data. “The choice between using primary or secondary data should be brought down to a few fundamental dimensions: the ontological status of the data, its possible impact on the internal and external validity of the project, and its accessibility and flexibility” (Thietart 2001, pg. 73).
Primary data is collected directly by the researchers, with the specific research project in mind. There are three different ways you can implement in order to collect primary data for quantitative research: questionnaires, observation and experimentation (Thietart R, 2001). An observational study is not feasible in our work, because of the time aspect and the companies’ confidential policy could make it impossible to observe the data personally. An experimental study would also be difficult to conduct, since we believe that we can’t “create conditions that encourage participants to behave as naturally as possible” (Thietart 2001, pg. 179), or get the companies to participate in such an experiment.

We use primary data in our research, because of the lack of secondary data in the area when it comes to companies’ listed on the OMX and their view on quarterly reports. The choice of using primary data gave us the opportunity to get accurate responses in order to answer the research problem. “Primary data is generally considered to be a superior source of internal validity, because the researcher will have established a system of data collection suited to the project and the empirical reality being studied” (Thietart 2001, pg. 74).

3.4 Secondary data
Secondary data is collected and in some cases analyzed by other people than the researchers. The sources can for example be non-academic or academic and qualitative or quantitative (Riley et al, 2000). Secondary data concerning the companies’ view on quarterly reports are limited to statements in newspapers and surveys in different market places. We are therefore not able to use secondary data in order to do our study, since companies in other markets often have different regulations as well as cultural and moral values which may not reflect the Swedish market.

3.5 The survey
Our objective was to find the company view on quarterly reports, and whether the pressure of quarterly reporting can affect long-term value creation. In our theoretical framework there are several theories and statements from studies, articles and government reports, we wanted the companies view on these theories and statements.
We conducted our survey by sending a questionnaire by e-mail to the whole population. The questionnaire (appendix 2) was constructed following the guidelines of survey books (Salant et al, 1994) & (Dillman, 2007). We constructed both a Swedish and an English version so that the questionnaires could choose what they preferred. When collecting the data we first sent a pre-notice e-mail explaining our subject and that a response would be appreciated, this was done on April 7th 2008. We sent our pre-notice to the investor relations departments of our selected companies; if no address to the investor relations department was available we sent it to the information department.

On April 10th 2008 we finished our questionnaire which consisted of 19 questions which all where directly related to our theoretical framework and divided into four parts. The first part consists of a series of statements were the respondents agrees or disagrees on a five points scale, this is followed by two question-parts, answered on the same type of scale. One part concerning the contribution of quarterly reporting and one part concerning costs associated with quarterly reporting. Implementing this scale gave us a good foundation to present our findings statistically. We chose to include an “unsure/undecided” alternative in the answer-scale. Whether you should include this alternative is a subject for discussion, because it adds some drawbacks, for example some respondents will choose this alternative only to avoid answering provocative questions. However it can be suiting in order to not oblige the respondents to answer a question that they have no direct knowledge about (Esaiasson, Gilljam, Oscarsson, Wägnerud, 2003).

We ended the questionnaire with three “yes” or “no” questions concerning the companies’ general view on quarterly reporting. We also included a part for general comments concerning the survey. On April 11th 2008 we sent our finished questionnaire to the e-mail addresses we first used. In the case they replied to our pre-notice mail, we sent the questionnaire to the address they referred us too.
The questionnaire included a short introduction letter where we state our purpose with the survey, we informed that the responding companies would get a summary of our findings, and if they so choose the whole thesis. On April 16th we sent the questionnaire a second time to the companies that did not reply on the first questionnaire, adding that we want an answer whether they wanted to participate in the survey or not.

3.5.1 Pilot-case
In studies containing questionnaires you often include a stage between the design of the questionnaire and the collection of the data were you conduct a pilot-case; to assess the feasibility of the research through evaluating the validity and reliability of the data collection tools used (Thietart-Raymond, 2001). In our case this pilot-case was conducted to test our questionnaire. A questionnaire can be tested on a small part of the population in order to ensure that the language is not to ambiguous (Thietart-Raymond, 2001). In our case we tested the questionnaire on several people with business background outside the population, in order to observe that the questionnaire itself was understandable and did not give rise to any confusion that could possibly lead to incorrect results.

The impact of pilot cases varies accordingly to what the researches are trying to test, in many cases the pilot-case leads to reformulating or modifying the questionnaire (Thietart-Raymond, 2001). The results from our pilot study were that some of the questions where experienced to complex in both the language and the content. We also received some comments about how the layout could be improved, in order to increase the whole impression of the questionnaire. After receiving the results we simplified the language, rephrased the questions that caused some confusion among the test subjects and also altered the layout to improve the entire impression.

