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Through the Eyes of Analysts:

A content analysis of the narratives supporting recurrent and fundamental research

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Structured abstract:

Purpose

This paper contributes to the understanding of the role of analysts in the market for information by distinguishing between recurrent and fundamental analyst reports. The study examines the differences between these two categories of research reports as well as whether the characteristics of the analysts and their environment affect their knowledge-extending activities.

Methodology

A medium-sized medico-tech company, internationally renowned for its state-of-the-art business reporting, was chosen as the basis for the study. An analysis of 111 fundamental and recurrent analyst reports on this company by each investment bank actively following it was conducted using a content analysis methodology.

Findings

The study reveals that recurrent analyses are concerned with evaluating the information disclosed by the firm and perhaps not so much with digging up new information elsewhere. It also indicates that while maintenance work might be focused on evaluating specific details, fundamental research is perhaps more concerned with extending the understanding of the general picture, i.e. the performance of the overall business model. The amount of financial information disclosed is not related to the other disclosures in the reports. In comparison to business reporting practices, the fundamental analyst reports put considerably less weight on social and sustainability, intellectual capital and corporate governance information, and they disclose much less comparable non-financial information.

Research implications/limitations

The suggestion made is that looking at the types of information financial analysts consider important and convey to their "customers", the investors and fund managers, constitutes a valuable indication to companies about the needs of the financial users of their accounting reports. There are some limitations to the possibility of applying statistical tests to the data-set as well as methodological limitations in relation to the exclusion of tables and graphs.

Practical implications

Highlighting the different types of analyst research as well as indicating to companies the needs of the financial users of their accounting reports.

Originality

This paper makes a unique contribution to the field by distinguishing between recurrent and fundamental analyst reports.

Key words: Analyst reports, recurrent research, fundamental research, content analysis.

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Introduction

The capital market plays an important role in our present day society as it facilitates the distribution of capital between investors and companies, not just in individual countries and on specific stock exchanges, but rather on a global scale. Within the realm of the capital market, information plays a central role because of, for example, agency costs (Jensen & Meckling 1976) and the fact that there is information asymmetry (cf. Akerlof 1970) between company management and investors. The capital market is, according to Barker (1997), essentially a market for information incorporating three main groups of actors: company management, investors, and analysts, and it is constituted by two co-existing information markets, namely the market for financial reporting and the market for financial analysis.

Prior research has indicated that there is a lack of value relevance of corporate reporting with respect to conveying a transparent picture of companies' intrinsic value (Lev & Zarowin 1999). This is, however, not to imply that if a new form of comprehensive corporate reporting were to be invented tomorrow, the analyst function would become useless. Rather, the suggestion made is that observing the types of information financial analysts consider important and convey to their "customers", the investors and fund managers, constitutes a valuable indication to companies about the needs of the financial users of their accounting reports. However, we must have in mind that annual reports have a much broader range of user groups than analyst reports, wherefore the results of this study cannot be directly applied as an input to business reporting.

Investigating which types of information analysts convey to investors through their fundamental and recurrent reports will provide important insights to companies about the needs of the financial users of their accounting reports. A few previous studies have compared disclosure practices between analyst and annual reports (cf. Arvidsson 2003, Orens & Lybaert 2004). However, these studies fail to recognize the immense differences between recurrent and fundamental analyst reports. Therefore, this study makes an important differentiation between these two types of analyst reports in turn enabling a more relevant comparison between company disclosure and analyst disclosure to take place.

Krishnan & Booker (2002) find that supplying additional information that supports the analysts' position in the form of an analyst report reduces investors' disposition errors.

Thus, it can be argued that although driven largely by company disclosure, e.g. financial reporting or other press releases, the information content in analyst reports constitute a strong proxy for the capital markets' information demand. In this manner, the present study, like its business reporting counterparts (cf. McEwen & Hunton 1999), takes its point of departure in the users' needs of analysts and investors. By distinguishing between recurrent and fundamental analyst reports, this paper is able to examine the types of information analysts, as producers of transparency, consider when extending their knowledge-base in comparison with the types considered during follow-up work. From the literature, three central questions pose themselves for further scrutiny during the course of this study:

- What are the differences in information supply between situations where the analysts are concerned with fundamentally improving their knowledge base versus the situations where they are conducting recurrent maintenance work?
- Is the research concerned with fundamentally improving the knowledge-base supplied by the analysts affected in any way by the characteristics of the analysts and their employment?
- How does the disclosure pattern aimed at the market for information compare with the companies' own disclosure pattern which must take a number of other stakeholders into account?

The next part of this paper reviews previous studies of the information content of analyst reports, arguing that the inability to distinguish between the recurrent maintenance-triggered analyst reports and the types of reports that are a result of actual fundamental research on the company constitutes a problem with respect to the validity of their results. By conducting a content analysis of 12 fundamental analyst reports and 99 recurrent analyst reports about a large Danish medico-tech company in relation to a series of predefined themes attained from the authoritative business reporting literature, the paper uncovers which types of information analysts consider relevant for extending their knowledge-base and thus for their investment decisions. In this manner, the paper also provides a valuable indication to companies about the needs of the financial users of their accounting reports.

