Exploring the public accountability communications of a CEO through "close reading" analysis: A teaching primer

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DOI:10.3794/ijme.82.280

Received: November 2008
Revised: June 2009; August 2009
Accepted: September 2009

Abstract

We conduct a close reading of a crisis response communication by Nortel Network's CEO in 2001, John Roth, in an "Open Letter to Shareholders" that was published in major newspapers. We provide a pedagogical resource for management educators who want an example to highlight the potential for close reading analysis of a CEO's public accountability communications to aid understanding of CEOs and the conduct of the corporations they lead. The close reading analysis is intended to be a demonstrative "pedagogical primer" for management educators who can then have their students conduct close reading analysis of texts of their own choosing to develop insights to management thinking and practice in a wide variety of contexts.

Keywords: accounting; close reading; crisis; CEO; communication; management; Nortel

Introduction

Recently, management education literature has emphasised the importance of language in pedagogy. Musson *et al.* (2007), for example, stressed the importance in management education of a focus on linguistics - the study of natural language. A pedagogical focus on the role of language and communication has the potential to inform management education generally, and to enhance student appreciation of particular areas of concern such as leadership, public relations, corporate governance, strategic communication (Hallahan *et al.*, 2007) and transformational leadership (Amernic *et al.*, 2007). In this article, we emphasise the important role of corporate CEO communication in management education.

In the body of this teaching primer, we conduct a "close reading" of a special public letter, published over the CEO's signature, that was implicated in the financial crisis response communications of the Nortel Networks Corporation (hereafter shortened to Nortel) in 2001. We suggest how close scrutiny of the text of a CEO's public letter to shareholders can improve understanding of a company's crisis-response communication strategy, the quality of its financial reporting, and the apparent mindset and personality of its CEO. The letter we analyse highlights management's strategy of denial and distancing through disputing the efficacy of widely accepted financial reporting techniques (Vlad *et al.*, 2006). The close reading analysis below reinforces literature which points to the capacity of special and recurring CEO communications (such as the CEO letter in company annual reports and similar CEO communications) to be a useful way of understanding the corporation and its officers (Hyland, 1998; Amernic & Craig, 2001, 2006; Seegers & Kohut, 2001; Prasad & Mir, 2002; Palmer *et al.*, 2004).

The pedagogical primer provided below could be prescribed by management educators as preliminary reading to "condition" students to the technique of close reading, and this could be enhanced also by requiring them to read Peshkin (2001) and at least one of the case examples in Amernic and Craig (2006), or other similar analyses of corporate leadership communications. Management educators could then set a short piece of management text of their choosing, in whatever context, for close reading analysis and discussion by students.

The following demonstration begins by contending that the "words of CEOs matter". It then outlines some of the potential benefits of close reading analysis. Thereafter, Nortel's "remarkable" CEO letter is introduced and set in context. A close reading analysis of each of the six paragraphs of the letter follows. We conclude with a brief addendum containing some reflections on how students might be encouraged to appreciate "CEO text" and its context.

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Close reading demonstrated

The words of CEOs matter

CEOs' words are an important means of discharging accountability and enacting leadership. The written and verbal text in which such words appear allows CEOs to mediate stakeholders' interpretation of the relative success of the company they lead, thereby making CEOs sensemakers and ideology creators. The way CEOs exercise leadership and accountability to their stakeholders is largely through the speech and language they deploy (Amernic & Craig, 2006, 2007). In an important sense, they are the chief sensegivers of their companies (Gioia & Chittipeddi, 1991),

CEO text has high revelatory potential. It helps us to at least partly make sense of a CEO's inner self, encompassing "worldview", and the raison d'être motivating CEOs and the corporations which they lead (Amernic & Craig, 2006). It is important also to analyse accounting-related CEO accountability text, such as that which appears in a CEO's letter to shareholders. Accounting, the language of business, has been long-regarded as objective and factual. However, educators should dispel the false but prevalent notion that accounting is an explicit, objective, mechanical reporter of some underlying truth, and a non-political depicter of financial reality. Accounting numbers, attested to by independent auditors, are alleged commonly to portray the results of operations and financial position, and the cash flows of an organisation, all in accordance with generally accepted accounting principles (GAAP). But this allegation is inconsistent with how accounting language functions in society (Hines, 1988).