After altering the indistinct questions and the design of the questionnaire we conducted one final pilot-case. The results were positive and the test subjects experienced the questionnaire easy to understand.
3.5.2 Collection of data
We collected the data directly from the companies. In order to perform the information gathering we needed the following:

- A list of the companies that are listed on the large cap section on the OMX were collected on the OMX Nordic exchange homepage

- The e-mail addresses for the 67 companies listed on the large cap section of the OMX, which were found on the corresponding company’s homepage (appendix 1)

- The companies perception of quarterly reports and its impact on long term value creation, which was collected through our survey (appendix 2)

3.5.3 Presentation and Analysis of data
It is necessary to transfer raw-data into tables and diagrams in order to make descriptive data more understandable (Denscombe, 2000). One main point with constructing charts is that it is an excellent way to quickly supply large amounts of information. However in order to use charts efficiently you have to present vital information, give the reader visual clues and also use the kind of charts that are suitable for what you are presenting.

Staple-charts are an efficient way to present frequencies and they are often used in research reports, also when you have relative few bars in each diagrams you get a better analytical effect using these diagrams (Denscombe, 2000). Our survey mainly consists of questions on a five point scale; this consequently results in a large amount of data. In order to manage this in a logical and understandable way we have chosen to present our data in different forms of bar-charts. The bar-charts have a percentage scale and do not illustrate the number of respondents. Bar-charts gives a quick overview how the majority of the respondents answered a questions.
As a complement to the bar-charts we have also constructed tables with all the collected data which we present in the appendix (Appendix 3). This survey is conducted with an entire population, in this case the Large-cap section on the OMX. Since we have not considered this as a sample for the entire OMX we are not going to conduct any significance-tests or formulate conclusions related to the remaining sections on the OMX. Therefore we are going to analyze the data collected with relations to our theoretical framework and create conclusions solitary concerning the large-cap section.

3.5.4 Respondents vs. Nonrespondents

We terminated the study on the 29th of April. By that time we had received 28 responses to our questionnaire out of 67 possible respondents, this gives us a response rate of roughly 42%. This has to be considered as a relatively successful response rate, since a response rate of 60-65% is uncommon and very good (Esaiasson et al, 2003). After taking the initial contact with the companies we mailed out our survey three times and these where the response rate each time.

- 11th of April, the survey was mailed to all the companies, present response rate for the survey: 22%
- 16th of April, we mailed the questionnaire a second time as a reminder, present response rate for the survey: 30%
- 22th of April, we mailed the survey one last time, and the final response rate for the survey was 42%

We could probably increase the response rate further if we sent out the survey an additional time, however due to the thesis time-limit this was not possible. Another reason why the response rate was not higher could be the timing of our survey. The survey was being sent out on the middle of April which is the reporting period for Swedish companies.
OMX has divided all the companies at the Swedish stock exchange into nine different industries (see appendix 1). The final response rate for the whole survey ended up at 42%, which gives us an external decline rate of 58%. We also had some internal decline in the form of respondents who were not able to answer some of the questions. Consequently we disregarded this internal decline in our analysis. The respondents were divided up between the industries in the following way:

![Survey response rate / Industry](image)

Figure 1: Survey response rate / Industry

What we can conclude from the staple chart is that we do not have an even response rate from the different industries. This had the effect that we could not accurately claim that the conclusion we made later on in the thesis, could be applied to every industry. There are two industries from where we did not receive any responses; the reader should keep that in mind when reading our analysis and conclusion. In order to keep the survey anonymous we cannot comment on individual respondents. Consecutively to be able to make any conclusions of the nonrespondents you should compare them with how they correlate with the respondents. One way to achieve this could be to look at the company’s financial statements, what stage it is in its life cycle and what industry it operates in.

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This would be achievable in order to obtain a higher credibility to our findings; however this is not possible to carry out under the time limit for this thesis, and therefore the reader should keep in mind the limitations of the study, when reading the thesis.

3.7 Reliability
Reliability correlates to whether or not the data that you collect form your study are reliable or not, “reliability is defined as the degree of consensus between different collections of data, in the sense that you are able to reproduce results” (Grönmo, 2006, pg. 222). In order to reach a high level of reliability, the ability to reproduce the study with the same method must be present. “Evaluating the reliability of research (that is, the reliability of its results) consists in establishing and verifying that the various processes involved will be able to be repeated with the same results being obtained by different researchers and/or at different periods” (Thietart 2001, pg. 210). In order to increase the ability to reproduce the study, we made a thorough elaboration of the thesis method, in all aspects from the survey to the collection and processing of the data. The choice of collecting our data from the companies strengthens reliability considering the data was collected straight from the source. The information can easily be collected again, depending on the willingness and response rate from the companies, and compare it with our appendix. We also clearly stated that all the respondents and their answers are going to be treated anonymously. The reason why we have chosen to treat the respondents anonymously is because we believe that this will increase the response rate and honesty of the respondents.