Previous studies of analyst reports

Two previous studies, Rogers & Grant (1997) and Previts *et al.* (1994), conduct content analyses of the information contained in analyst reports. Both studies argue that the content analysis of analyst reports will unveil important insights about users' information needs. Previts *et al.* (1994, 65) find that analysts extensively consider non-financial information, including company risks, anticipated changes in future earnings, the competitive position of the company, and the quality of management and strategy. In a similar manner, Dempsey & Gatti (1997) induce that financial analysts to a great extent recognize the value of non-financial measures as leading indicators of the long-term financial success of companies.

Schipper (1991) concludes that narrative information is useful to financial analysts. In relation to this, Rogers & Grant (1997) investigate the extent to which analysts copy information from the company's annual report into their own analyst reports – a study which, thus, is concerned with identifying the value-added nature of the information disseminated in analyst reports. It can be contended that such a quantitative measure might not constitute a correct proxy for this value-added hypothesis as the method does not indicate anything about, for example, the news value of additional information, or where it is situated in the report.

Despite problems in establishing a consistent method for evaluating the value-added nature of the content of analyst reports, this is an important perspective to keep in mind. Two recent studies have focused on this issue. Orens & Lybaert (2004) and Arvidsson (2003) both compare the content of analyst and annual reports by applying a disclosure index. However, by using the disclosure index method, these studies are not able to draw conclusions in relation to the relative importance of the themes. For this reason, the present study applies a content analysis method that takes into account the frequency with which disclosures are made according to each theme. According to Berg (1998), the frequency with which information occurs in such reports is a useful proxy for magnitude and importance. It is thus contended that a more qualitative content analysis methodology than the disclosure index method must be applied, despite the fact that this requires a very stringent set of methodological considerations.

There exists another key deficiency in previous studies comparing disclosures between analyst and annual reports. This deficiency relates to the failure in distinguishing between fundamental and recurrent analyst reports. Arvidsson (2003) and Orens & Lybaert's (2004) studies readily compare recurrent analyst reports with annual reports.

Conducting a comparison on such premises is equivalent to comparing the annual report of one company with the quarterly earnings announcement of a second company and using this as a basis for drawing conclusions about their disclosure practices. It is therefore viewed as a key aspect in relation to establishing relevant results that content analysis studies in this topic distinguish between the recurring earnings analyses and the reports disseminated in connection with fundamental research.

This is an important distinction to make because they serve distinctly different purposes, and different types of events trigger their production. It is rather like distinguishing between annual reports and quarterly earnings announcements. It would not make sense to analyze the information content of an earnings announcement and state that the company's annual report was lacking in informativeness. In practice, the recurrent analyst reports are of a shorter format. More importantly, they are typically merely updates on an existing base of knowledge. In contrast to this, the more fundamental analyst reports are to a greater extent concerned with forming a new knowledge-base.

In a recent study, Flöstrand (2005) examines the content of information concerning intellectual capital in a sample of 250 analyst reports. As it has been recognized in the present contribution, Flöstrand also argues that an analyst report is not just an analyst report. Applying a distinction used in the InvestextPlus database, he distinguishes between initiating research and follow-up research (i.e. maintenance research in connection with earnings announcements). Despite the inherent value-added contribution in relation to other studies by introducing this distinction, initiating research is not found to be an adequate limitation for our purposes. According to InvestextPlus' definition, initiating coverage reports are issued when the brokerage starts coverage of a company which is has not previously been covered, at least not for some time.

However, such a definition excludes the fundamental and knowledge-base extending research done by analysts already covering the firm. Also, the most common situation for users of the information contained in fundamental analyst reports, annual reports and other information sources, is that they already have a fairly well-defined understanding of the company[1]. Therefore, the definition of and the distinction between recurrent and

[1] In our present sample of 12 fundamental analyst reports, only 1 was defined as initiating research. Furthermore, this was not evident from the title; rather it surfaced during a conversation with the particular analyst, where he marketed the report as his entrance and claim to knowledge concerning the industry category.

fundamental analyst reports is argued to be more precise. The first research question with which this study is concerned is therefore:

- What are the differences in information supply between situations where analysts are concerned with fundamentally improving their knowledge base versus situations where they are conducting recurrent follow-up work?

Research confirms that analysts' reports and recommendations are considered informative with respect to investment decisions (Hirst *et al.* 1995), and also that the analysts' final recommendations, despite their abbreviated form, have value for investment decisions (Womack 1996, Barber *et al.* 2001). Also, Frankel *et al.* (2002) confirm that analyst research helps prices reflect information about a security's fundamentals. However, Krishnan & Booker (2002) only find that analyst recom½mendations reduce investors' disposition errors in the case where they are supported by additional information in the form of a report.

