Impression management in annual report narratives: the case of the UK private finance initiative

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Abstract

Purpose – The UK Private Finance Initiative (PFI) public policy is heavily criticised. PFI contracts are highly profitable leading to incentives for PFI private-sector companies to support PFI public policy. This contested nature of PFIs requires legitimation by PFI private-sector companies, by means of impression management, in terms of the attention to and framing of PFI in PFI private-sector company annual reports.

Design/methodology/approach – PFI-related annual report narratives of three UK PFI private-sector companies, over seven years and across two periods of significant change in the development of the PFI public policy, are analysed using manual content analysis.

Findings – Results suggest that PFI private-sector companies use impression management to legitimise during periods of uncertainty for PFI public policy, to alleviate concerns, to provide credibility for the policy and to legitimise the private sector's own involvement in PFI.

Research limitations/implications – While based on a sizeable database, the research is limited to the study of three PFI private-sector companies.

Originality/value – Portrayal of public policy in annual report narratives has not been subject to prior research. The research demonstrates how managers of PFI private-sector companies present PFI narratives in support of public policy direction that, in turn, benefits PFI private-sector companies.

Keywords Annual report narratives, impression management, legitimacy theory, Private Finance Initiative

Paper type Research paper

1. Introduction

Impression management originated in the social psychology literature concerning individuals (Goffman, 1959) and has been applied in corporate reporting, including the study of contested contexts such as adverse financial performance, corporate scandals, environmental disasters and major re-organisations (Merkl-Davies and Brennan, 2007). During such events, managers use corporate communication strategies to attempt to influence stakeholders' perceptions of the company (Hooghiemstra, 2000). These corporate communication strategies manifest in the discretionary financial, social and environmental narratives in annual reports (Deegan, 2002).

UK Private Finance Initiative (PFI), also called Public Private Partnerships (PPP), entails partnership between public bodies and private-sector companies to enable the State to procure infrastructure using private financing. The State pays private-sector organisations throughout each contract, from which private-sector organisations make a return for their shareholders. PFI has delivered around 700 new facilities across the UK, equating to approximately £55 billion of private-sector investment (Her Majesty's (HM) Treasury, 2012). Despite failing to meet public needs (Infrastructure UK, 2011), the UK Government remains committed to PFI (Infrastructure and Projects Authority, 2016). Additionally, PFI continues to expand worldwide, particularly in Canada, the US, Italy and Portugal (Akintoye *et al*., 2016). We believe external influences (such as from private-sector companies) on Government have positively affected support for PFI. PFI has continued as a procurement method, despite extensive criticism (explored in Section 2) and despite available alternatives that could have provided cheaper access to capital (House of Commons, 2010; 2011a). PFI has attracted continued Government support even from political parties that previously opposed it. This contested context suggests impression management as a suitable lens for studying PFI in private-sector company annual reports.

Research agendas for PFI seek to understand the implications of PFI, including its nature, the rationale for its pursuit, the regulation of its application and the role and effects of PFI public policy and practice, including reporting of these arrangements (Broadbent and Laughlin, 1999; Andon, 2012). From a policy perspective, governments, private consortia and financial management structures and rules have contributed to the favourable development of PFI (English and Guthrie, 2003; Newberry and Pallot, 2003). For example, Newberry (2004, p. 12) conjectures that PFI public policy developed, not on its own merits, but that "the roles played by some private-sector parties to promote PPP-deals suggests the existence of a PPP-web promoting these deals". In a US context, Baker (2003) argues that the development of PFI is linked to the influence of private-sector interests. Shaoul *et al.* (2007, p. 491) discuss the participation of UK private-sector accounting firms in lobbying for the expansion of PFI, arguing that "social networks" determined the development of PFI, reducing the role of the civil service and local government officers. Asenova and Beck (2010) criticise the influence of private financiers in PFI public policy. This strand of research questions the control and motivations surrounding PFI public-policy development, which has implications for democratic government and public accountability (Andon, 2012). The potential for private-sector self-interested company managers to influence public-policy direction and support can create long-term significant change (Baumgartner *et al*., 2009). Thus, understanding the source, extent and implications of influence on PFI public policy is important.

Private-sector organisations create broad programmes of messages to frame discussions of public policy issues (Conrad and McIntush, 2003). Annual report narratives are effective means to communicate such messages as they convey particular meanings and outcomes (Stanton and Stanton, 2002) and respond to pressure from the public and policy makers (Walden and

Schwartz, 1997). If a public policy adversely affects certain stakeholders, but remains attractive to a private-sector organisation, managers have incentives to engage in impression management to influence and shape users' perceptions of the private-sector organisation and/or the public policy. Our thesis that impression management in annual reports influences perceptions of public policy is one of many influences. We believe it is an appropriate lens through which to view PFI annual report narratives in that, at the very least, the use of impression management reflects what managers might think influences public policy.

There are a number of theories on narrative disclosures in annual reports (Merkl-Davies and Brennan 2007). The dominant assumption is that managers provide useful incremental information to investors who are capable of assessing reporting bias therein. Alternatively, in disclosing information managers are assumed to be opportunistic – to manage the impressions of a range of stakeholders. Finally, some proponents of the opportunistic perspective believe investors see through managerial bias. They regard impression management as "executive hyperbole", i.e. a harmless corporate reporting ritual with no capital market consequences (Merkl-Davies and Brennan, 2007, p. 120). In eight papers that tested the competing incremental information versus impression management hypotheses, Merkl-Davies and Brennan (2007) find support for the impression management perspective. Thus, in this research we adopt an impression management perspective, while acknowledging that such an assumption is open to challenge. We focus on impression management by preparers. We do not test the effect of impression management on readers of PFI annual reports. We cannot conclude therefore whether impression management influences readers or they see through it as irritating noise. Analysis of managers' narratives concerning public policy is interesting because it reveals managers' attitudes towards that public policy.

This paper responds to earlier research by Amernic and Craig (2004, p. 33) that "Pronouncements of public policy by isolated, powerful elites ought to be subjected to vigorous scrutiny and broader discussion. There are many potential benefits in exposing the assumptions, ideologies and metaphors that underlie the self-serving rhetoric in statements of public policy by mega-corporations". We examine for the first time the portrayal of public policy in annual report narratives. We study self-interested corporate influence on PFI public-policy development through an impression management lens, in particular, the corporate reporting practices of private-sector organisations involved in PFI. We use manual content analysis to analyse the PFI-related annual report narratives of three UK PFI private-sector companies for impression management, as a legitimating tool, during two periods of significant change in PFI public-policy development. We provide insights on organisational impression management strategies during periods of public-policy uncertainty which affect those private-sector organisations. Merkl-Davies and Brennan (2011) conceptualise impression management as: self-serving bias, symbolic management and accounting rhetoric. We consider impression management as symbolic management involving "any behaviour by a person that has the purpose of controlling or manipulating the attributions and impressions formed of that person by others" (Tedeschi and Riess, 1981, p. 3). We adopt a legitimacy perspective, assuming that the need for private-sector organisations to appear to conform to social rules and norms motivates impression management (Merkl-Davies and Brennan, 2011). This study takes an incremental step towards understanding impression management in an alternative contextual setting of disclosures concerning a contested public policy.

Our paper contributes to the literature in two ways. First, prior research has applied an impression management lens to study its influence on perceptions of organisational legitimacy (e.g. Hooghiemstra, 2000; Ogden and Clarke, 2005; Beelitz and Merkl-Davies, 2012). We extend our understanding of how private-sector organisations use corporate reporting in a contested context for legitimacy purposes both to legitimate themselves and to legitimate a Government policy, which financially benefits them. Thus, we examine a unique legitimacy case: the need to manage both private-sector organisational legitimacy and legitimacy of a heavily criticised public policy. Second, by highlighting the role that corporate reporting plays in supporting public policy in the form of PFI public-policy development, we provide insights on a possible source of influence that has furthered the cause for PFI.

We find that impression management is used to portray an accurate, but favourable view both of the private-sector organisations and of PFI public policy to alleviate concerns and provide credibility for the policy. Our analysis emphasises the importance of the role of corporate reporting as a source of legitimacy. The paper proceeds as follows: We discuss the background and criticisms of UK PFI in Section two. Section three considers corporate reporting from a legitimacy perspective. We outline the research questions and methodology in Section four. We discuss the results in Section five and the paper concludes in Section six.