3.8 Validity
According to Grönmo, 2006 validity is defined as the legality of the collected data in relation to the problem specifications we have chosen to study. Validity is separated from reliability, and even when the reliability is relatively high in a survey, it does not conclude that these results are relevant for the problem being investigated.
Face validity is high if it is obvious that the information collected is valuable in relation to the intentions of the study. An assessment of the face validity is not based on thorough discussion but on the fact that the way we collect the data displays obvious characteristics both for the researcher and others (Grönmo, 2006). To increase the face validity we conducted a pilot case where we tested the questionnaire on persons with experience in business administration and economics (see pilot case 3.5.3). Content validity concerns how comprehensive the operational definition is if it would be compared to its theoretical definition. A study has a high content validity if it displays several operational definitions for every theoretical issue it observe (Grönmo, 2006). In order to keep a relative high Criterion validity we made sure that the questionnaire contained several different operational definitions of the same theoretical concepts. Criterion validity takes under consideration the level of conformity with several different operational definitions of the same theoretical concept (Grönmo, 2006). In other words; how well does our study resemble other studies made in the same area with identical or similar methodology? In order to test this validity we will compare out survey with studies already made on related areas.

3.9 Critique against the thesis
This thesis has been carried out systematically and in a scientific manner. There are however some points that can be subject for criticism. “The use of primary data essentially poses a problem of controlling the interpretations that are developed from this data. Researchers are in fact defendant and jury, insofar as they themselves gather data, which they will later analyze” (Tiethart 2001, pg. 76). This is a concern and there is a risk that the questions may have been constructed in order to fit our interpretations of the literature. When studying literature in this area, certain aspects may have become obvious to us, leading to overestimate the general knowledge of the subject, which could have affected the questions constructed. The inability to control who answers the questionnaire within the companies may affect the credibility aspect, however since we are asking for the companies’ perspective, we draw the conclusion that the respondents represent the company’s view. Authenticity is also a matter of concern, since the questionnaire is not directed to a specific
person within the company. Although the responses we received can be traced back to the respective companies’, all the questionnaires positions cannot be fully confirmed. When conducting a quantitative study the questions asked are very important. The main problem is the inability to conduct follow up questioning after the analysis of the collected data has been done, since the subjects probably won’t participate in further questioning because of errors we could have made.

In order to increase the credibility of the theoretical framework we use mainly books and articles. We choose these sources because books and articles are the subject of academic-review before they are published, which increases credibility. The literatures are also from several different researchers which gives a depth and width to the subject. The theories we have chosen in our theoretical framework have affected the result of this thesis. If we included different kind of theory the result could have looked different, with the affect that theoretical framework and empirical data could have been more equivalent. However we feel that we have covered a large spectrum of theoretical framework connected to our problem specification; nonetheless certain parts could have been overlooked and the reader should keep that in mind when reading the thesis.
4 Empirical Data and Analysis

In this chapter we present the empirical findings from our study. We present the findings in the form of bar-charts and analyze the results in connection to our theoretical framework. You can find all the collected data from the study in the appendix (Appendix 3).

4.1 Statements

![Bar chart showing quarterly reporting perceptions](image)

Figure 2: Quarterly reporting is important from a financial control perspective

The respondents answered in the following way; 54% strongly agreed, 29% mildly agreed, 14% were unsure/undecided, 4% mildly disagreed and none of the respondents answered strongly disagree. As presented in the theoretical framework, quarterly reports are financial statements with three objectives; provide information about the financial position, performance and changes in financial position, which all can be used for financial control (Van Greuning, 2004). The answers we received strongly show that most companies use their quarterly reports for financial controlling since 83% of the respondents agreed with the statement.
In this statement the respondents answered in the following way; 14 % strongly agreed, 18% answered mildly agree, 32% were unsure/undecided, 21% mildly disagreed and 14 % strongly disagreed. A survey presented in the theoretical framework concluded that one of the benefits with quarterly reporting was that it levels the playing field between controlling shareholders and minority shareholders (Teen M Y, Vasanthi K K L, 2006). The fact that 32 % answered unsure, 35% of the respondents disagreed and 33% agreed shows there is a divided opinion concerning the issue. However some of the respondent commented “Everybody has equal access to information at any given time”, this is contradictory to Bainbridge, 2006 who concludes that controlling shareholders frequently get greater access to non-public information than minority shareholders, even more so if the controlling shareholder has board representation.
The empirical results from the statement shows that 25% strongly agreed, 32% answered mildly agree, 14% were unsure/undecided, 18% mildly disagreed and 11% strongly disagreed. A report from “The Swedish financial supervisory authority” included in the theoretical framework claims that a removal of mandatory quarterly reporting could lead to a higher risk of company’s deceiving the market. A majority of our population agrees with the statement as 57% either mildly or strongly agreed, consequently giving support to the theoretical concept, with the reservation that 29% of the respondents disagreed.
Figure 5: Quarterly results are less important than annual results