This indicates that while the analysts' role may be restricted to merely pre-announcing earnings numbers in connection with annual earnings announcements, their real value-adding activities relate to conducting fundamental research and supplying a more detailed understanding of the company's value creation logic, strategy etc. Typically, the analysts create informativeness in comparison to the fund managers themselves, and they thus justify their existence by specializing by industry (Al-Debie & Walker 1999, 262) and by utilizing synergies between research functions within the investment banks.

Next, we therefore turn to the question of whether the characteristics of the analysts and their employment have any effect on their propensity to conduct fundamental research. Recently, Fogarty & Rogers (2005) have studied how financial analysts produce their recommendations. They conclude that the institutions surrounding the analysts to a great extent affect their products, and that further studies of their work should take into account the larger context, namely the market for information. Barker's (1998) market for information theory provides a framework from which a series of hypotheses concerning behavioural and institutional factors of the analysts can be deduced. This research question was formulated as:

- Is the research concerned with fundamentally improving the knowledge-base supplied by the analysts affected in any way by the characteristics of the analysts and their employment?

In relation to the above question, the particular characteristics of each analyst's job description may influence the information supply. Here, the number of companies followed by each analyst is generally regarded as a good proxy for the depth of the analyses they are able to conduct (cf. Li & Berta 2002), as this indicates the relative amount of time available for analysis per company. Therefore, also the amount of information disclosed in the fundamental analyst reports could be assumed to correlate with this aspect.

In relation to the institutional environment surrounding the employment of analysts, Philips & Zuckerman (2001) argue that trading volume pays for analyst overhead, as institutional investors compensate for the analysts' services by trading through their respective employers. Therefore, the size of the investment bank may correlate with the funds to hire analysts, and more analysts would induce more time to analyze each company. It is therefore interesting to examine whether the size of the investment bank correlates with the number of companies each analyst follows as well the depth of their analyses. Trading volume on the Copenhagen Stock Exchange (CSE, henceforth) is thus considered of interest for comparison with the level of disclosure because the size of the investment bank might be a proxy for the ability to set aside money for "analyst overhead" (Francis & Philbrick 1993)[2].

Market for information theory also states that behavioural aspects of the individual actors play a role in decision-making. According to Söderbaum (2002), roles and relationships are the cornerstones of the functioning of the market for information (see also Barker 1998). From this perspective, human behaviour stems from a conception of necessity rather than objective preferences (March & Olsen 1989, 161), and is therefore associated with the individual's sense of identity more than with optimal choice. The decision to conduct and disseminate fundamental research may therefore be driven by appropriate patterns of behaviour rather than optimizing decisions. As such, this study contemplates the intricate relationships between the three parties constituting the market for information (cf. Holland & Johanson 2003) through qualitative studies of the analysts' work processes.

[2] Two measures were initially considered, namely trading volume on the Copenhagen Stock Exchange (CSE, henceforth) and total trading volume of each investment bank. However, there are upsides and downsides connected with each measure. Applying the measure of trading volume on the CSE might give a skewed impression of trading volume as the local banks will look relatively larger in comparison to international investment banks. On the other hand, total trading volume of the investment bank may not mirror its relative focus towards the market on which the case company operates - in our case the Danish financial market. The former was chosen for this study as it was the only measure where credible data could be found.

A factor influencing the analyst's production of fundamental analyst reports could be his experience or lack of experience. It is a well known fact in the capital market that writing a fundamental report is a way for a new analyst to brand himself, and one could argue that new analysts will disseminate larger proportions of information because they need to establish a reputation in the market for information (Fogarty & Rogers 2005). The opposite argument could be that the most experienced analysts were those employed by the largest investment banks; and thus those with the largest customers, largest trading volume and largest incentives for conducting thorough analyses.

The characteristics of the analysts and their employment in relation to research concerned with extending the knowledge-base might therefore be influenced along the lines of the following three propositions:

Proposition 1: Number of companies actively followed affects the thoroughness of analyst research

Proposition 2: Trading volume of employing investment bank affects disclosure practices

Proposition 3: Experience of the analyst affects disclosure practices

Prior research has indicated that corporate financial reports do not provide investors with an accurate view of the value creation process within the firm (Garcia-Ayuso 2003, 59), and investors therefore come to rely on financial analysis services as a key source to fill this information gap. The lacking ability of corporate reporting's ability to convey a transparent picture of companies' intrinsic value (Lev & Zarowin 1999) as such becomes an instigator of the role that analysts play on the capital markets. This is, however, not to imply that if a new form of comprehensive corporate reporting were to be invented tomorrow, the analyst function would become useless. This is because accounting reports take a different and a broader array of user groups into account than the analyst reports.