2. Background and criticisms of UK PFI

PFI was introduced in the UK by the then UK Chancellor of the Exchequer, Norman Lamont, in his 1992 Autumn Statement. This occurred against a backdrop of infrastructure deficits, particularly in the transport and healthcare sectors (House of Commons, 2011c; Shaoul *et al.*, 2011), and an increased interest in private-sector management styles, labelled "New Public Management" (Hood, 1995). Following its introduction, the UK Government saw PFI as a way to secure infrastructure investment without putting pressure on State finances (Dawson, 2001; Toms *et al.*, 2011). The tension between public-sector objectives to meet social needs, and private-sector goals of profit maximisation (Jones and Pendlebury, 2010), led to concerns that PFI was prioritising the needs of the private sector. Price *et al.* (1999, p. 9) criticised PFI projects as "profit-making ventures for the private sector". Criticisms intensified as the private sector secured high investor rate of returns on a number of PFI projects (National Audit Office, 2006).

These concerns made it difficult for Government to continue to defend PFI solely in terms of its ability to fund new infrastructure. Accordingly, following its election in 1997, "New Labour" (a slogan at the time for the British labour party) rebranded PFI as Public Private Partnerships (PPP), changing the focus from private finance to partnership. In addition, New Labour stated that "PFI is all about … improved value for money" (Treasury Taskforce, 1998, p. 8), i.e. the realisation of economy, efficiency and effectiveness (Shaoul, 2005). Value for money is primarily achieved through "risk transfer", where the public sector transfers project risks (for example, construction risk) to the private sector. Value for money is assessed through a cost comparison with traditional public-sector procurement options.

Yet, over time, PFI has been criticised, damaging the policy's public image thereby placing the policy under threat. Heald (2003) and Shaoul (2005) suggest that evaluation of PFI frequently encompasses a misunderstanding of value for money which, in any event, is rarely achieved (Gaffney *et al.*, 1999b; Reeves, 2008). Risk transfer claims are often exaggerated (Gaffney *et al.*, 1999b; Pollock *et al.*, 2011) and conceptually flawed (Shaoul, 2005). Shaoul (2005) and Khadaroo (2008) consider the methodology used to compare PFI versus traditional public-sector procurement favours PFI through bias and manipulation, as government departments became aware that projects would only be approved when financed through PFI (Price *et al.*, 1999). The high costs of PFI financing compromised the affordability of projects in the health sector (Gaffney *et al.*, 1999a), forcing reductions in capacity and services (Gaffney *et al.*, 1999c; Pollock *et al.*, 2011). A House of Lords' (2010) report echoed criticisms concerning the questionable extent of risk transfer and the methodology applied in PFI versus public-sector comparisons. The 2008 credit crisis exacerbated problems in the UK as the cost of private finance increased, while its availability decreased. Projects continued to be signed despite the absence of value-for-money assurances (National Audit Office, 2010). A later House-of-Commons report (2011a, p. 3) concluded that PFI should be used "as sparingly as possible until the … Value for Money … and absolute cost problems associated with PFI at present have been addressed".

These criticisms reflect the desire of PFI critics for its abolition and raise questions about the enduring support of PFI by the UK Government in light of suggestions of a flawed policy. Abolition is a real threat. For example, Agyenim-Boateng *et al*. (2017) study one type of PPP, abolished in 2010.

Our longitudinal study covers two periods of change in the development of PFI. Period one, 1997-1999, commenced with the election of Tony Blair as UK Prime Minister in 1997, during whose term the number of PFI projects increased significantly because of his support for the policy (Broadbent and Laughlin, 2003). On average six projects[1] were signed per month between 1997 and 1999. The period ends in 1999 as a review of PFI recommended changes to the policy (HM Treasury, 1999). Period two, 2007-2010, features liquidity pressures in 2007 which damaged market confidence, leaving PFI projects without access to bond finance in capital markets and to bank finance following the credit crisis (National Audit Office, 2010). The number of PFI projects decreased. On average 1.5 projects[1] were signed per month between 2007 and 2010. The second period ends in 2010 when the Government announced a reform of PFI. We examine these two periods, as the expansion of PFI, paralleled with increasing criticism and an uncertain future, increased the requirement for legitimacy to be maintained. The longitudinal study provides an opportunity to review how impression management strategies change in response to increasing contestation prompting private-sector organisations to engage in legitimation. We expect impression management to legitimise the public policy in both periods. However, in Period 1, PFI was new and needed to gain legitimacy, whereas we expect impression management to intensify in Period 2, following the heavy criticism of the policy and the need to maintain its legitimacy.

3. Legitimacy framework of corporate annual reporting

Suchman (1995, p. 574) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Legitimacy premises a social contract: that stakeholders permit organisations to exist if their actions are congruent with social values (Deegan, 2002). Aware of their stakeholders' perceptions, organisations respond to changes in their operational environment to prevent a legitimacy gap (Samkin and Schneider, 2010). Legitimation is the process whereby organisations justify their activities, by gaining or maintaining or repairing legitimacy (Suchman, 1995; Samkin and Schneider, 2010). The PFI private-sector companies must persuade audiences with conflicting needs: namely their own shareholders who have self-serving profit motives; and other stakeholders in society, including Government and government departments, politicians and the public. This conflict plays out in the types of legitimacy the PFI private-sector companies seek. Suchman (1995) identifies three primary forms of legitimacy: pragmatic, moral and cognitive legitimacy. Pragmatic legitimacy is aimed at organisations' immediate audiences. In our case, there are two audiences: PFI private-sector company shareholders and external stakeholders, particularly those involved in public policy making. Pragmatic legitimacy requires the PFI private-sector companies to persuade their shareholders that, despite its contested nature, PFI continues to align with shareholders' self-interested need for financial returns and to persuade policy makers that PFI is a good public policy, which delivers value for money for taxpayers. Pragmatic legitimacy has three sub-forms: exchange, influence and dispositional legitimacy (Suchman, 1995). Our paper focuses on exchange legitimacy, which relates to perceptions of PFI's usefulness to shareholders who, in return, support their PFI private-sector firms. Influence legitimacy and dispositional legitimacy relate to audience responses/reactions, which we do not consider in this research. While pragmatic legitimacy is aimed at shareholders, the PFI private-sector companies seek moral legitimacy from other societal stakeholders. Moral legitimacy requires the PFI private-sector companies to persuade their societal stakeholders that the pursuit of PFI is the right thing to do from a moral perspective. We focus on organisational efforts to gain and maintain moral legitimacy from the accomplishments achieved through PFI (consequential legitimacy) and from the 'discrete routines' followed in implementing PFI (procedural legitimacy) (Suchman, 1995, p. 581). Other sub-forms of moral legitimacy are beyond the scope of our research, including the organisational structure of PFI private-sector companies (structural legitimacy) and the charisma of their leaders (personal legitimacy). Both pragmatic and moral legitimacy "rest on discursive evaluation" (Suchman, 1995, p. 585) such as through the study of annual report narratives. Cognitive legitimacy involves the simple acceptance of an organisation based on the assumptions audiences have about organisations (Durocher *et al*., 2007). As our research focuses on the preparer perspective, we do not consider cognitive legitimacy.

3.1 The need for legitimacy

Organisations' legitimacy is partly controlled by their affiliations and the industry in which they operate (Vendelø, 1998; Hooghiemstra, 2000). The socially constructed perception that PFI is flawed threatens not only the legitimacy of PFI public policy but also the legitimacy of PFI private-sector companies themselves arising from their pursuit and continued support for the undesirable PFI public policy (see Section 2). Thus, the UK PFI public policy provides an interesting case for exploring legitimation, as the PFI private-sector companies face the conflicting need to legitimise social perceptions concerning the PFI public-policy image as well as their own corporate image. PFI is profitable for PFI private-sector companies (see Section 2) and represents a significant proportion of their turnover (Smy, 2003), thus the importance to them of PFI public-policy image. Martin Laing, chairman of the Laing group "demanded" the Government to take further steps to ensure PFIs' survival (Gosling, 1996). Carillion's chairman claimed PFI critics "do not understand" PFI and attempted to create a positive image for PFI by insisting the "public sector is simply not going to have to pay the bills in the future" (Prynn, 2000). Image of PFI private-sector organisations is important in attracting investment since corporations are "controlled […] by community concerns […] and values" (Stanton and Stanton, 2002, p. 490-491).

3.2 Legitimating strategies and impression management

Organisations engage in legitimation either through substantive action or through symbolic management (Ashforth and Gibbs, 1990). Substantive action involves real changes in activities, while symbolic management involves symbolic strategies to change stakeholder perceptions. Given the financial benefits that PFI affords private-sector companies, we argue PFI companies are better off engaging in symbolic management rather than the substantive action of ending their profitable PFI-related activities. Annual report narratives provide a medium through which PFI private-sector companies can engage in symbolic management to legitimise PFI public policy, for example, by discussing its positive characteristics.