In this statement the respondents answered in the following way; 4% strongly agreed, 14% mildly agreed, 4% were unsure/undecided, 52% mildly disagreed and 25% strongly disagreed. The theoretical framework includes a survey from CA magazine conducted on 133 major Canadian companies which concluded that quarterly results are subordinate to annual results (Fortin, 1997). The opinion of our respondents was that 77% either strongly or mildly disagreed, showing that a majority of OMX listed companies have a different perception on the importance of quarterly results when comparing with annual results than Canadian companies. It also suggests that a lot of time and resources are spent on quarterly reporting, as the majority regards the results equally important as annual results. The results are nevertheless not unanimous as 18% strongly or mildly agreed with the statement.
The responses were divided in the following way; 4% strongly agreed, 4% mildly agreed, 4% were unsure/undecided, 14% mildly disagreed and 75% strongly disagreed. In our theoretical framework we presented the results from a survey in CA magazine which concluded that many decisions are postponed until the end of the year and for cost reasons, the most difficult and sensitive estimates are put off for as long as possible (Fortin, 1997). Our study gave us an overwhelming majority against these conclusions as 86% strongly or mildly disagreed. These responses showed us that our population regards themselves as completely honest and transparent in their quarterly reporting.

Figure 6: For strategic reasons negative information is not announced until the last quarter
In this statement the responses were divided in the following way; 7% of the respondents strongly agreed, 29% answered mildly agree, 29% were unsure/undecided, 21% mildly disagreed and 14% strongly disagreed. There is a divided opinion on how companies believe investors perceive forecasts. 36% agrees that the investor focus more on the forecast than on the company, while 35% disagrees with the statement. Empirical evidence has been found that suggests that information about a firm’s future earnings prospects is one of the most important aspects to investors (Jennings, 1987). This means that forecasts are one of the central aspects for investor and analysts. The companies’ financial results are indeed of interest, but as one of the respondents commented “the majority of their (investors) focus lies within the future since that is what determines their ROI (Return on investments)”.

![Bar Chart: Focus on Forecast vs Company](chart.png)

**Figure 7: There is more focus from the investors on the forecast itself than on the underlying company**
Figure 8: Quarterly reports have the effect that managers delay certain projects

The empirical results from the statement shows that 4% strongly agreed, 4% mildly agreed, 18% were unsure/undecided, 21% mildly disagreed and 54% strongly disagreed. Recent studies suggest that long-term investment decisions taken by managers are made on the basis of short-term objectives in order to meet quarterly earnings guidance. A study by Krehmeyer et al, (2006) in the theoretical framework showed that 50% of financial executives’ would delay new projects, even if it meant sacrifices in the long-term value creation. Our findings show that our population does not agree with this, as 75% strongly or mildly disagreed and only 8% strongly or mildly agreed with our statement, implying that they do not delay certain projects.
The responses were as follows; none of the respondents strongly agreed, 11% mildly agreed, 11% were unsure/undecided, 18% mildly disagreed and 61% strongly disagreed. According to a study in the theoretical framework, Krehmeyer et al (2006), concludes that 80% of financial executives’ would decrease discretionary spending on such areas as research and development, advertising maintenance and hiring in order to meet short-term earnings targets. Our empirical findings do not support this theoretical conclusion, moreover the population perceive themselves focused on long-term value creation considering that 79% strongly or mildly disagreed and only 11% mildly agrees with the statement.
Incentive programs are too focused on short term strategy

Figure 10: Incentive programs are too focused on short term strategy

In this statement none of the respondents strongly agreed, 11% answered mildly agree, 18% were unsure, 25% mildly disagreed and 46% strongly disagreed. According to Krehmeyer et al, (2006, pg. 1) one of the objectives managers should focus on is to “Develop long-term incentives across the board. Compensation for corporate executives and asset managers should be structured to achieve long term strategic and value-creation goals”. The answers here show that 69 % disagrees with the statement “incentive programs are too focused on short-term earnings”. Furthermore, according to the companies they apply incentive programs connected to long term value creation.
4.2 Questions

How would you grade the contribution to the following areas that comes from providing quarterly reports?