In relation to the role of corporate reporting practices, Garcia-Ayuso suggests that, "[m]anagers must … provide explanations of the value creation process in the firm and make clear links between intangible investments and future value creation" (2003, 64). Thus, Garcia-Ayuso advocates for precisely the point of departure taken in this study. By studying the information disseminated through fundamental and recurrent analyst reports, this paper contributes to the identification of the types of information

considered by the analysts in their knowledge-extending research performed for the market for information. This study therefore probes into the following question:

- How does the disclosure pattern aimed at the market for information compare with the companies' own disclosure pattern which must take a number of other stakeholders into account?

The present study is the first comparison between analyst reports and annual reports that makes the distinction between fundamental and recurrent analyst reports. Next, the methodology applied in this study will be described.

Methodology and structure of the content analysis

There are several approaches to the evaluation of the content of analyst reports. One is to apply a disclosure index as done by Flöstrand (2005), Garcia-Meca *et al.* (2005) and Orens & Lybaert (2005). While the application of disclosure content studies on reporting practices, including annual reports, analyst reports and also IPO prospectuses, has been widespread (cf. Marston & Shrives 1991, Jones & Shoemaker 1994), other studies apply more qualitatively oriented content analysis approaches to the study of analyst reports (cf. Breton & Taffler 2001, Beunza & Garud 2004). A seminal contribution applying this method is Govindarajan (1980), who analyses the use of cash flow and earnings discourse by financial analysts, while for example Breton & Taffler (2001) analyze the correlation between stock recommendation decisions and accounting information.

For the purpose of conducting an investigation into the information content of analyst reports, this study takes its point of departure in the information types suggested in business reporting practices. The content analysis is thus structured according to themes derived from authoritative business reporting literature. Essentially, business reporting is concerned with satisfying users' needs (cf. AICPA 1994, McEwen & Hunton 1999), and thereby also investors and analysts. As analyst reports are intended for investors, they too fall within this category. The following sections establish an applicable framework for categorizing business reporting disclosures, and themes from a set of authoritative reports concerned with pinpointing the types of information companies ought to disclose in order to fulfil users' needs will be identified.

For this purpose, six authoritative reports within the business-reporting debate have been purposively selected from a thorough literature review. These reports are:

'*Improving Business Reporting – A Customer Focus: Meeting the Information Needs of Investors and Creditors*' also referred to as the Jenkin's Report (AICPA 1994); '*Business and Financial Reporting, Challenges from the New Economy*' (Upton 2001); '*Unseen Wealth*' (Blair & Wallman 2001); '*Improving Business Reporting: Insights into Enhancing Voluntary Disclosures*' (FASB 2001); *'New Directions in Business: Performance Reporting, Communication and Assurance'* (Bray 2002); and '*Sustainable Development Reporting: Striking the Balance*' (Heemskerk *et al.* 2003).

The Jenkins Report (AICPA 1994) is viewed as a seminal contribution with respect to recommendations for the future developments of business reporting. Business reporting can be defined as all the information that a company provides about itself in order to help investors make the best capital allocation decisions (FASB 2001). In this respect, business reporting is more than merely financial statements including aspects such as operating data, management's analysis of data, and forward-looking information. Heemskerk *et al.* (2003, 57), for example, emphasize the necessity of corporate reporting to enable users to look forward.

Relevance of corporate disclosure towards the capital market is perceived as a main driver of business reporting as the underlying premise that improving disclosure makes the capital allocation process more efficient and reduces the average cost of capital. Examples of guidelines providing companies with helpful ideas of how to describe and explain their investment potential to investors are given, for example, in the FASB report (2001). Almost as a mantra, it is argued that a disconnection exists in that economic and business systems are tracking, with ever increasing efficiency, a smaller and smaller proportion of the real economy (Eustace 2001, 6). Blair & Wallman argue that "[t]he lack of good information about the most important value drivers in individual firms, and in the economy as a whole, makes it more difficult for managers within firms and individual investors in the capital markets to make sensible resource allocation decisions" (2001, 58).

The review of the six authoritative reports reveals a large extent of agreement as to which types of information are perceived as important to the market for information participants and other external stakeholders. In all, 14 separate categories are identified, and, for the purpose of the content analysis, a 15th category that catches all the text clauses which cannot be distributed among the other themes is included.

These themes are illustrated in table 1 along with an indication of which authoritative literature have considered which themes. The 15 themes form the basis on which the

coding and content analysis of the 12 analyst reports in the sample is carried out. The identified themes cover a wide spectrum of information, from the more traditional financial and operating data and management's analysis of data to the more forward-oriented information such as critical success factors, strategy and intellectual capital. In a sense, they constitute the content of what a so-called flagship performance report should contain (Bray 2002).