Organisations engaging in legitimation via annual report narratives use impression management (Samkin and Schneider; 2010; Brennan and Merkl-Davies, 2013). Impression management is a purposeful, conscious undertaking to control or influence audience perceptions (Tedeschi and Riess, 1981). In a corporate reporting context, impression management attempts to "control and manipulate the impression conveyed to users of accounting information" such as in unaudited narratives (Clatworthy and Jones, 2001, p. 311). Leary and Kowalski (1990) develop a two-component impression management model entailing two processes: impression motivation and impression construction. Impression motivation explains the conditions under which managers are motivated to engage in impression management, while impression construction refers to both the desired impression and the behaviours used to manage this impression. PFI company managers are motivated to engage in impression management to make PFI appear more legitimate. The companies desire both a positive PFI public policy image and a positive corporate self-image. Figure 1 summarises the analytical framework applied in the research, which we developed from Suchman's (1995) legitimacy framework.When constructing impressions, the PFI private-sector companies seek to gain, maintain and repair legitimacy using diverse legitimation strategies. Legitimation strategies to gain legitimacy are proactive and fall on a "continuum from relative passive conformity to relatively active manipulation" (Suchman, 1995, p. 587). Our research focuses on the legitimation strategy of "manipulate environments", as it involves creating new audiences or new legitimating beliefs (Suchman, 1995, p. 591). Other strategies to gain legitimacy, including selection among environments and conformity to environments, are not within the scope of impression management. To gain pragmatic and moral legitimacy, the PFI private-sector companies should "advertise" PFI and their role in PFI and be persuasive by demonstrating success (Suchman, 1995). For this reason, we examine impression management strategies that focus on establishing positive identities, building positive reputational characteristics, persuasion and promotion of PFI public policy and the PFI private-sector companies themselves. In Section 4, we identify these impression management strategies as assertive/defensive strategies, rhetorical association/disassociation strategies and PFI-policy promotion v PFI private-company self-promotion. Legitimation strategies to maintain legitimacy are "protective" and include "perceiving future changes" and "protecting past accomplishments" (Suchman, 1995, p. 594). Our paper focuses on both of these strategies, as PFI private-sector companies would need to strengthen existing legitimacy and guard against changing audience demands in light of increased threats against PFI in Period 2 (including the credit crisis and critical reports on private-sector profits from PFI). Changing audience demands could entail reduction in shareholder appetite to invest in PFI private sector companies and/or reduction in government appetite to build public sector infrastructure using PFI finance. To maintain pragmatic and moral legitimacy, the PFI private-sector companies should intensify use of those strategies to gain legitimacy in Period 1 but also "police responsibility", "communicate authoritatively" and "stockpile esteem" (Suchman, 1995, p. 600). For this reason, we examine impression management strategies that focus on responsibility, language and recognition. In Section 4, we identify these impression management strategies as assertive/defensive strategies, rhetorical association/disassociation strategies, PFI-policy promotion vs PFI private-sector company self-promotion, attribution and selectivity. Legitimation strategies to repair legitimacy are reactive (Suchman, 1995). Our paper focuses on the legitimation strategy of "normalizing accounts", as "restructure" and "don't panic" are not within the scope of impression management (Suchman, 1995, p. 597). To repair pragmatic and moral legitimacy, PFI private-sector companies tend to excuse or explain their involvement in PFI. For this reason, we examine impression management strategies that focus on justification. This can manifest as defensive explanation or external attribution. We identify these impression management strategies as assertive/defensive strategies and attribution.

(Figure 1 about here)

4. Research questions and methodology

This section outlines the six research questions and the approach taken to analyse PFI-related annual report narratives.

4.1 Research questions

The paper focuses on the contested nature of PFIs, the implicit hypothesis being that the more contested an issue is, the more legitimation is required, both in terms of attention (proxied in the form of space devoted to the issue) (RQ1) and in terms of framing the issue in a way that ensures audience support (RQ2-RQ6). This hypothesis is tested by means of comparing annual report disclosures on PFIs during two time periods (Period 1 less contested vs. Period 2 more contested).[2] As a proxy for the importance managers put on PFI, we commence our empirical analysis by analysing the proportion of annual report narratives devoted to PFI narratives, comparing these between the two time periods (Jetty and Beattie, 2009), leading to the following research question.

RQ1: What proportion of annual report narratives comprise PFI narratives?
RQ1a: Is there any variation in the proportion of PFI narratives between the two time periods of the study?

Impression management research attempts to understand the strategies pursued by organisations in framing external stakeholders' impressions of their activities. We contribute to the literature by examining whether impression management is used to manage impressions of both PFI public policy and of PFI private-sector organisations. We examine four impression management strategies: Assertive/defensive strategies, rhetorical association/disassociation strategies, attribution and selectivity.

Given the threatening and contested context of this research, in which PFI is subject to extensive criticism, we categorise PFI-related annual report narratives between assertive and defensive statements (Brennan *et al*. 2010; Ogden and Clarke, 2005; Samkin and Schneider, 2010). When faced with legitimacy threats, PFI private-sector companies can either attempt to assertively gain and maintain legitimacy by establishing a positive identity and build positive reputational characteristics for PFI and their role as PFI private-sector companies or they can defend undesirable qualities of PFI and their position as PFI supporters. We examine impression management as a function of assertive or defensive statements (rather than good or bad news concerning financial performance – "good news" concerning the profitability of PFI for these companies is a source of criticism). Assertive strategies include "self-enhancement, self-promotion, ingratiation, exemplification, entitlements and enhancements" (Samkin and Schneider, 2010, p. 264). Defensive strategies include formulating a normalising account and strategic restructuring. Formulating a normalising account includes the "sub-strategies" of denial, excuses, justifications, apologies and guilt. Strategic restructuring includes the sub-strategy of disassociation (Samkin and Schneider, 2010, p. 264). Following Clatworthy and

Jones (2003) and Brennan *et al.* (2010), any statements not classified as either assertive or defensive are treated as neutral. Our second research question is:

RQ2: Are PFI-related annual report narratives characterised by assertive and/or defensive strategies?
RQ2a: Is there any difference in the use of assertive and/or defensive strategies?
RQ2b: Is there any variation in assertive and/or defensive strategies between the two time periods of the study?

Effective persuasion can change the perception that PFI is flawed to one where PFI is viewed positively. The art of persuasion entails the use of rhetoric (Brennan *et al.*, 2010). The use of rhetoric involves linguistic choices by managers to influence meaning (Brennan *et al.*, 2009). We consider lexical choices, which involve the choice of words or language (Brennan *et al.*, 2010), focussing not on "what firms say" but rather "how they say it" (Merkl-Davies and Brennan, 2007, p. 139). We study rhetorical association/disassociation devices reflecting the extent to which writers distance themselves from the text: the use of personal pronouns; active versus passive voice; and naming strategy.

Clatworthy and Jones (2006) suggest that managers use personal pronouns to associate themselves with profitable performance. Aggerholm and Thomsen (2016) examine legitimacy creation using micro-level semantic strategies, one of which is "constellation of personal pronouns" (p. 203). They find managers use legitimising voices to establish legitimacy by adopting micro-level semantic strategies such as the use of "you" versus "we". Bridwell-Mitchell and Mezias (2012) consider personal pronouns ("we") as a useful communication strategy to establish cognitive legitimacy among groups in organisational-identity crafting. In connection with the discursive legitimation of managerial decisions, Aggerholm and Asmuß (2016) find the CEO of a large Danish public knowledge-based organisation uses fewer personal pronouns ("we"/"our") to distance himself from an organisational downsizing decision. Following Bournois and Point (2006), we analyse the use of personal pronouns as a rhetorical device to "motivate and create a sense of solidarity" (Brennan *et al.*, 2010, p. 259). The presence (absence) of pronouns can indicate the level of association with (dissociation from) PFI shown by private-sector companies in their annual reports, thus engaging (disengaging) users of annual reports to support PFI.

The second rhetorical association/disassociation device involves the use of the passive/active voice. Matejek and Gössling (2014) examine legitimacy in the case of the BP Deepwater Horizon oil spill. They find the passive voice is used to avoid "questions of responsibility" (p. 580). Preuss and Dawson (2009) identify the voice of a narrative as contributing towards its quality and legitimacy – is the narrative in active or passive voice and/or is there an impersonal narrator? The passive voice distances writers from a message through dissociation (Thomas, 1997; Clatworthy and Jones, 2006). Active constructions are associated with success (Thomas, 1997). We expect PFI private-sector companies to use the active voice to emphasise their support for PFI; the passive voice attempts to distance PFI private-sector companies from PFI criticism by obscuring the agent.