In the first part of this question the respondents were asked to grade quarterly reports and its contribution as a decision making tool; 36% of the respondent answered that it had no contribution at all, 29% answered that it had a minor contribution, 18% were unsure/undecided, 14% were of the opinion that it had significant contribution and 4% answered that it had a great contribution. The results show that 18 % thought that quarterly reports have an impact as a decision making tool, 18 % where unsure/undecided, and 64 % believed it had minor or no contribution at all as a decision making tool. In our theoretical framework we explored the fact that quarterly statements can be used as decision making tool by comparing the current period statement with the result of the same quarter, from the previous year.
This comparison shows if trends exists in the company’s operating result (Temte et al, 2005). However the empirical results from our survey indicates that a majority of the companies listed in the large-cap section of the OMX think that quarterly reports has none or a minor contribution when it comes to its function as a decision making tool.

In the second part of the question the respondents were asked to grade quarterly reports and its contribution as tool for achieving financial targets, 39% of the respondent thought it had no contribution at all, 25% answered that it had minor contribution, 21% were unsure/undecided, 4% thought that it had significant contribution and 11% were of the opinion that it provides great contribution. The results show that 15% thought that quarterly reports are used as a tool in order to achieve financial targets, 21% were unsure/undecided, and 64% answered it had minor or no contribution at all, as a tool for achieving financial targets. When issuing a quarterly report, financial targets are often set with financial forecast and earnings guidance. In our theoretical framework we present a study investigating the benefits and costs of issuing earnings guidance. In that study the researchers comes to the result that one major contribution of providing earnings guidance is that it intensifies managements’ focus on achieving financial targets (Krehmeyer et al, 2006). However our empirical results show that the companies in the large-cap section of the OMX are of the opinion that quarterly reports and therefore indirectly earnings guidance, do not contributes as a tool for achieving financial targets.

In the third part of this question the respondents were asked to grade quarterly reports and its contribution as a channel of communication with investors. None of the respondent answered that it had no contribution at all, 7% thought that it had minor contribution, 4% were unsure/undecided, 39% answered that it had significant contribution and 50% thought it had a great contribution as a channel of communication. The results show that 89% were of the opinion that quarterly reports contributes as a channel of communication with investors, 4% were unsure/undecided, and 7% answered it had minor or no contribution at all as a channel of communication with investors. In our theoretical framework we state the
important aspects of quarterly reports, namely to secure transparency through a fair presentation of useful information (full disclosure) for decision making purposes (van Greuning, 2004). Also according to The Swedish financial supervisory authority, quarterly reporting is an important way to communicate with investors when it comes to increase transparency and increase the continuous flow of information to the market which in its turn contributes to an effective price setting (Heneryd & Axelsson, 2007). These assumptions are consistent with the results that we have obtained through our study; a clear majority believes that quarterly reports are an important tool when it comes to communicating with investors.

In the last part of this question the respondents were asked to grade quarterly reports and its contribution when it comes to satisfy the requests from investors and analysts. None of the respondent thought that it had no contribution at all, 4% answered that it had minor contribution, 11% were unsure/undecided, 36% thought that it had significant contribution and 50% where of the opinion that it had a great contribution when it comes to satisfy requests from investors and analysts. The results show that 86 % answered that quarterly reports contributes when it comes to satisfying requests from investors and analysts, 11% where unsure/undecided, and 4% thought it had minor or no contribution at all as a tool for communication with investors. In our theoretical framework we present the argument that a removal of the rule could result in investors only being given limited information as ground for their investment decisions as well as making it more difficult to compare companies with each other (Heneryd & Axelsson, 2007). This is consistent with our findings from the study, were a majority of the respondents are of the opinion that quarterly reports are important in order to satisfy requests from investors.
How would you grade the costs associated with the following factors when it comes to producing quarterly reports?