	Proposed business-reporting theme	**A**	**F**	**U**	**BW**	**B**	**H**
1	Financial data	X			X	X	
2	Management's operating data	X	X	X	X	X	
3	Management's analysis	X	X		X	X	
4	Risks and opportunities	X	X	X	X	X	X
5	Critical success factors	X	X	X	X	X	X
6	Objectives, strategy, vision	X	X		X	X	X
7	Comparable non-financial measures	X		X	X	X	X
8	Background information	X	X			X	
9	Value drivers	X		X	X	X	X
10	Segment information	X		X	X		
11	Intellectual capital		X	X	X		X
12	Effects of voluntary disclosure	X	X		X		
13	Corporate governance	X					X
14	Social, environmental and sustainability disclosures					X	X
15	Non-categorizable information						

A) Improving Business Reporting – A Customer Focus: Meeting the Information Needs of Investors and Creditors; also referred to as the Jenkins Report (AICPA 1994)

F) Improving Business Reporting: Insights into Enhancing Voluntary Disclosures (FASB 2001)

U) Business and Financial Reporting, Challenges from the New Economy (Upton 2001)

BW) Unseen Wealth (Blair & Wallman 2001)

B) New Directions in Business: Performance Reporting, Communication and Assurance (Bray 2002)

H) Sustainable Development Reporting: Striking the Balance; also referred to as the World Business Council for Sustainable Development (WBCSD) report (Heemskerk *et al.* 2003)

Table 1. The themes of the business reporting recommendations

This paper applies a classical content analysis approach to the study of fundamental analyst reports (Gerbner *et al.* 1969; Krippendorff 1980), where already determined codes are taken as a starting point (cf. Ryan & Bernard 2000, 785). Much effort has been put into gathering reliable data, and, in addition, reliability has been ensured through a systematic and methodical analysis of the data. Therefore, the study utilizes a formal procedure building on the categories determined in the literature review of business reporting recommendations, and it takes its point of departure in Weber's eight prescribed steps for ensuring reliability in the content-analysis (1985, 22-24). Table 2 below lists these steps along with a brief comment on how each of them has been mobilized in the present study.

Applying content analysis as a disclosure measurement approach essentially concerns the construction of a measure for the quality of corporate disclosure. In the present study, quality is thus proxied by the amount of disclosure according to the 15 themes. Despite the fact that Guthrie *et al.* (2004, 289), for example, argue that measures of the quality of disclosure also should take into account the form and location of the disclosures in the report, (see also Guthrie & Parker 1990), the relative emphasis put on the disclosure in each theme is believed to give a sufficient indication of disclosure quality.

	Weber's steps	Mobilization of the step
1	Define the recording units (for example word, word sense, sentence, or theme)	The text is coded according to clauses of topic. In the paper, clauses are referred to as text units. Mostly, this is per sentence; however, there are instances where a sentence includes several topics.
2	Define the categories (for example through literature review)	The categories are defined in the literature review of recommendational reports on business reporting. A 15th category catching leftover text is included, i.e. text which could not be attributed to any of the recommendational themes.
3	Test coding on sample of text (apply abbreviated tags to represent the categories)	The first report was coded in two steps. In the first step, only the overall category was applied. The second step extended this with a sub-topic code.
4	Assess accuracy or reliability (for example whether the coding is correct)	Accuracy was assessed during the second coding step. It was decided to maintain this two-step procedure throughout the coding process.
5	Revise coding rules (for example develop disambiguation rules)	Coding rules were developed during the test-coding. In general, cases of conflict were solved by dividing the text into separate clauses where possible. Alternatively, an assessment as to which code had the strongest position was made.
6	Return to step 3 (until accuracy or reliability is satisfactory)	Accuracy was found to be satisfactory within the two coding steps.
7	Code all the text, and	This is really hard work! It is estimated that each report took just over two days to code including preparation of the word document and the two-step procedure.
8	Assess achieved reliability or accuracy	The achieved reliability is perceived to be satisfactory

Table 2: Mobilization of Weber's steps for ensuring reliability

According to Unerman (2000), limitations of the content analysis method that must be considered relate to subjectivity in connection with the coding process. Furthermore, Unerman (2000, 674) argues that quantification is a major concern when applying this

research method because the application of different methods inevitably leads to different impressions of the relative importance of chosen themes. A good example of this is the question of whether to measure the degree of disclosure according to sentences or as the percentage of pages relating to a certain theme.

Ensuring process validity, also denoted internal validity (cf. Yin 1994), can be achieved via methodological coherence. In this paper, internal validity is secured through the application of the formal coding procedure described above. Reliability in content analysis approaches involves two separate issues (Milne & Adler 1999), namely demonstrating that the data produced from the analysis is reliable, but also verifying that the applied coding instrument is reliable. The former can be achieved via the use of multiple coders, and by reporting that the discrepancies between the coders are minimal. The latter is mainly a question of ensuring well-specified decision categories and decision rules. According to Milne & Adler (1999), the application of a rigorous approach to the latter issue reduces the need for multiple coders. Table 2 above describes how this study seeks to ensure a reasonable degree of reliability.