A third rhetorical association/disassociation device comprises "naming strategy", a term we propose to reflect the focus of PFI private-sector companies when referring to PFI projects. We examine PFI company preferences for PFI or PPP terminology, following Tony Blair's rebranding exercise in 1997 (see Section 2). Increased use of PPP would suggest that the PFI private-sector companies respond to financing criticisms by associating with positive benefits of PFI, such as is implied by the term "partnership" and disassociating with the negative connotations created from the use of the term "private finance". Our third research question is:

RQ3: Are PFI-related annual report narratives characterised by the use of rhetorical association/disassociation devices?
RQ3a: Is there any variation in the use of rhetorical association/disassociation devices between the two time periods of the study?

PFI private-sector companies are motivated to portray PFI policies and their own PFI activities positively. We label these PFI-policy promotion and PFI private-sector company self-promotion, respectively. Research question 4 examines which of these two competing objectives (promotion of PFI policies versus promotion of PFI private-sector companies and their PFI activities) dominates.

RQ4: Is there any difference in the promotion of (i) PFI public policy (PFI-policy promotion) and (ii) PFI private-sector company self-promotion?
RQ4a: Is there any variation in the promotion of (i) PFI public policy (PFI-policy promotion) and (ii) PFI private-sector company self-promotion between the two time periods of the study?

A third impression management strategy is attribution, whereby managers' performance explanations claim responsibility for success and shift the blame for negative outcomes away from themselves. Previous research on impression management finds evidence of attribution in causal explanations of performance outcomes (see Merkl-Davies and Brennan, 2007 for a review). Most of this research assumes managers act in a self-serving manner by attributing positive and negative organisational outcomes to internal and external factors, respectively (Aerts, 2001, 2005; Clatworthy and Jones 2003). In this research, we examine internal and external causal explanations for the success or failure of PFI outcomes or for the policy generally. Our fifth research question is:

RQ5: Are PFI-related annual report narratives characterised by the use of internal/external causal explanations?
RQ5a: Is there any variation in the use of internal/external causal explanations between the two time periods of the study?

A fourth impression management strategy is selectivity where managers select to report those performance numbers that portray the firm in the best possible light (Brennan *et al*., 2009). The profits and returns earned by private-sector companies from PFI projects were a source of intense policy criticism (see Section 2). In their discussion of silence as a form of communication, Merkl-Davies and Brennan (2017) observe that what organisations do not say is an under-researched question. We examine whether PFI private-sector companies exhibit selectivity by refraining from reporting on PFI profits and returns in PFI-related narratives compared to non-PFI profits and returns in the non-PFI-related narratives. Our sixth research question is:

RQ6: What proportion of returns amounts (monetary, %, etc.) selected for disclosure by PFI private-sector companies relate to PFI activities?
RQ6a: Is there any variation in the use of selectivity between the two time periods of the study?

4.2 Research design and company selection

Our study comprises a longitudinal case study over two time periods of three PFI private-sector companies – Carillion plc, Interserve plc and John Laing plc. All three companies: published an annual report for each of the seven years under consideration; are leaders in PFI projects – they represent the top three issuers of PFI equity in the secondary market between 1998 and 2010, amounting to 59.8 per cent of these PFI projects (House of Commons, 2011b); were involved with PFI projects in both periods under consideration; are closely involved with PFI lobbying organisations[3] set up to create a sympathetic environment for PFI and to develop close relations with Government and media concerning PFI (Gosling, 2011). We expect these companies to engage in strategies to build support for PFI. Carillion identifies PFI as one of its key capabilities and itself as a market leader in PFI projects (Carillion, 1997; 2014). Interserve manages one of the largest PFI portfolios in the UK and PFI represents a significant source of value for the company (Interserve, 2007; 2014). Laing identifies PFI as a primary investment activity and worked on the largest PFI hospital contract in the UK (Laing, 1997; 2014). All three companies commenced with PFI as a natural development of their existing business. By way of context, we provide some key data concerning each company in Table 1. Non-disclosure of PFI information is a feature of the data. All three companies are consistently highly profitable. Comparing Carillion's percentage of PFI turnover (ranging between 4.0% to 7.4%) and PFI profit (ranging from 11.0% to 21.1%), it is clear that PFI is significantly more profitable than other business of Carillion.

(Table 1 about here)

4.3 Data collection

The data comprises the PFI-related annual report narratives of Carillion, Interserve and Laing during the two time periods under consideration. We downloaded annual reports for the years 1997, 1998 and 1999 (Period 1) and 2007, 2008, 2009 and 2010 (Period 2) for each company from their respective company websites or Thompson One Banker. We focus on the PFI-related voluntary annual report narratives located before the audited financial statements, including within chairmen's statements, chief executives' reviews, business and operational reviews and financial reviews. We exclude the regulated and more formulaic corporate governance reports, including remuneration reports, from the analysis. Annual report narratives are unaudited and therefore more prone to impression management (Brennan *et al.*, 2009). Additionally, the proximity of the narratives to the audited financial statements provides them with a degree of credibility (Neu *et al.*, 1998). We identify PFI-related annual report narratives based on the following criteria: mention of "Private Finance Initiative (PFI)" or "Public Private Partnership (PPP)"; mention of "privately financed infrastructure/project"; reference to "design", "build", "finance", "operate"; and reference to a project identified within the annual report as a PFI project. If an annual report narrative section is captioned with either PFI, PPP or an identified PFI project by name, then we code that entire section.

4.4 Content analysis and analytical framework

To address RQ1, we compare the proportion of PFI-related narratives with the total annual report narratives. Then, we adopt manual, meaning-orientated content analysis of the annual report narratives (Smith and Taffler, 2000). Brennan *et al*. (2009, p. 801) state that "impression management techniques are subtle and sophisticated, and therefore, complex, and warrant manual content analysis". Manual meaning-oriented content analysis allows consideration of words in their immediate surrounding textual context. We study four impression management strategies: assertive/defensive strategies analysis of PFI themes; rhetorical association/disassociation devices to influence perceptions; attribution of positive and negative PFI outcomes; and selectivity of profit/return disclosures.

We choose statements as the unit of analysis for the purposes of content analysis for RQ2. We code each statement as either assertive or defensive. An assertive statement attempts to establish a positive identity or reputational characteristics for PFI public policy or PFI private-sector companies. PFI private-sector companies can establish a positive reputation for PFI public policy by (a) commending the policy, operationalised by reference to "Awards/Recognition" and "Partnership" (b) presenting positive developments, "Development – Positive" or (c) highlighting opportunities for the policy, "Opportunity". PFI private-sector companies can establish a positive reputation for themselves by (a) self-promotion or (b) self-enhancement. Jones and Pittman (1982) describe self-promotion as self-characterisation to increase attractiveness by claiming competence in general. We operationalise self-promotion by reference to "Internal Activities" and "Investment Activities" where PFI private-sector companies celebrate their proficiency to win, close, construct, operate and invest in PFI projects. Self-enhancement involves "gaining the approbation of a particular audience" (Ogden and Clarke, 2005, p. 322). Based on Suchman (1995), we define self-enhancement as PFI private-sector companies presenting themselves as valid practitioners or qualified to carry out PFI projects. We operationalise self-enhancement as "Progress" where PFI private-sector companies talk of their progress, and "Expertise/Leadership" where PFI private-sector companies claim expertise in PFI and leadership in PFI projects. A defensive statement is one which attempts to address negative criticisms by (a) dissociation from these negative aspects, (b) providing excuses or justifications for negative outcomes and (c) minimising the consequences of negative aspects. Suchman (1995, p. 597) suggests that defensive statements are usually a "reactive response". We categorise defensive statements as "Development – Negative", "Challenges – Internal", "Challenges – External", "PFI Characteristics" and "PFI Alternatives". We code PFI Characteristics as defensive because these statements concern criticised characteristics of PFI requiring defence by the PFI private-sector companies. Similarly, we code PFI Alternatives as defensive as the PFI private-sector companies used financing alternatives to PFI to defensively justify their involvement in infrastructure development.

In summary, as shown in Table 2, we categorise assertive and defensive statements into eight and five categories respectively.

(Table 2 about here)

For RQ3, we classify rhetorical association/disassociation strategies using three types of rhetorical association/disassociation devices: (a) Use of first person and third person personal pronouns; (b) use of the active or passive voice; (c) naming strategy (use of PFI or PPP terminology).

To address RQ4, we identify how many times references to PFI public policy and PFI private-sector companies are made. This allows us to distinguish between impression management to legitimise the PFI public policy and the PFI private-sector companies themselves.

For RQ5, we define an attributional statement as a phrase or a sentence in which a PFI outcome is linked with a reason or a cause for the outcome so that the attributional statements reflects "a definite and logical antecedent-consequence relationship" (Aerts, 2001, p. 13). Following Aerts (2005), we identify causal explanations by causal conjunctions or causal connecting phrases (e.g. because of) or verbs that refer to an explicit explanation (e.g. lead to). We categorise each attributional statement on three dimensions: whether the PFI outcome is positive or negative; whether the outcome is attributed to an internal or an external cause; and the causal explanation. We suggest PFI private-sector companies will attribute negative PFI outcomes to external factors and positive PFI outcomes to internal factors.