In the first part of this question the respondents were asked to grade the costs associated with producing quarterly reports when it comes to too much focus on short-term earnings. None of the respondents answered very costly, 21% answered significant costs, and 39% were unsure/undecided, 32% thought it to bear small costs and 7% believed it not to be at all costly. This refers to our theoretical framework and the side effects of myopic behavior (Porter, 1992) and the negative effects of financial reporting (Krehmeyer et al, 2006). The results show that 39% believe the costs from focus on short-term earnings to be either small or none at all. 39% of the respondents were unsure/undecided on the issue, suggesting that it is difficult to measure the costs of too much focus on short-term earnings. 21% thought the costs are significant or very costly, further adding to the difficulty of analyzing these results.
In the second part of the question, the respondents were asked to grade the cost when it comes to management time while producing quarterly reports. 4% answered very costly, 32% thought quarterly reports are connected with significant costs, 39% were unsure/undecided, 25% answered small costs and none of the respondents thought it is not at all costly. The question of management time arises from the study by CFA Institute. One of the most misleading attributes of quarterly reports is that it gives an illusion of complete business predictability, a faulty premise for companies and their investors, the process is also very time-consuming and this is identified as the most significant cost (Krehmeyer et al, 2006). 36% of the respondents answered there is a significant time cost for managers associated with quarterly reports, while 25% thought there is minor time costs associated when producing quarterly reports.

In the last part of the question the respondents were asked to grade the cost when it comes to employee time when producing quarterly reports. None of the respondents considered it to be very costly, 21% thought it has significant time costs, 54% were unsure/undecided, 25% believes that there are small time costs involved, and none of the respondents thinks that there are no time costs at all. This question is derived from the same study as the management time question. 21% agreed that there is employee time costs associated with quarterly reporting. One of the reasons that 25% thought there is small costs and 54% were unsure could be as commented by one of the respondents “they (quarterly reports) are publications of internal material that we create anyway. So about the cost aspect, there are very few directly associated costs to our reporting”. These empirical results suggest that the companies in the large-cap section do not agree with the statement “producing quarterly reports are a time consuming task”. This suggests that the respondents see no direct connection between management or employee time and the costs of producing quarterly reports for external use, since many of them may produce similar statements for internal use.
Is there a common awareness in your company of the costs in sacrificing long term value creation in order to meet short-term targets?

The empirical answers from this statement were divided in the following way; 29% answered yes, 46% answered no and 25% answered no comment. In our theoretical framework we presented theories concerning the negative effects of myopic behaviour (Sanjeev et al, 2005), as well as short-termism (Krehmeyer et al, 2006). One of the major issues is the neglect of long-term business growth in order to meet short-term expectations. The respondents’ answers show that a majority of the respondents do not perceive myopic behavior and short-termism as a predicament, since 46% admits that their company lacks awareness of the issue, 29% of the companies answered yes on the question and therefore considers themselves in control of the issue. These findings show a correlation between the empirical results and the theoretical framework, and the general unawareness of the risks and future costs of short-termism.
Could more open communication with the shareholders, for example monthly earnings statements, benefit your company more than the quarterly reporting?

![Bar chart showing answers to the question.]

The empirical answers from this statement were divided in the following way; 7% answered yes, 86% answered no and 7% answered no comment. Krehmeyer et al, (2006), notes that companies can provide more information to shareholders by offering more information in the sense of monthly operating data, which are of higher quality and less susceptible to manipulations of earnings than quarterly reports. Our respondents’ answers shows that an overwhelmingly majority of OMX large cap listed companies disagrees and believes that quarterly reporting currently is the best way to communicate with shareholders. One of the yes-respondents noted that more communication would benefit the company, but that monthly earning statements would not improve communications.
Do you agree with the suggestion that quarterly reporting should be optional for companies listed on the OMX?

The empirical answers from this statement were divided in the following way; 43% answered yes, 43% answered no and 14% answered no comment. This question is the concluding and one of the most interesting questions in our survey, the basis is the motion from OMX to remove the mandatory quarterly reporting as well as the Swedish financial supervisory authorities reply (Heneryd & Axelson, 2007). Our population is evenly divided on the subject, showing the complex nature of the question and how separated the large-cap section are when it comes to the motion of making quarterly reports optional. One interesting comment we received was “quarterly reporting makes little sense for companies with high price-low volume business”, arguing against mandatory quarterly reporting. They argue this since they have relatively high price and sell low volumes the quarterly numbers can differ considerable in different quarters, consequently giving an unfair view of the company. This could be one argument why quarterly reports should become optional.
5 Conclusions

In this chapter we discuss and review the results derived from the analysis. We won’t discuss specific details instead we will discuss general examples that are of interest to our problem specification. This section also includes reflections that have arisen during this process.

5.1 Introduction

The purpose with this thesis was to investigate from companies’ perspective if the pressure for companies to produce quarterly reports has turned away their attention from working towards long-term value creation. The empirical data shows that even though the majority agrees on most issues, there are many different opinions and viewpoints within the large-cap section of the OMX, when it comes to quarterly reports and how it affects their way of working. The reason for these divided opinions could be explained by the complexity of the subject, and the fact that it does not affect everybody in the same way, not even companies that have reached the same level of maturity in the corporate life-cycle. In order to achieve better results you may have to segment the respondents in another way. Some of the respondents may perceive our statements as criticism against their way of working, when we question their methods it could lead to a defensive stance on the subject and unwillingness to evaluate alternative solutions in an objective manner.