Management students should be exposed to the idea that accounting-related language, and indeed all language in CEO discourse, can have roles that are implicit, subtle, nuanced and abstract. Management education should delve beyond apparent surface meaning and introduce the idea that CEO language fashions perception and mental models. For example, the top management of Enron (Ken Lay and Jeffrey Skilling) wrote in their 2000 letter to shareholders (reprinted in Amernic & Craig, 2006, Appendix 1), published several months before that company collapsed, that "Enron is laser-focused on earnings per share". This assertion revealed the apparent fixation of Enron's leadership on a well-known but deficient accounting-based measure: earnings per share. It hinted strongly at the curious, apparently dysfunctional, tunnel-vision mental model that Skilling and Lay had regarding GAAP-based accounting performance measures and corporate success (Craig & Amernic, 2004).

Accountability narratives

Close reading of accountability text is a particularly appropriate activity in intermediate baccalaureate courses, not only in accounting but also in business, management and communications. Such activity is timely at the point when students are invited to critique the conduct of corporations. Such critical questionings should be central elements in a broad range of business school and management curricula, in public relations, strategy, communications, intermediate financial accounting (Amernic & Robb, 2003), and business reporting more generally (Schipper & Vincent, 2003). Corporate CEOs and other senior managers are central figures in building and maintaining (or impairing or destroying) a company's image and the quality of its financial reporting. Analysis of their discourse provides many valuable insights (e.g., Amernic, 1998; Amernic & Craig, 2006).

Our close readings entail several examinations of text to identify and interpret the metaphors, ideology and rhetoric deployed. The purpose of the readings is to increase comprehension by unlocking how the underlying narrative may influence perceptions and help us to understand how information is privileged or marginalised. We seek to dismantle dichotomies, expose false distinctions, examine "silences" and attend "to disruptions and contradictions, places where the text fails to make sense" (Martin, 1990, p. 355). In the particular context of crisis-response communication (as here), our close reading also assesses whether the narrative has coherence, because "all communication succeeds or fails depending on its coherence or fidelity" (Ihnen, 2002, p. 191). We assess the text in terms of the three types of coherence outlined by Ihnen (2002): (a) argumentative-structural coherence: "the story being told must have an internal logic [and] the characters must seem to act for good reasons" (p. 191); (b) material coherence: the inclusion of all facts, counterarguments, and relevant issues; and (c) characterological coherence: the believability of the author(s) or narrator(s).

Nortel's "remarkable" CEO letter

Nortel is a Canadian corporation with principal executive offices in Ontario, and corporate facilities throughout the USA. By the early 2000s it was a leading global supplier of networks and services that support voice, data and video transmission over wireless and wireline technologies. Nortel files annual, quarterly and other reports with the Ontario Securities Commission, and the US Securities and Exchange Commission. Its common stock is traded on the Toronto and New York stock exchanges. The company entered into protection from creditors in January 2009 in order to restructure, after a series of crises that began at the time of our case vignette. As of June 2009, the company was in the process of selling off its various business units.

In 2001, Nortel was regarded highly by many business commentators, media pundits and investment analysts. It had transformed itself quickly from a staid century-old telephone equipment manufacturing subsidiary of Canada's giant telephone company, BCE, into a self-styled vibrant major global producer of fibre-optic networks. Nortel was an apparent high-tech success story in the then emerging dot.com world. By July 2000, Nortel's common shares were trading at about $CDN 120 (up from $CDN 20 in early 1999). Nortel was the toast of the investment community. But then, after reporting a massive loss of $US 19.9 billion for the second quarter of 2001, its share price collapsed, raising widespread concerns about the reality of its reported financial results. Until this time, Nortel's CEO, John Roth, had been revered as a CEO-hero by media, academics, governments and individual citizens. He was lauded as Canadian CEO of the Year in 2000 and was inducted into Canada's Business Hall of Fame. TIME Canada named him "Canada's Newsmaker of the Year" for 2000.