This study bases its categorization of the narrative disclosures of the sample of analyst reports on the 15 categories above. Within each category, a series of appropriate items were identified. A number of disclosure studies were reviewed in order to establish relevant sub-categories. The sub-categories chosen are mainly influenced by AICPA (1994), Beattie *et al.* (2004), GRI (2002), and Bukh *et al.* (2005). In total, 75 separate items across the 15 themes were identified. These are depicted in appendix 1.

The advantage of applying a content analysis approach, rather than using for example a disclosure index (cf. Arvidsson 2003, Orens & Lybaert 2004), is that the study thereby analyzes all the disclosures in the reports instead of merely looking for the presence of particular items, like the approaches applied by Previts *et al.* (1994), Rogers & Grant (1997), and Breton & Taffler (2001). In this manner, all the narrative sections are analyzed, and the analysis thus gives a better indication of the relative importance of the categories. Although the method of content analysis gives an indication of the weight that the sender puts on certain types of information, it still does not constitute a reliable proxy for the importance of a concrete piece of information. In order to attain such a measure, it would be necessary to ask the sender directly regarding each piece of information.

All of the analyst reports analyzed in the study were obtained from the respective analysts themselves. The reports were then copied directly into a Word-document,

excluding the sections that were not to be included in the analysis (see below). Two of the fundamental reports were only attainable in hard copy format, and were therefore transformed into a Word-document using a scanner and OCR software. Once the Word-documents were ready, a system of visible separators between the text clauses was added using the find and replace function in Word. Reliability in the coding process was secured by using the formal procedure described below (see also Milne & Adler 1999). After the reports had been coded, the amount of text units related to each of the 75 sub-categories was uncovered by using the find function in Word. The results of the coding process were then transferred to Excel, where they were aggregated and analyzed accordingly. As a guiding rule, all narrative content was considered relevant to the analysis.

Because the method applied in this study, where the analysis focuses on narratives and coding, is conducted according to the number of text clauses, and not according to for example percentage of page space used for each type of information, it becomes problematic to include pictures, graphs and illustrative tables. Frost & Wilmshurst (2000) argue that excluding pictures is a limitation to content analysis studies. Despite such concerns, it was chosen not to include pictures, graphs and illustrative tables in the analysis because of the difficulties in putting subjective weights on their respective information content according to a number of clauses. It is, however, acknowledged that this comprises a severe limitation to the validity of the present study as such components may in fact play a very central role in corporate communication practices (cf. Graces et al. 1996 and Preston et al. 1996). However, it was found that neither companies nor analysts disclosed any tables or graphs without addressing them in a narrative form too. Thus, the information supplied through such optic-friendly visualizations will be captured in the narrative analysis anyway in spite of the fact that pictures etc. are left out of the actual analysis. In practice, the analysis included the whole analyst report except for tables of contents, summary tables of financial data and valuations, and the investment bank's disclaimers. In total, 8,624 text clauses were coded and analyzed in the sample totalling 111 analyst reports.

Analyst interviews

The case study part of the paper is based on semi-structured interviews with the sell-side analysts following the firm on a regular basis. In order to structure the empirical enquiries, the four interview themes listed in table 3 were identified. If possible the

wording and the order of the questions remained unchanged for all respondents, however, the respondents were allowed to talk freely, and the questions were adjusted accordingly. Furthermore, not all questions were necessarily brought up in every interview. The form of interviewing chosen was based on the principle of dialogue between the interviewer and the respondent (cf. Kvale, 1996) and has some similarities with the type of interview that Yin (1994, 84) calls 'focused interviews'.

Theme 1	Characteristics of the sell-side analysts
Theme 2	The processes of producing and consuming strategic information
Theme 3	The information mosaic: which strategic information is considered?
Theme 4	Business reporting

Table 3: Interview themes

Before deciding on the final interview guideline and the coding structure, a pilot interview with an experienced financial analyst was conducted, and the pilot-interview was transcribed and analyzed in order to verify the applicability of the interview guideline. The interviews lasted from 45 minutes to 2 hours with an average of 75 minutes. After the interviews were conducted, the tape recording was transcribed and analyzed according to the themes above.

The contact information of the analysts was obtained from the corporate website of the case company. All analysts confirmed that they performed regular analyses of the Danish medico-tech company, Coloplast, and disseminated this research through analyst reports. Thus, the generated insights are based on interviews with 12 analysts. The typical analyst specialized in 4-6 Scandinavian companies within the medico-technology sector and followed sporadically 4-6 major competing firms often outside Scandinavia. However, there were also analysts with a broader focus, who actively followed up to 15-20 companies. All analysts were interviewed in December 2003, a few weeks after Coloplast's annual earnings announcement.