5.2 Quarterly reports as a source of information

The results derived from our study shows that a majority of the companies believe quarterly reporting is currently the best way of communicating with shareholders. The companies regard quarterly reports as an effective communication tool with shareholders and investors, which at the same time satisfy their request for information and transparency. They do not feel that more open communication like monthly statements, would benefit the company further.
In our opinion this does not have to mean that quarterly reports are the most optimal way to communicate with shareholders and investors, it could be that quarterly reports have been a norm for so long that alternative solutions have been overlooked or disregarded. The study also shows that if mandatory quarterly reporting was removed, information could be withheld from investors; suggesting quarterly reporting needs to be mandatory in order for the companies to be transparent. Another connected issue frequently discussed is whether quarterly reports levels the playing field between minority and controlling shareholders. The results from our questions show that the opinions are evenly divided between the different answer alternatives, which makes coming to a conclusion difficult. However, according to Bainbridge, (2006) controlling shareholders are in fact privileged with more information than minority shareholders. Therefore our results may suggest that some companies underestimates the insight controlling shareholders have or they regard themselves as completely transparent to both controlling and minority shareholders. The study shows that when a quarterly report is released, companies do in fact believe that investors place a lot of focus on the financial forecast, nevertheless this is not perceived as a problem since they believe there is equal focus on the company’s operational activities.

5.3 Long-term value creation
One of the goals with this study was to investigate how companies’ perceived how long-term value creation was affected by the obligation to produce quarterly reports. The obligation to produce quarterly reports has been accused to create quarterly-strategies and short-term thinking. The conclusion we can draw from our case study is that a majority of the respondents lack awareness of the costs associated with short-term thinking and how it affects long-term value creation. This does not necessarily mean they ignore long-term value creation; however they may underestimate the risks with short-term strategies. The study also shows that a majority of the respondents views quarterly results equally important as annual results.
In our opinion, this could point towards too much focus on short-term strategies, as companies experience pressure to report positive numbers in each quarter, indirectly encouraging short-termism. Contradictory to this is that a majority of the respondents believes that their incentive programs are constructed to encourage long-term value creation.

5.4 Internal usage of quarterly reports
The result from the case study implies that a vast majority regards quarterly reports important from a financial control perspective; they feel that the quarterly reports are important in order to control the firms’ costs and expenses in relation to the budgeted amounts, for that reason many companies would still produce quarterly reports for internal use even if it became optional. Therefore the general opinion of the respondents is that the companies do not experience direct costs when producing quarterly reports for investors and analysts. However they do not see quarterly reports as a decision making tool nor do they perceive them as a tool for achieving financial targets. The fact that they do not base decisions on quarterly reports could imply that they do not feel the quarterly reports are a valid or accurate ground for decision making.

5.5 Company behavior
The results we derived from the case study show that a majority of the respondents do not decrease discretionary spending in order to meet short-term targets. A majority of the respondents do not experience quarterly reports to have the effect that certain projects are being postponed until the last quarter, in order to produce positive results in previous quarters. The study additionally shows that companies will not postpone announcements of negative information until the last quarter. This contradicts our theoretical framework (Krehmeyer et al, 2006) in which as many as 80% of financial executives’ said they would decrease discretionary spending in order to meet short-term earnings targets.
The results show that the majority of the companies do not delay new project also contradicts Krehmeyer et al, (2006) which concludes that 50% of financial executives’ would delay new projects, even if it meant sacrifices in the long-term value creation. We can only presume why the difference is so drastic, it might be that the OMX listed companies do not decrease certain spending to achieve short-term targets. Conceivably this is a sensitive question for companies to answer, and therefore our results may not reflect the reality.

When it comes to the issue of mandatory quarterly reporting, the opinions are divided, as half of our respondents believe quarterly reporting should be made optional. We were of the impression that a removal of mandatory quarterly reporting would be something that a majority of the companies would support, since OMX turned in a motion in order to change their listing agreement.

5.6 Final Conclusion
The purpose with this thesis was to answer the question: How do listed companies perceive that the pressure for producing quarterly reports affect their way of working, consequently turning away their attention from achieving long term value creation? Our conclusion from our work is that companies listed on the large cap section of the OMX do not perceive that the pressure to produce quarterly reports affects them in a negative way.