A so-called "Open Letter", signed by CEO Roth, was published as an advertisement in major Canadian newspapers on March 9, 2001, as the Nortel star waned. This was 3 weeks after Nortel's news release of February 15, 2001, in which it informed the stock market of the likely effects on the company of a faster and more severe U.S. economic downturn, and just over a week after Roth published his regular CEO letter to shareholders in Nortel's Annual Report for 2000. All the Nortel Annual Reports cited in this paper can be accessed on their website (Nortel Networks, 1999-2009).

Nortel's financial reporting: Providing a context for the CEO's letter
Nortel had embarked on a corporate buying-spree to pre-empt competitors from beating it to newly-emergent networking technologies and markets. In Note 4 in its 1999 audited financial statements, Nortel disclosed its then-recent major acquisitions (Table 1).

Acquisition	Date	Purchase price	Cash or Nortel shares?
Periphonics	November 12, 1999	$US 650 million	Nortel shares
Shasta Networks	April 16, 1999	$US 340 million	Nortel shares
Cambrian	December 15, 1998	$US 248 million	Cash
Bay Networks	August 31, 1998	$US 6,873 million	Nortel shares
Aptis	April 22, 1998	$US 286 million	Mainly shares
BNI	January 9, 1998	$US 433 million	Mainly shares

Table 1: Nortel's major acquisitions

Nortel had used its common stock as "currency" to purchase all but one of these companies and acquire their technology. The higher Nortel's stock price, the higher the "price" Nortel could thus afford to pay, and therefore the more likely it was to prevent its competitors from making acquisitions. But Nortel had a major problem that would affect its future share price and the currency (Nortel shares) it could use for acquisitions. At the same time as Nortel was reporting ever-increasing revenues ($US15.5 billion in 1997; $US17.6 billion in 1998; and $US22.2 billion in 1999), under GAAP it was also reporting losses (of $US569 million in 1998; and $US197 million in 1999).

Nortel's dilemma was that the more it paid for high-tech acquisitions in its ever-increasing stock-cum-currency, the higher were its GAAP-mandated cost write-offs for unproven technology and goodwill, and the lower were its reported earnings. For example, the company indicated in its 1999 annual report (p. 48):

> Purchased in-process research and development ("purchased IPR&D") represents the value on completion of a business combination of the acquired R&D which was not technologically feasible as of the acquisition date and, other than its intended use, had no alternative future use. Purchased IPR&D is charged to earnings using an accelerated amortization method over its estimated useful life of six to nine months.

These amounts were material, as indicated in the excerpt from Nortel's note 3 to its 1999 audited financial statements (Figure 1).

Capital markets would use lower reported earnings to dampen the growth engine by reducing Nortel's share price. This would diminish the bountiful currency that Nortel was using to bankroll its strategic corporate acquisitions, and take the company along with it. Nortel had good reason to re-direct the capital market's attention away from bottom-line GAAP-compliant earnings towards something it could control more easily.

Nortel did this in two, inter-related ways. First, they used the crisis-response strategy of denial: they denied that bottom-line earnings were relevant, even earnings sanctified by GAAP and an unqualified audit opinion. This tactic was implemented principally by including a note in the 1999 audited financial statements.

3. Supplementary measures of net earnings and earnings per share (amounts in $US)

As a measure to assess financial performance, management utilises supplementary measures of net earnings and earnings per common share which exclude the impact of Acquisition Related Costs and one-time gains and charges. The supplementary measures of net earnings and earnings per common share are as follows:

	1999	**1998**	**1997**
Net earnings (loss) applicable to common shares..............	$(197)	$(569)	$812
Add back:			
Acquisition-related amortization			
Purchased IPR&D........................	722	1,241	-
Acquired technology	686	228	-
Goodwill*................................	553	161	-
One-time gains	(264)	(441)	(102)
One-time charges....................................	209	447	95
Net tax impact	16	(2)	*(1)*
Supplementary measure of net earnings	$1,725	$1,065	$804
Supplementary measure of earnings per common share ..	$1.28	$0.93	$0.77

* Amortization for Bay Networks and all acquisitions subsequent to the acquisition of Bay Networks.