Data

Apart from the interviews, the data collection is based on fundamental and recurrent analyst reports on the Danish medico-tech company, Coloplast. Coloplast (www.coloplast.com), founded in 1957, is a worldwide provider of high quality and innovative healthcare products and services. In the fiscal year 2002/03, the revenue

amounted to approx. € 760 mill., and group profit before tax was approx. € 117 mill. The company employs more than 6,000 people, 2,500 of them working in Denmark, and the firm has production facilities in six countries with approximately 75% of Coloplast's products being produced in Denmark. Of the 13 analysts following Coloplast on a regular basis on 1 January 2004, 12 acknowledged that they wrote reports on the company on a regularly. The analysts were asked to send their reports written in connection with the most recent fundamental analysis they had conducted on the company as well as a sample of their most recent recurrent analyses. While it was found that all the analysts conducted maintenance work and wrote recurrent analyses, clearly there was different focus and time devoted to the fundamental analyses among the respondents.

The institutional setting for this analysis is the Copenhagen Stock Exchange, which is now an integrated part of the OMX exchange covering most of Scandinavia and the Baltic region. In 2004, the market value of total turnover on the CSE was approx. € 79 bill., whilst the end of year market value of the listed stocks totalled approx. € 115 bill. At the present, CSE has 51 members, of which approximately 40% are local Danish firms. The rest of the population is mainly represented by international investment banks.

Table 4 below provides descriptive statistics for the sample of analyst reports studied, including standard deviation, and minimum and maximum values for the samples of recurrent and fundamental reports respectively. In order to give an indication of the differences between the two groups of analyst reports analyzed, the table depicts the descriptive statistics for the total sample as well as for these two sub-groups both in relation to the narrative count and the page count of the reports. Finally, the table includes descriptive statistics of the three independent variables derived from the theoretical discussion in relation to the characteristics of the analysts and the employment.

	# Obs.	Total	Avg.	Std. Dev.	Min	Max
Analyst reports narrative count, total	111	8624	77.7	146.94	9	862
Recurrent	99	3963	40.0	31.78	9	167
Fundamental	12	4661	388.4	298.04	68	862
Analyst reports page count, total	111	783	7.1	10.22	1	60
Recurrent	99	450	4.5	3.18	1	13
Fundamental	12	333	27.8	20.74	4	60
Investmentbanks' trading volume on the CSE in bill. DKK	12	283.2	23.6	21.67	2.1	72.2
# of companies followed by the analysts	12	91	7.6	3.40	4	15
Analysts' experience (# of years)	12	83	6.9	2.87	3	13

Table 4. Descriptive statistics

The accessible data is from a period spanning from February 2000 to February 2004 with approx. 85% being from February 2002 to August 2003. Unfortunately, the analysts did not supply equal amounts of recurrent analyst reports, and the timing of the release of both the recurrent and the fundamental reports within this period varied. This induces that it has not been possible to control for the relative amount of maintenance work and fundamental research done by each analyst. In turn, caution must be taken in considering the strength of the conclusions from the study. Also, because of this, we cannot speculate whether deviations from consensus estimates are driven by a lack of fundamental research. This should be an interesting avenue for future research.

Analysis and discussion of differences between recurrent and fundamental reports

Table 5 below depicts the descriptive statistics of the sub-group variables contained in the analyst reports according to the total sample as well as according to whether they were fundamental or recurrent analyses. All of the values with respect to disclosure in this table are in absolute numbers of coded text-units.

Descriptive statistics of the amount of text clauses in the analyst reports across variable

Sub-categories:		Total text	Funda-mental	Avg. funda m.	Fund am. %	Recur -rent	Avg. recur-rent	Recur -rent %
Background information	BI	1786	1384	115.3	29.7 %	402	4.1	10.1%
Analyst's analysis of data	ANA	3123	1162	96.8	24.9 %	1961	19.8	49.5%
Segment information	SEG	960	407	33.9	8.7%	553	5.6	14.0%
Risks and opportunities	RIO	544	306	25.5	6.6%	238	2.4	6.0%
Financial data	FIN	578	293	24.4	6.3%	285	2.9	7.2%
Non-categorizable information	NON	293	256	21.3	5.5%	37	0.4	0.9%
Critical success factors	CSF	324	218	19.4	5.0%	106	0.9	2.3%
Objectives, strategy & vision	OSV	372	207	17.3	4.4%	165	1.7	4.2%
Value drivers	VD	361	183	15.3	3.9%	178	1.8	4.5%
Management's operating data	MAD	171	129	10.8	2.8%	42	0.4	1.1%
Comparable non-financial measures	COM	57	57	4.8	1.2%	0	0	0.0%
Intellectual capital	IC	43	32	2.7	0.7%	11	0.1	0.3%
Corporate governance	CG	8	8	0.7	0.2%	0	0	0.0%
Effects of voluntary disclosure	EFF	2	2	0.2	0.0%	0	0	0.0%
Social and sustainability disclosures	SOC	2	2	0.2	0.0%	0	0	0.0%

Table 5: Descriptive statistics of the analyst reports

Table 4 illustrates the results of the content-analysis across the 15 categories in percentage of the total amount of disclosure for the total sample as well as the samples of recurrent and fundamental analyst reports. Like in table 5 above, the categories are arranged in descending order according to the amount of text-units in the total sample.