For RQ6, we compare the number of references to PFI profit or returns in PFI-related narratives with the number of references to non-PFI profit or returns in the non-PFI-related narratives. The non-PFI related narratives consist of voluntary narratives that were not coded as part of the initial coding analysis. We identify profit- and return-related narratives where any of the following terms are used: 'profit'; 'returns'; 'gains'; 'earnings'; 'shareholder value'; and 'margins'.

A detailed set of coding instructions supports the coding categories.[4] We tested coding reliability through several rounds of pre-testing, resulting in refinement of the coding instructions. The lead author completed the coding. Two researchers each independently coded a 10 per cent sample – both senior professors/experienced researchers, one a co-author of the paper – resulting in an 89.88 per cent level of agreement, meeting the desired level of agreement suggested by Riffe *et al.* (2008). In total, we analysed 1,672 PFI-related statements: 269 in Period 1 and 1,403 in Period 2. Table 3 summarises the dataset.

The dataset in Period 2 is much larger than Period 1. Accordingly, we scale the numbers for the differences in dataset size. We scaled up all Period 1 data by a scaling factor based on the % increase in the size of the annual report dataset (by words) between Period 1 and Period 2.[5] We then run Mann Whitney U tests of differences in means between the two periods.

(Table 3 about here)

5. Results and discussion

We discuss our results by reference to each research question, each section commencing with quantitative analysis, followed by discussion of the evidence.

5.1 PFI-related annual report narratives (RQ1)

Table 4 shows significantly increased PFI-related annual report narratives in Period 2 over Period 1 (RQ1). PFI was new in Period 1. By Period 2, the companies were doing more PFI business, recognising it as an important revenue stream. In addition, PFI was more visible as a public policy in the UK and around the world. In the UK, the House of Lords placed PFI under heavy criticism, calling for it to end. Thus, increased business, together with increased contestation leading to a greater need for legitimising PFI public policy, is likely to explain the increase in PFI-related annual report narratives.

(Table 4 about here)

5.2 Assertive/defensive strategies (RQ2)

The PFI private-sector companies faced a conflicting challenge to convince readers of their annual reports that, despite public criticisms, PFI is a sound public policy prioritising the needs of society (moral legitimacy). At the same time, the PFI private-sector companies had to convince their shareholders of good investment returns (pragmatic legitimacy). Table 5 summarises our analysis of assertive/defensive strategies. Mann Whitney U tests of differences in means show that defensive statements are significantly less frequent than assertive statements (RQ2a). We suggest the PFI private-sector companies prefer to proactively appeal to their shareholders that PFI continues to present profitable opportunities as well as to their other stakeholders regarding social benefits of PFI. Mann Whitney U tests of differences in means between the two periods show a significant increase in the use of assertive and defensive statements between Period 1 and Period 2 (RQ2b). This reflects a desire for the PFI private-sector companies to respond to the increasing external challenges facing PFI, in part due to the credit crisis and the heightened awareness of difficulties facing the policy.

(Table 5 about here)

Assertive statements dominate. During Period 1, the PFI private-sector companies seek pragmatic and moral legitimacy through self-promotion and self-enhancement. The PFI private-sector companies refer to their accomplishments (Internal Activities), made possible using their expertise (Expertise/Leadership) in PFI, to gain consequential legitimacy (a sub-form of moral legitimacy) for their PFI operations from their societal stakeholders. Since fewer PFI projects were operational in Period 1, the PFI private-sector companies reference their accomplishments in relation to the goals they pursue for PFI. The PFI private-sector companies celebrate the progress of PFI (Progress) to gain exchange legitimacy (a sub-form of pragmatic legitimacy) from their shareholders by referring to the usefulness of PFI in light of budget cuts that now make traditional procurement methods difficult.

During Period 2, the PFI private-sector companies focus on projects reaching financial close and operation (Internal Activities) and Investment Activities. The focus on the financial and investment usefulness of PFI reflects attempts by the PFI private-sector companies to maintain exchange legitimacy with their shareholders. Consequential legitimacy, arises from the perception that PFI, as an organisational outcome, is the right thing to do. The PFI private-sector companies challenge perceptions that PFI is flawed by frequently commenting on their progress in PFI (Progress) and the positive market outlook for PFI (Opportunity). By highlighting their progress, the PFI private-sector companies can protect their "past accomplishments" by shifting their accomplishments from an ideological goal to a tangible benefit. For example, the continued progress of PFI in Period 2 illustrates the ongoing (rather than episodic) tangible benefits of PFI (Suchman, 1995, p. 594). By emphasising future opportunities, the PFI private-sector companies seek to further maintain consequential legitimacy by "foresee[ing] emerging challenges" (Suchman, 1995, p. 595) through influencing their societal stakeholders that PFI is not a "dead" policy, as critics would suggest, but that PFIs' value continues to be recognised in the UK and internationally. As a sub-form of moral legitimacy, procedural legitimacy arises from the perception that the use of PFI as an infrastructure procurement method is right. PFI-policy promotion is strengthened when the PFI private-sector companies reference Awards/Recognition. By entering PFI projects for award, the PFI private-sector companies open PFI to public scrutiny, requiring validation of PFI as a procedure. The awards that PFI receives allow the PFI private-sector companies to align with the values of societal stakeholders by illustrating how they have embraced socially accepted techniques and procedures.

The PFI private-sector companies use few defensive statements in Period 1. Defensive statements are reserved to repair legitimacy in Period 2 following a dramatic drop in the number of PFI projects and calls for it to end. The PFI private-sector companies repair legitimacy by formulating a normalising account to excuse negative PFI outcomes (see RQ5). These consist mainly of claims that negative aspects of PFI are not the fault of the company or of PFI public policy itself, but rather of existing conditions. This helps the PFI private-sector companies to repair moral legitimacy based on claims that the policy itself is flawed.

5.3 Rhetorical association/disassociation strategies (RQ3)

We address rhetorical association/disassociation strategies on three dimensions: (a) use of pronouns, (b) use of active and passive voice, and (c) use of naming strategy (PFI or PPP terminology). Mann Whitney U tests of differences in means between the two periods show a significant increase in the use of all three rhetorical association/disassociation devices in Period 2 (Table 6). This suggests a greater awareness by the PFI companies of the need to associate with positive PFI outcomes in a more contested, challenging and uncertain environment.

(Table 6 about here)

5.3.1 Personal pronouns

In Period 1, 85.8 per cent of pronoun use comprises self-references. In Period 2, self-references increase to 88.3 per cent (Table 6). We argue that the PFI private-sector companies use first person pronouns to associate with PFI public policy. These strong associations with the policy appeal to the value system of their shareholders and societal stakeholders as "technical properties … are socially defined and do not exist in a concrete sense" (Durocher and Fortin, 2010, p. 480). The PFI private-sector companies use self-references to communicate authoritatively and thereby gain and maintain pragmatic and moral legitimacy; that PFI is useful and it is the right thing to do.

5.3.2 Active or passive voice

The PFI private-sector companies primarily use the active voice in both Period 1 and Period 2 as an association rhetorical device to gain and maintain legitimacy. In Period 1/ Period 2, 79.6/83.3 per cent of PFI-related annual report narratives are in the active voice (Table 6). We suggest the PFI private-sector companies use active statements to promote PFI as moving forward and successful (Thomas, 1997). As PFI faced uncertainty, the PFI private-sector companies (who relied on the future of PFI) needed to closely associate with the policy to suggest confidence whilst portraying PFI as a progressive initiative. The active voice is preferable to passive statements when seeking pragmatic and moral legitimacy, since passive statements give the impression of the PFI private-sector companies distancing themselves from the policy. This could have threatened the PFI public-policy image further by creating the impression of PFI private-sector companies reluctant to engage with PFI.

5.3.4 Naming strategy (PFI or PPP terminology)

PFI terminology dominates (96.5%) compared with PPP terminology (3.5%) in Period 1. Use of PPP versus PFI terminology increases in Period 2 (57.7% versus 42.3%). In Period 2, Carillion almost exclusively used the term PPP. Laing uses both terms, while Interserve uses PFI. Following Blair's rebrand of PFI to PPP, we suggest Carillion and Laing attempt to associate with the partnership benefits of PFI compared to the more criticised private-finance terminology to seek procedural legitimacy. By aligning their statements with social preferences, they highlight PFI as a tool to achieve partnership and value for money rather than as a means to take advantage of high returns. Thus, increased use of PPP generally, together with greater need to maintain moral legitimacy for PFI public policy to society in particular, is likely to explain the increase in PPP use.