They consider quarterly reports to be an effective financial control tool, and necessary in order to share information with the public. Admittedly most companies are not fully aware of the risks with short-termism; however they do not experience quarterly reports to affect their endeavor for long-term value creation.
6 Further Research

In this section we discuss and include suggestions on further research within the area, which have emerged during the work with this thesis.

During the work with this thesis, several other ideas within the same subject have been discussed, ideas which can be subject for further research, and therefore we present some of these ideas. There are several parts of both theoretical framework and empirical data that this thesis has not covered. A complement to this thesis can be to conduct a study in this area from a qualitative perspective. This could be done in order to get a better in depth knowledge of the subject.

A different approach to this research area can be to segment companies in a different matter perhaps a similar study can be performed on companies in different stages in the corporate life cycle. This could be done in order to see if the theories presented in our theoretical framework are more or less equivalent to other companies.

Another research subject could be to examine the OMX’s reasoning behind their motion to remove mandatory quarterly, since our study shows that companies in the large-cap section on the OMX do not think that quarterly reports are a negative element.

Further studies could also be conducted on how investors and markets perceive quarterly reports. The common consensus is “quarterly reports are necessary” but how could they be improved to give even more information to the public?
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Appendix
## Appendix 1 The Large-cap section on the OMX (OMX, 2008)

### Industries:

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Hakon Invest Consumer sta. www.hakoninvest.se
Hexagon Industrials www.hexagon.se
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Husqvarna Consumer Disc. www.husqvarna.com
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Investor Financial www.investorab.com
JM Financial www.jm.se
Kaupthing bank Financial www.kaupthing.net
Kinnevik Financial www.kinnevik.se
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Appendix 2 The questionnaire

**Quarterly reporting: A survey of the large cap section on the OMX**

This survey is the basis of a bachelor thesis in business administration. The findings will be used from a company perspective to analyze if the pressure for companies to produce quarterly reports has turned away companies attention from working towards long term value creation. The questionnaire has been sent to all the companies listed on the large cap section on the OMX. Participants will get a summary of our findings, and if they so choose they can receive the whole thesis on request. All the companies and persons that participate in the survey will be treated anonymously.

Instructions: Answer the questions by typing the respective choice in the answer column, when finished save the document and send it back.

*Thank you for participating!*

Oskar Olsson
Samuel Sölgén
Daniel Wiklund
Mälardalen University
School of sustainable development on society and Technology
Mälardalen University
EFO703: Bachelor Thesis in Business Administration 15 hp
Title: Swedish Companies’ Perception of Quarterly Reports

Statements:

Alternatives

1. Strongly disagree
2. Mildly disagree
3. Unsure/undecided
4. Mildly agree
5. Strongly agree

S1) Quarterly reporting is important from a financial control perspective
Answer:

S2) Quarterly reporting provides minority shareholders with the same information as controlling shareholders already have
Answer:

S3) A removal of mandatory quarterly reporting leads to company’s withholding vital information from investors
Answer:

S4) Quarterly results are less important than annual results
Answer:

S5) For strategic reasons negative information is not announced until the last quarter
Answer:

S6) There is more focus from the investors on the forecast itself than on the underlying company
Answer:

S7) Quarterly reports have the effect that managers delay certain project
Answer:

S8) Your company decreases spending in certain areas in order to meet short-term financial targets
Answer:

~ 64 ~
S9) Incentive programs are too focused on short term strategy

Answer:

Questions part 1:

Alternatives
1. No contribution at all
2. Minor contribution
3. Unsure/undecided
4. Significant contribution
5. Great contribution

How would you grade the contribution to the following areas that comes from providing quarterly reports. (1-5)

Q1) Satisfying requests from investors and analysts?
Answer:

Q2) As a channel of communication with investors?
Answer:

Q3) As a tool for achieving financial targets?
Answer:

Q4) As a decision making tool?
Answer:
Questions part 2

1. Not at all costly
2. Small costs
3. Unsure/no opinion
4. Significant costs
5. Very costly

How would you grade the costs associated with the following factors when it comes to producing quarterly reports. (1-5)

Q1) Too much focus on short-term earnings?
Answer:

Q2) Management time?
Answer:

Q3) Employee time?
Answer:

Q4) Is there a common awareness in your company of the costs in sacrificing long term value creation in order to meet short-term targets? (Yes/No)
Answer:

Q5) Could more open communication with the shareholders, for example monthly earnings statements, benefit your company more than the quarterly reporting? (Yes/No)
Answer:

Q6) Do you agree with the suggestion that quarterly reporting should be optional for companies listed on the OMX? (Yes/No)
Answer:

Comments:

Thank you for your participation!
Appendix 3 Data from survey

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