Figure 1: Nortel Financial Statements: Note 3 (1999)

Nortel contended that a better measure of financial performance was its supplementary measure of net earnings of $US1.725 billion in 1999 (and not the GAAP-computed loss of $US197 million), and that real earnings had increased to then-present levels from $US804 million in 1997, a spectacular growth averaging 47% per year.

Ironically, although Note 3 was an integral part of the 1999 audited GAAP-compliant financial statements, in it Nortel proclaimed the irrelevance of the GAAP-computed and audited loss of $US197 million for 1999. Instead, Nortel advocated replacing GAAP-compliant earnings with a supplementary earnings number (a profit of $US1.725 billion for 1999). This was despite the auditors having attested to the fairness of the financial statements (and the GAAP-based net loss of $US197 million) in their unqualified audit opinion covering all of the audited financial statements, including the notes. In effect, Nortel and Roth were saying that what you see (a loss of $US197 million) is not what you really get (a profit of $US1.725 billion). As a consequence, their response was of highly dubious argumentative-structural coherence (Ihnen, 2002). Thus, an important element of the special CEO letter's context seems questionable.

Second, although Nortel also emphasised revenue growth rather than current earnings as the driver of the firm’s value, there was nothing unusual about this in the Internet stock boom of 1997-2000. The stock market rhetoric of the time extolled the merits of revenues rather than (typically non-existent) earnings as the harbinger of stock value and corporate financial success.

However, if Nortel was to be successful in competing to acquire dot.com companies, market share and revenues, he needed to buttress Nortel’s share price. To do that, he had to portray significant revenue growth. This was made easier for him by the equivocation of the accounting profession on matters of revenue recognition, and the pliability of accounting rules governing revenue recognition. An article headline in The Toronto Star (Hamilton & Cribb, 2001) summarised what was alleged to be at play and reflected Nortel’s impaired believability or lack of characterological coherence:

> Nortel inflated sales, suit claims: “Pulled forward” $500 million U.S., documents say.

Roth’s financial reporting tactics had two rhetorical thrusts: first, to re-direct interest away from GAAP earnings towards Nortel’s version of earnings; and second, to focus on revenues and revenue growth. It was critical to establish the appearance of financial success. This was an ingratiation response that sought “to create positive impressions of the organization and gain public approval through *bolstering* or reminding stakeholders of past or present good works to offset negative associations with the crisis” (Vlad, *et al.*, 2006, p. 361). Although accounting assisted in a narrative conspiracy of sorts, the final attempt to sustain Nortel’s persuasive crisis containment rhetoric was CEO Roth’s “remarkable [open] letter”, to which we now turn. The letter is reproduced, in full, paragraph by paragraph, in the following section.

Roth’s open letter to shareholders

This short letter (465 words) was addressed “To Nortel Networks Shareholders,” thus ignoring many thousands of Nortel employees, customers, suppliers, lenders and other stakeholders. The pitching of the letter in this way was controversial, since it failed to acknowledge the harm done to a broad spectrum of Nortel’s stakeholders by the company’s recent performance and behaviour. It was also thus inconsistent with Roth’s 2000 annual report letter to shareholders, published a week earlier, in which Roth conceived Nortel as a company that affected everyone profoundly, that took pride in being valued by its customers and employees, and that was a socially responsible corporate citizen.

First paragraph of CEO Roth's open letter

> Much has been said and written about Nortel Networks in recent weeks. I recognize that this has been of concern to our shareholders. It has also been a concern to me and all those associated with the company. That is why I want to review and update you on what has transpired since we issued a press release on February 15 revising our guidance for the first quarter and year 2001.