5.4 PFI-policy promotion versus PFI private-sector company self-promotion (RQ4)

To change the perception that PFI is flawed, all three companies employ PFI-policy promotion to build a positive reputation for PFI in preference to PFI private-sector company self-promotion (Table 7). Mann Whitney U tests show a significant difference in the use of PFI-policy promotion versus PFI private-sector company self-promotion. This reflects the desire by PFI private-sector companies to gain and maintain procedural legitimacy, as procedural legitimacy seeks to create the perception that PFI is the right way to invest in infrastructure. The use of both PFI-policy promotion and PFI private-sector company self-promotion significantly increases between the two time periods. In Period 2, the PFI private-sector companies had to be pro-active in maintaining PFI legitimacy in response to increasing uncertainty following the 2008 credit crisis in the UK.

(Table 7 about here)

5.5 Attribution (RQ5)

The results in Table 8 present a mixed picture of the use of causal explanations by PFI private-sector companies in relation to PFI outcomes. All 56 attributional statements are in Period 2. We do not perform statistical analysis for RQ5, due to small numbers. First, all negative PFI outcomes are attributed to external factors. These include economic external factors, such as the credit crisis (13 statements) and political external factors, including elections (5 statements), lack of Government support (2 statements) and Government reviews/regulations (7 statements). As expected, no negative PFI outcomes are attributed to internal factors. As shareholders started to reduce their commitment to PFI and PFI came under heavy societal criticism, these findings reflect a desire by PFI private-sector companies to repair legitimacy by excusing negative PFI outcomes to external factors. The PFI private-sector companies formulate a normalising account by not attributing negative outcomes to specific PFI characteristics, implying that economic and political factors could affect other policies equally. Social psychology literature would predict a tendency for managers to claim more responsibility for successes. This research finds that positive PFI outcomes are not wholly attributed to internal factors. Of the 29 positive PFI outcomes, 10 statements provide an internal causal attribution, while 19 statements provide an external causal explanation. All internal attributions are explained by PFI company skills. The external attributions are explained by Government reviews/regulations (11 statements), Government support (7 statements), and elections (1 statement). These attributional statements seek to reinforce the moral legitimacy of PFI.

(Table 8 about here)

5.6 Selectivity (RQ6)

PFI private-sector companies speak about profit and returns in annual report narratives almost equally in both periods, despite the increase in size of the annual reports. However, PFI private-sector companies report their profits or returns significantly less frequently when talking about PFI compared to when they talk about non-PFI aspects of the business (Table 9). When the PFI private-sector companies speak about PFI returns, they want to distance their profits and returns from negative PFI criticism often by linking PFI returns to social rather than shareholder needs. The infrequent references to PFI profit/returns, combined with the lack of disclosures concerning proportions of turnover and profit linked to PFI activities (see Table 1), is a form of silence. Merkl-Davies and Brennan (2017) consider silence an important means of corporate communication that deserves more attention from shareholders and stakeholders. The PFI private-sector companies have the opportunity to disclose PFI profit/returns and/or turnover/profit arising from PFI yet, in general, they choose not to. This suggests managers of PFI private-sector companies are motivated to maintain moral legitimacy by disclosing less information concerning PFI profits/returns in light of increasing criticisms concerning these profits/returns.

(Table 9 about here)

6. Conclusions

Understanding the source, extent and implications of corporate influence on PFI public policy is important, as the UK Government continues to harness private-sector investment expertise via PFI. We acknowledge that influences on the development of PFI public policy can come from different sources. Within Government, political parties that accept its value can influence its progression by supporting the public policy with resources. External to Government, the private sector plays a role in influencing PFI public policy. For example, PFI private-sector companies promote a positive image of the public policy through lobbying organisations[3] and linking the delivery of modern public infrastructure to the success of PFI (Gosling, 2011). We address a further possible source of influence from the private sector – the use of annual report narratives to influence perceptions of PFI.

We contribute to the literature in two ways. First, we illustrate how PFI private-sector companies use impression management strategies to manage organisational legitimacy and public policy legitimacy when these are in conflict. PFI private-sector companies considered PFI within their annual report narratives in both time periods, with a significant increase in PFI-related narratives in Period 2 (RQ1). Whilst we cannot conclude whether readers are influenced by these narratives, our analysis has demonstrated the ways in which PFI private-sector companies have used impression management in their annual reports to manage legitimacy for PFI public policy and private-sector companies' validity as PFI supporters. Addressing RQ2, results of content analysis suggest that assertive statements characterise PFI-related annual report narratives. We found few defensive statements. The PFI private-sector companies preferred to gain and maintain pragmatic and moral legitimacy by referencing accomplishments in line with stakeholders' value system and addressing stakeholder expectations with tangible benefits. This helped assure society that PFI was not flawed and was able to meet society's needs. In relation to RQ3, self-references, the active voice and PPP terminology were all used to gain and maintain pragmatic and moral legitimacy by associating with the value system of their stakeholders. Addressing RQ4, results suggest that the PFI private-sector companies used PFI-policy promotion significantly more than PFI private-sector company self-promotion to gain and maintain legitimacy by elevating PFI to align with social values. RQ5 reveals the need to repair pragmatic and moral legitimacy by associating negative PFI outcomes to external factors. Desire to manage moral legitimacy is also reflected in RQ6, where we found that PFI private-sector companies chose to remain silent and not to disclose information relating to PFI profit/returns when compared to non-PFI profit/returns.

We observe that in Period 1, PFI private-sector companies preferred to gain legitimacy by manipulating their environments using assertive statements, association rhetorical devices and

PFI-policy promotion. This strategy was preferred over "conform[ing] to environments" (Suchman, 1995, p. 587) by ending PFI activities or selecting alternative contexts in which to pursue PFI. In Period 2, PFI private-sector companies faced a challenging task to maintain legitimacy amidst criticism. PFI private-sector companies protected their accomplishments using assertive statements that highlighted tangible benefits. Assertive statements, association rhetorical devices, PFI-policy promotion, internal attributions and selectivity were used to attempt to influence audiences' changing demands concerning the future of PFI, a strategy Suchman (1995, p. 594) calls "perceiving future changes". The PFI private-sector companies used defensive statements and external attribution as normalising accounts to repair legitimacy in response to the credit crisis, in particular.

Second, we highlight the role that corporate reporting plays in supporting public policy as a possible source of influence that has contributed to the continued development of PFI. The research demonstrates how the portrayal of public policy in annual report narratives can be used by the private sector to highlight positive aspects of PFI when society demands maintenance of legitimacy that, in turn, benefits PFI private-sector companies. By promoting a positive public policy image, the PFI private-sector companies created an institutional support mechanism for PFI in the UK. Our analysis supports observations by Ruane (2010) and Toms *et al.* (2011) that successful corporations (such as PFI private-sector companies) will seek out strategies to maintain or expand profitable areas of business. Future research could examine whether the use of impression management strategies has contributed, at least in part, to the endurance of PFI in the UK.

The PFI private-sector companies did not end their PFI activities following criticism of the PFI public policy; rather they continued to support its development. Our analysis of PFI company annual reports has emphasised the importance of corporate reporting in legitimacy management. We support Suchman's (1995) view that organisations favour the flexibility of symbolic management rather than substantive action. The PFI private-sector companies intensified their impression management strategies in Period 2. This may reflect the difficulty of PFI private-sector companies maintaining legitimacy in non-routine circumstances where a public policy image faces intense legitimation challenges. By 2007, PFI was an established procurement method and high on the political agenda (i.e. subject to attention from Parliament and in National Audit Office reports). PFI private-sector companies faced greater difficulties in maintaining legitimacy as, by that time, the policy was widely criticised and arguably better understood. Accordingly, we argue that low visibility on a public-policy agenda may be advantageous when seeking to maintain legitimacy for a public policy subject to criticism.

Our analysis provides a contribution to practice as it reminds the private sector that even with Government-supported policies, steady demand is not guaranteed. During periods of crisis and change, established benchmarks of a public policy may erode, requiring a response to ensure no loss of legitimacy. In the period following the credit crisis, considerable loss of legitimacy occurred, where PFI faced significant uncertainty regarding its future.

We base our findings on a single, albeit nationally important, public policy and on insights obtained from three PFI private-sector companies. This makes it difficult to generalise the results to other institutional or cultural contexts. We recognise that annual report narratives are a complex mix of forces, the complexity of which cannot be fully addressed in this paper. We acknowledge that we have focused our attention on a limited number of impression management strategies. In addition, we acknowledge the subjectivity of manual content analysis. Nevertheless, we believe providing insights into possible sources of influence on

Government policies, and on how such influence is exerted, is valuable. Future research could examine this further; in particular, the conditions under which legitimation through impression management is successful. An ethnographic approach could be adopted, such as Craig and Amernic's (2004, 2006, 2008) trilogy of papers on the relationship between accounting reports/narrative and the privatisation of Canadian National Railways. Further, future research could consider audience responsiveness for the legitimation attempts. Are the private-sector companies successful in trying to persuade their audiences?