Roth's use of "I" twice in this first paragraph forms a direct connection with readers – in contrast to the "we" of Nortel collectively. The "I"s proclaim this to be CEO Roth's personal narrative - an account directly from the corporate leader. However, there is an interesting shift between "I" and "we". Roth recognises that shareholders are concerned, he is concerned also, and he intends to provide them with a review and update. Here, Roth is positioning himself as an empathetic, sensitive person, who is willing to do the review and update personally. Roth seems to be ever-so-slightly distancing himself from the "we" of the company. He seems set to embark on a rectification without assuming responsibility strategy that Vlad *et al.* (2006) contend was used by the chemical company Merck in its recall of the arthritis pain-relieving drug, Vioxx.

The passive construction of the opening sentence, with the "sayers" and writers not identified, suggests an almost-conspiratorial air. The phrase "in recent weeks" suggests that all this saying and writing has just happened but this is not so: much of what was "said and written" was happening inside Nortel, and not so recently. Indeed, the letter to shareholders in the annual report issued in the previous week is glowing about the recent accomplishments of Nortel and the company's future. So, Roth's letter to Nortel shareholders makes both itself and the 2000 shareholders' letter rhetorically disconnected, largely because of this inconsistency, and points to diminished argumentative-structural coherence (Ihnen, 2002).

Second paragraph

> When issuing that release, we stated that Nortel Networks was not immune to the current economic downturn in the United States. Based on previous experience, we had anticipated a longer lead-time for the effects of a downturn to be felt by our sector and by our company. The current downturn occurred with unprecedented suddenness and severity. Our decision to revise guidance on February 15 occurred as soon as the effects of this downturn were clear to us.

This paragraph is consistent with a distancing strategy that is intent on shifting blame away from Roth. It provides a seemingly plausible, coherent explanation of Nortel's actions in the face of "the current economic downturn in the United States" at the time that the revised guidance was issued on February 15. It obscures inconsistencies between the narrative and external facts, thereby impairing its general coherence (Ihnen 2002). The paragraph seeks to justify behaviour during circumstances which resulted in very adverse outcomes for members of Roth's (actual and intended) audiences. Roth seems to be attempting to "impose order on otherwise disconnected events" (Ochs & Capps, 1996, p. 19) in order to help others "understand the ways in which individuals experience and identify with [the meaning thus created] and their social world" (Orbuch, 1997, p. 455). Roth has constructed an organisational explanation rather than his personal explanation, thereby deflecting or diffusing any possible blame. No "I"s appear in this paragraph, just "we"s. This makes Roth's use of the "I"s in paragraph 1, and their distancing effect from Nortel (the "we"s in the current paragraph), more striking. The narrative of paragraph 2 explains bad news, but it is not Roth's personal story, it is a collective story. Roth seems to be positioning himself so that he cannot be held personally accountable.

This second paragraph can be read from another perspective in which the economy is conceived, metaphorically, as a force of nature, and Nortel as a biological being at its mercy. CEO Roth writes, for example, that "Nortel Networks was not immune to the current economic downturn in the United States". So Nortel, like any biological entity, including a human being, is not immune from natural infection. An economic downturn is something which, like a disease, can breach Nortel's immune system. Roth writes also that "The current downturn occurred with unprecedented suddenness and severity". But this force of nature, the economic downturn, was totally unpredictable: it breached the company's immune system because of its "unprecedented suddenness and severity". Past experience, and Nortel's anticipation and prudence based upon such past experience, was not of much help because the behaviour of this force of nature was beyond the control of prudent management.

The evocative metaphoric structure suggests the shifting of responsibility from management to an unpredictable and brutal external force. It also sets the stage for Roth to engage rhetorical initiatives, described previously, regarding Nortel's financial reporting. Was the claim (that alternative accounting measures such as supplementary measures of earnings and revenue growth were to be preferred) wrong? We are invited to believe that because the current crisis was sudden and brutal, it was beyond the control of management — even a management that was prudent enough to form expectations based upon past normal experience with this force of nature, the "market". So, the "Open Letter" is part of a tactic of justification. It subtly justifies prior reported accounting numbers, at least temporarily.

Third paragraph

> We were among the first to recognize the severity of the downturn occurring in the U.S., our largest market. Since February 15, a growing number of technology companies with heavy dependence on the U.S. market have also revised their forecasts. This is clearly a broad market/economic slowdown that has affected companies in our sector with unprecedented speed.

Roth asserts, self-eulogistically, that "we [presumably the collective leadership of Nortel] were among the first to recognize the severity of the downturn". Precisely when did this realisation occur? And what does the word "recognize" mean here? Was the "severity of the downturn" known inside the corporation? Was it known, but perhaps in only a fuzzy, inchoate way? The material coherence (Ihnen, 2002) of this paragraph is grossly deficient. The second sentence demarcates February 15 as the milestone: the date that Nortel released its revised "guidance". Since then "a growing number of technology companies … have also revised their forecasts". Being "among the first" recognisers, Nortel issued a clarion call (the February 15 announcement) which signalled to the "growing number" of other companies to follow suit. But this is not unusual when viewed in the context of Nortel's self-eulogistic rhetoric: according to Nortel's 2000 annual report shareholders' letter, the company is "delivering an industry-leading portfolio" and "is already leading the way." Roth appears to be engaged in a strategy of ingratiation through transcendence, by "positioning. . . the crisis in a larger, more desirable context" (Vlad *et al.*, 2006, p. 361).

Fourth paragraph

> At the same time, I want you to know that our position as an industry leader and innovator remains strong, despite the unfavorable economic and market conditions we are facing. Our fundamentals remain sound and we offer an industry-leading portfolio of end-to-end communications solutions. We have a diverse and strong base of customers throughout the world. And we have some of the most talented and committed people in the world working to provide those customers with breakthrough technologies that create value and competitive advantage for our customers around the world.

The language used here is bolstering — another form of ingratiation (Vlad *et al.*, 2006). It positions Nortel as a resilient company, impervious to unfavourable economic conditions. The language is very positive and helps construct an image of strength and (financial) well-being. We are twice informed that Nortel is "an industry leader" and that it is "strong" with a "strong customer base". Nortel is portrayed virtuously as an innovator, offering solutions, providing "breakthrough technologies" and creating value. The global reach of Nortel is emphasised, presumably implying that this is reliable testimony to Nortel's virtues as a company. This paragraph provides powerful, reassuring, feel-good rhetorical bluster, rounded off by the hyperbole that Nortel staff "are some of the most talented and committed ... in the world". The description of Nortel's "industry leading portfolio", "diverse and strong base of customers", "talented and committed people", and "breakthrough technologies that create value and competitive advantage for our customers around the world", appear to be "slogans that simultaneously command emotional allegiance and are devoid of precise meaning" (Cheney 1998, p. 29).

Fifth paragraph

> Where the class action lawsuits resulting from our February 15 announcement are concerned, our shareholders, customers and employees should also know that we will defend ourselves vigorously. Quite simply, we believe the allegations in the lawsuits against your company in Canada and the United States are without merit. I can assure you that your company is committed to maintaining the highest integrity and credibility of business practices. The way in which we conduct our business is as important as the business we conduct.

This paragraph distances Roth and the senior management team from culpability in the class action law suits. Whilst there is no hint of repentance, the tone, pitch and intended audience of the letter is transformed. The paragraph heralds a stark change in the manner of reference to Nortel: it is now "your company". The lawsuits (the "bad news") are portrayed not as allegations arising from inept or inapt management decisions or poor corporate governance, but, by use of "your" (and a specific identification of shareholders, customers and employees), the responsibility is directed to a broader array of Nortel stakeholders. The "open letter to shareholders" is now much broader. A distancing strategy is at play.