In conclusion, the continued criticism of PFI in the UK has created a legitimacy incentive for private-sector companies to support PFI. This incentive has arisen due to their self-interest in the public policy continuing and generating associated revenue streams. We argue this incentive has played out in the annual report narratives by portraying PFI in a positive light using impression management strategies to manage pragmatic and moral legitimacy. The annual report narratives reveal the strategic importance attributed to PFIs by private sector managers and the perceived need to publicly promote them.

Notes

[1] Data obtained from www.partnershipsuk.org.uk, accessed 6 March 2012. Partnerships UK closed in 2011 but its website and database remained available until 2014. The full list of projects is available from the authors.

[2] We thank one of the reviewers for suggesting this approach to constructing the issues for research.

[3] These lobbying organisations include, for example, CBI Public Services Strategy Board, the PPP Forum and the Business Services Organisation.

[4] A copy of the coding instructions, including illustrative examples for each coding category as a guide to how we made coding decisions, is available from the authors on request.

[5] We also performed the scaling on a company-by-company basis, with similar results to the group scaling approach reported in Tables 5 and 6.

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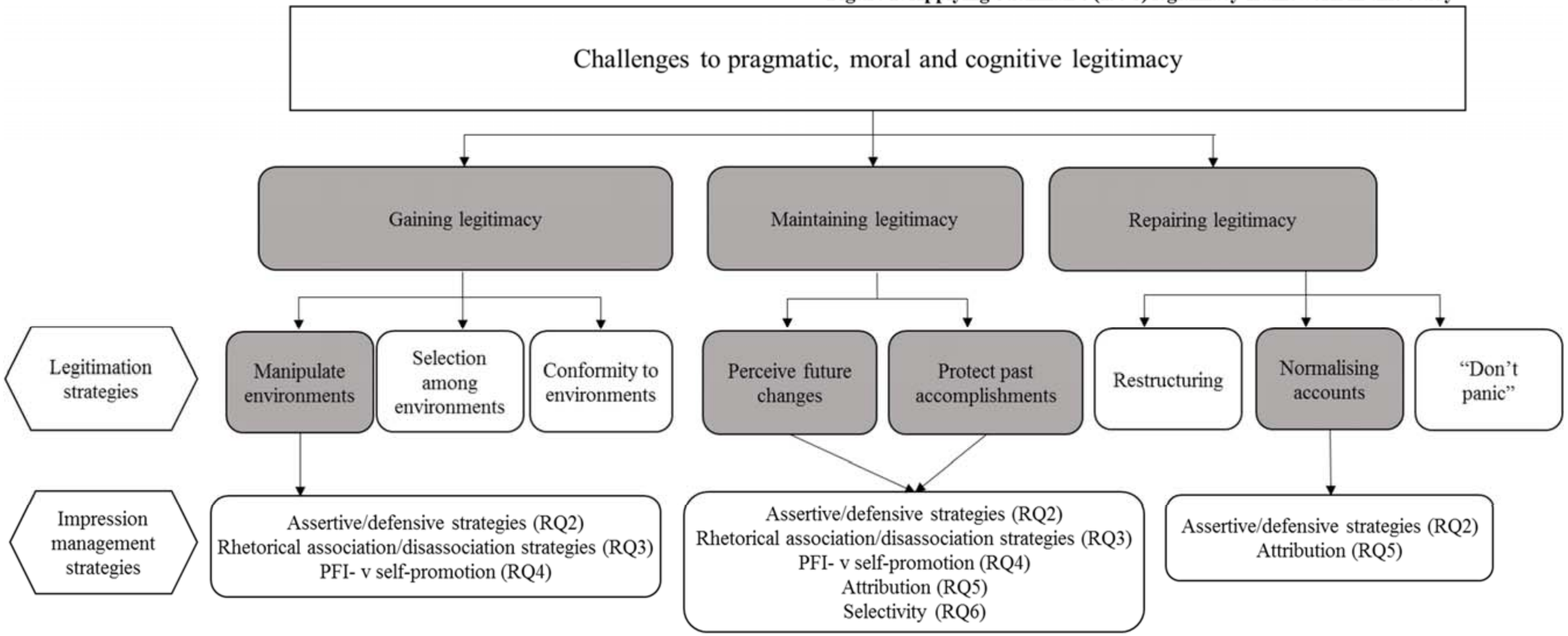
Figure 1: Applying Suchman's (1995) legitimacy framework in this study



Key = Shading represents elements of Suchman's framework relevant to this paper

	Carillion		Interserve		Laing	
	Total turnover, PFI turnover (PFI proportion of total)					
1997	£2,773.1m	Not disclosed	£523.6m	Not disclosed	£1,461,4m	Not disclosed
1998	£3,160.3m	Not disclosed	£641.1m	Not disclosed	£1,606.6m	Not disclosed
1999	£1,802.3m	£95.1m (5.3%)	£769.2m	Not disclosed	£1,791.7m	Not disclosed
2007	£3,330.7m	[1]£154.1m (4.6%)	£1,738.0m	[2]£0	£197.6m	[3]Not disclosed
2008	£4,433.8m	[1]£178.4m (4.0%)	£1,800.0m	[2]£0	£243.9m	[3]Not disclosed
2009	£4,504.2m	[1]£215.6m (4.8%)	£1,906.8m	[2]£0	£347.9m	[3]Not disclosed
2010	£4,236.5m	[1]£311.9m (7.4%)	£1,872.0m	[2]£0	£343.3m	[3]Not disclosed
	Total profit before tax, PFI profit before tax (PFI proportion of total)					
1997	£115.2m	Not disclosed	£22.3m	Not disclosed	£32.2m	Not disclosed
1998	£131.4m	[1,4] £4.8m (13.0%)	£23.6m	Not disclosed	£20.1m	Not disclosed
1999	£35.1m	[1,4] £5.0m (12.1%)	£29.2m	Not disclosed	£52.7m	Not disclosed
2007	£94.4m	[1,4] £25.4m (21.1%)	£69.3m	[2] £2.1m (4.3%)	£34.5m	[3]Not disclosed
2008	£115.9m	[1,4] £29.8m (15.4%)	£79.9m	[2] £2.8m (4.9%)	£43.6m	[3]Not disclosed
2009	£147.7m	[1,4] £32.3m (14.9%)	£89.2m	[2] £4.7m (6.5%)	£18.3m	[3]Not disclosed
2010	£167.9m	[1,4] £23.4m (11.0%)	£64.1m	[2] £4.2m (7.9%)	£68.0m	[3]Not disclosed
	Return on equity					
1997	as Tarmac 8.5%		as Tilbury Douglas 19.5%		12.2%	
1998	as Tarmac 8.7%		as Tilbury Douglas 15.8%		7.1%	
1999	as Carillion 19.0%		as Tilbury Douglas 13.3%		17.2%	
2007	15.6%		27.0%		5.8%	
2008	12.8%		24.8%		19.1%	
2009	17.5%		32.7%		5.1%	
2010	17.7%		20.8%		26.8%	

[1] Figures relate to the PPP segment. However, other segments including Support Services and Construction Services include activities relating to PPP projects as well. The proportion of PPP projects in Support Services and Construction Services is not stated.
[2] Figures relate to the PFI Investments segment. This segment coordinates Interserve's identification of suitable projects, selection of bid partners, bid management process and management of PFI equity investments. This segment does not generate revenue but does contribute to profit. Interserve's main PFI activities are included within the Facilities Management, Project Services and Equipment Services segments. The proportion of PFI projects in these segments is not stated.
[3] In Period 2, John Laing identified PFI as 'the principal activity of the Company' (Laing, 2007, p. 67). However, what proportion of Turnover and Profit relates to PFI is not stated, although it is likely a significant proportion.
[4] Operating Profit

Table I. Contextual data on the three case companies

Assertive statements	*Description*	*Defensive statements*	*Description*
1. Awards / Recognition	Statements indicating external recognition and commendation of positive efforts pertinent to PFI	1. Development – Negative	Statements about the negative development of PFI policy generally
2. Development – Positive	Statements of fact about the positive development of PFI policy generally	2. Challenges – Internal	Statements about specific internal challenges facing the PFI company
3. Progress	Statements of fact about the progress of PFI or PFI projects within a specific company	3. Challenges – External	Statements about specific external challenges facing PFI policy
4. Internal Activities	Statements about specific internal actions pertinent to the positive development of PFI, including the award, financial close, construction, completion and operation of projects	4. PFI Characteristics	Statements concerning specific PFI characteristics criticised, including risk, benchmarking, refinancing and value for money
5. Expertise / Leadership	Statements relating to the expertise or leadership of individual PFI companies	5. PFI Alternatives	Statements concerning alternative financing approaches to PFI
6. Investment Activities	Statements concerning investment in or sale of equity in the PFI market		
7. Opportunity	Articulation of achievement of opportunities in PFI now or in the future		
8. Partnership	Statements concerning partnership as a characteristic of PFI		