Sixth paragraph

> On behalf of everyone at Nortel Networks, I want to thank our shareholders, customers, suppliers and friends for their expressions of support and encouragement. We greatly value our hard-earned reputation for integrity, ethical behavior and corporate citizenship. I want to assure you that the senior executives of Nortel Networks and myself, as significant shareholders in the company, are fully committed to delivering the long-term performance and results you have come to expect of your company.
>
> Sincerely,
>
> John Roth
> President and Chief Executive Officer

The inclusiveness of “on behalf of everyone at Nortel” is ingratiation and misplaced hyperbole. We are invited to believe that Nortel is one big happy family, including those employees who have been “downsized” or are to soon meet that fate. The company is portrayed as a good corporate citizen, behaving ethically. Many are thanked for their “support and encouragement” but there is no mention of any dissonant critical voices. The company has turned a blind eye to what it does not want to see. This is noteworthy, because leaders who ignore alternative perspectives, especially during a crisis, seem likely to signal a tunnel-vision that led to the crisis in the first place (Tourish & Vatcha, 2005).

The material coherence (internal logic) and characterological coherence (believability) (Ihnen, 2002) of the narrative are diminished greatly. This is despite Roth’s hollow allusion that “we’re all in this together”. This “bad news” paragraph is staid and formulaic. It uses stock phrases that seem to have been fashioned by lawyers wishing to avoid legal backlash rather than evoke a forthright sense of honest and open communication from a concerned CEO. The combination of paragraphs 4 and 5, with their almost-mechanical lack of humanity and cold, off-the-shelf quality, dooms an already rhetorically-feeble Open Letter to failure.

Roth’s Open Letter implies rectification, but seems to mis-assign responsibility for the crisis. Roth does not provide more details of why revenues collapsed and why forward earnings guidance was inaccurate. Nor is he more forthcoming regarding knowledge of the timing of the crisis. Roth shifted blame in the Open Letter by providing a collective explanation for the events that befell Nortel. This is a betrayal of what the public and media would have expected from him: a resolute, honest and plausible personal explanation. For many, Roth “was” Nortel during this time. Yet, suddenly, by virtue of his letter, this was not so. Nortel was now a collective. So, when times were good, Roth let the “cult of CEO personality” prevail: as CEO he regarded the plaudits to be a personal reflection of his alleged skill and eminence. However, when times were bad, the CEO distanced himself from the blame and insinuated that the company’s misfortune was a collective responsibility.

The apparent mindset of CEO Roth is revealed. The curious lack of forthright details regarding a failed strategy, and the inapt financial accounting portrait that was thus conveyed in the company’s audited financial statements, had a negative impact on the quality of the company's financial reporting, and on the quality of its corporate communications.

Summary and conclusions

A pedagogical method is described in this article that can be used to encourage students to appreciate the intertwining of a management text and its context. The goal is to engage students to explore whether the rhetoric of accountability (as expressed in the written words and speeches attributed to CEOs) is consistent with features of context such as reported financial statement numbers and/or the company's economic environment. In the method we describe in this article, students are shown how to conduct a close reading analysis of one particular variety of company leadership accountability text: a special CEO letter. This method could apply very readily to such a letter’s more common equivalent: a CEO’s letter to shareholders in a company's annual report.

So that students might obtain a fuller appreciation of any accountability text prescribed for close reading, the text needs to be contextualised first (e.g., by outlining recent relevant company history and providing biographical profiles of the author). One of the benefits of close reading is that it is conducive to dispelling the naïve view, all-too-commonly accepted, that accounting numbers establish the boundaries of truth within which all CEO communications (including CEO letters) must operate. As we have demonstrated, by analysing the words and the numbers of financial reporting together, in situational context, insight can be provided to the quality and effectiveness of business and financial communication, a CEO’s personality and leadership style, and the public mind-set of a CEO.

Another important benefit of close reading analysis of CEO text is its encouragement of an integrated approach to management education. For example, in the Nortel case presented in this article, the language of leadership manifest in the company's Open Letter to Shareholders provides links among leadership as a discursive activity, crisis management, business and accounting context, and accountability.

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