Table II.
Description of content analysis

Company, annual report year	*No. of statements* Period 1	Period 2	Total	*No. of words* Period 1	Period 2	Total
Carillion, 1997	26		26	486		486
Carillion, 1998	29		29	471		471
Carillion, 1999	52		52	1,103		1,103
Carillion, 2007		86	86		1,929	1,929
Carillion, 2008		88	88		1,815	1,815
Carillion, 2009		145	145		2,967	2,967
Carillion, 2010		144	144		3,014	3,014
Interserve, 1997	10		10	174		174
Interserve, 1998	17		17	308		308
Interserve, 1999	16		16	321		321
Interserve, 2007		44	44		680	680
Interserve, 2008		80	80		1,815	1,815
Interserve, 2009		60	60		1,198	1,198
Interserve, 2010		29	29		637	637
Laing, 1997	46		46	881		881
Laing, 1998	54		54	929		929
Laing, 1999	19		19	329		329
Laing, 2007		174	174		3,355	3,355
Laing, 2008		165	165		2,848	2,848
Laing, 2009		181	181		3,680	3,680
Laing, 2010		207	207		3,680	3,680
Total	**269**	**1,403**	**1,672**	**5,002**	**27,618**	**32,620**
Average number of words per statement				**18.6**	**19.7**	

Table III.
Dataset of PFI-related annual report narratives

	PFI-related annual report narratives as a % of total annual report narratives (in words)			
	Carillion	*Interserve*	*Laing*	*Overall*
	No. words (%)	No. words (%)	No. words (%)	No. words (%)
Period 1	2,060 (16%)	803 (7%)	2,139 (10%)	5,002 (11%)
Period 2	9,725 (23%)	4,330 (14%)	13,563 (24%)	27,618 (21%)
Mann-Whitney U Z statistic	-2.121	-2.121	-2.141	-3.413
Two-tailed probability	0.34*	0.34*	0.32*	0.001**

Mann-Whitney U tests of differences in mean rankings of PFI-related annual report narratives as a % of total annual narratives between period 1 & 2 (RQ1a).
** Significant at < 0.01 * Significant at < 0.05

Table IV.
PFI narratives Period 1 and Period 2 (RQ1)

	No. of statements Period 1	No. of statements Period 2	No. of statements Total
Assertive statements (RQ2a)			
1. Awards/Recognition	22	106	128
2. Development – Positive	5	85	90
3. Progress	36	128	164
4. Internal Activities	75	305	380
5. Expertise/Leadership	33	112	145
6. Investment Activities	19	154	173
7. Opportunity	27	154	181
8. Partnership	6	19	25
	223	1,063	1,286
Defensive statements (RQ2a)			
1. Development – Negative	0	21	21
2. Challenges – Internal	3	16	19
3. Challenges – External	1	19	20
4. PFI Characteristics	2	14	16
5. PFI Alternatives	0	26	26
	6	96	102

Mann-Whitney U tests of differences in mean rankings between assertive and defensive statements (RQ2a): Z statistic -3.134; Two-tailed probability 0.002**

Mann-Whitney U tests of differences in mean rankings of assertive statements between period 1 & 2 (RQ2b): Z statistic -2.121; Two-tailed probability 0.034*

Mann-Whitney U tests of differences in mean rankings of defensive statements between period 1 & 2 (RQ2b): Z statistic -2.141; Two-tailed probability 0.032*

** Significant at < 0.01 * Significant at < 0.05

Neutral statements			
1. Descriptive statements	39	232	271
2. Development – Neutral	1	12	13
	40	244	284
Total statements	**269**	**1,403**	**1,672**

Table V. Assertive / defensive strategies (RQ2)

	No. statements Period 1 No.	(%)	No. statements Period 2 No.	(%)	No. statements Total No.	(%)
Rhetorical association / disassociation strategies (RQ3)						
Personal pronouns						
1st person pronouns	103	(85.8%)	556	(88.3%)	659	(87.9%)
3rd person pronouns	17	(14.2%)	74	(11.7%)	91	(12.1%)
	120	(100.0%)	630	(100.0%)	750	(100.0%)

Mann-Whitney U tests of differences in mean rankings of first person pronouns between period 1 & 2 (RQ3a): Z statistic -2.701; Two-tailed probability 0.007**

Mann-Whitney U tests of differences in mean rankings of third person pronouns between period 1 & 2 (RQ3a): Z statistic -1.967; Two-tailed probability 0.49

Active/passive voice						
Active voice	214	(79.6%)	1,169	(83.3%)	1,383	(82.7%)
Passive voice	55	(20.4%)	234	(16.7%)	289	(17.3%)
	269	(100.0%)	1,403	(100.0%)	1,672	(100.0%)

Mann-Whitney U tests of differences in mean rankings of active voice between period 1 & 2 (RQ3a): Z statistic -3.199; Two-tailed probability 0.001**
Mann-Whitney U tests of differences in mean rankings of passive voice between period 1 & 2 (RQ3a): Z statistic -2.465; Two-tailed probability 0.014*

Naming strategy						
PFI	110	(96.5%)	240	(42.3%)	350	(51.3%)
PPP	4	(3.5%)	328	(57.7%)	332	(48.7%)
	114	(100.0%)	568	(100.0%)	682	(100.0%)

Mann-Whitney U tests of differences in mean rankings of PFI naming strategy between period 1 & 2 (RQ3a): Z statistic 0.782; Two-tailed probability 0.434
Mann-Whitney U tests of differences in mean rankings of PPP naming strategy between period 1 & 2 (RQ3a): Z statistic -2.925; Two-tailed probability 0.003**

** Significant at < 0.01 * Significant at < 0.05

Table VI.
Rhetorical association / disassociation strategies (RQ3)

	No. statements Period 1		*No. statements Period 2*		*No. statements Total*	
	No.	*(%)*	*No.*	*(%)*	*No.*	*(%)*
PFI- versus self-promotion						
PFI-policy promotion	114	(81.4%)	568	(78.3%)	682	(78.8%)
PFI company self-promotion	26	(18.6%)	157	(21.7%)	183	(21.2%)
	140	(100.0%)	725	(100.0%)	865	(100.0%)

Mann-Whitney U tests of differences in mean rankings of PFI-policy promotion and self-promotion (RQ4a): Z statistic -3.504; Two-tailed probability 0.000**

Mann-Whitney U tests of differences in PFI- policy promotion between period 1 & 2 (RQ4b): Z statistic -2.489; Two-tailed probability 0.013*

Mann-Whitney U tests of differences in PFI private-sector company self-promotion between period 1 & 2 (RQ4b): Z statistic -2.544; Two-tailed probability 0.011*
** Significant at < 0.01 * Significant at < 0.05

Table VII. PFI-policy promotion versus PFI private-sector company self-promotion (RQ4)

Causal explanation	*Positive PFI outcomes*	*Negative PFI outcomes*	*Total outcomes (all Period 2)*
Internal attribution			
Skills of PFI company	10	0	10
	10	0	10
External attribution			
Politics – Government support	7	2	9
Politics – Government reviews/ regulations	11	7	18
Politics – Elections	1	5	6
Economy – credit crisis	0	13	13
	19	27	46
Total attributions	29	27	56

Table VIII. Attribution: Internal / external causal explanations (RQ5)

	Total profit/return disclosures	*Non-PFI profit/return disclosures*	*PFI profit/return disclosures (% of total)*
Period 1			
Carillion	114	101	13 (11%)
Interserve	154	152	2 (1%)
Laing	103	101	2 (2%)
Overall	371	354	17 (5%)
Period 2			
Carillion	253	215	38 (15%)
Interserve	89	86	3 (3%)
Laing	61	55	6 (10%)
Overall	403	356	47 (12%)

Mann-Whitney U tests of differences in mean rankings of Non-PFI and PFI profit/return disclosures (RQ6): Z statistic -7.717; Two-tailed probability 0.000**

Mann-Whitney U tests of differences in profit/return disclosures between period 1 & 2 (RQ6a): Z statistic -1.504; Two-tailed probability 0.132

** Significant at < 0.01 * Significant at < 0.05

Table IX.
PFI-selectivity (RQ6)