The category that has been disclosed upon the most in the total sample is 'analyst's analysis of financial and operating data' (labelled 'ANA'). On average, it accounts for 36.2% of the narrative disclosures. However, this category accounts for almost twice as much of the narratives in recurrent analyst reports (49.5%) in comparison to fundamental reports (24.9%), and in both relative and absolute terms this indicates that maintenance work to a large extent is concerned with evaluating the information disclosed by the firm and perhaps not so much with digging up new information elsewhere.

The second most disclosed upon theme in the sample of analyst reports is 'background information' (labelled 'BI'), which accounts for 20.7% of the total disclosure in the

sample. However, background information only accounts for a third of the weight in recurrent analyses (10.1%) in comparison to that found in fundamental reports (29.7%). The background information most readily disclosed pertains to markets, products, the industry and the general development of the company.

'Financial segment information' (labelled 'SEG') totals 11.1% of the sample and is the third most disclosed upon theme. The analysis indicates that the recurrent analyses have relatively more weight on segment information (14.0%) than the fundamental analyses (8.7%). Coupled with the notions put forth in relation to the differences in focus in the 'analyst's analysis of financial and operating data' category, this indicates that while maintenance work might be focused on evaluating specific details, fundamental research is perhaps more concerned with extending the understanding of the general picture, i.e. the performance of the overall business model.

The percentage of information from the company regarding 'financial data' (labelled 'FIN') and 'management's operating data' (labelled 'MAD') accounts for approximately the same weight across the two types of analyst reports, namely about 9%. Interestingly, 'financial data' is one of the sub-categories that correlates the least with total disclosure (a correlation coefficient of 0.692 overall, and 0.401 for the fundamental reports), which indicates that there might exist some minimum amount of information on the financial well-being of the firm, like for example profitability - information that the analysts have to disclose within this category irrespective of the size of the report being disseminated.

While there are no marked differences between the sub-samples' disclosure of 'risks and opportunities' (labelled 'RIO'), 'objectives, strategy and vision' (labelled 'OSV'), and 'value drivers' (labelled 'VD'), the fundamental analyst reports disclose more than twice as much information pertaining to 'critical success factors' (labelled 'CSF'), namely 5.0% versus 2.4%. Even greater differences are found in the category 'non-categorizable information', (labelled 'NON'). In the fundamental report sample, this category totals 5.5%, but only 0.9% in the recurrent reports. This category of information seems to be driven by the relatively more comprehensive fundamental analyst reports, the top four of these amounting to 89% of these disclosures.

Lack of reliability of non-financial information is often coupled with the fact that it is difficult to use for decision-making because it is not comparable with other companies' measures. Especially capital market agents argue that it would be helpful to them if they could compare such indicators, preferably between companies and at least across time.

Therefore, it is rather surprising that 'comparable non-financial information' (labelled 'COM') only accounts for 1.2% of the disclosures in the sample of fundamental analyst reports, and zero in the sample of recurrent reports. 80.7% of the items that are disclosed within this theme are comparisons with peers and competitors. Thus, almost no non-financial information that is comparable across time is presented in the fundamental analyst reports.

The last four themes are virtually non-existent in the sample of analyst reports. Disclosures on 'intellectual capital' (labelled 'IC') total 0.7%; the 'corporate governance' category (labelled 'CG') 0.2%; while 'effects of voluntary disclosure' (labelled 'EFF') and 'social and sustainability disclosures' (labelled 'SOC') both aggregate to 0.0%. Orens & Lybaert (2004, 21) find similar results with respect to the 'IC', 'CG', and 'SOC' themes in a study of Belgian fundamental analyst reports. It is worth noting that the corporate governance and social and sustainability themes only are considered by one analyst. The disclosures here came from an emphasized section of the analyst report and were thus a means of differentiation from the other analyst reports, i.e. they constituted this particular analyst's "unique" case on the company.

Characteristics of the analysts and their employment

As it became evident in the section above, the recurrent analyst reports, typically quarterly updates, disclosure driven updates, or previews and flashnotes in connection with the annual earnings announcements or in connection with adjustments to earnings expectations and recommendations were found to be fairly superficial content-wise. In general, it is agreed that while all analysts do maintenance work, the fundamental research is where they have the opportunity to differentiate themselves from the pack.

Therefore, it is the fundamental analyst reports that to the best degree incorporate all the information deemed relevant according to the analysts, who argue that these reports represent an extension of the existing knowledge-base. Hence, we set out to examine whether the research concerned with extending the analysts' knowledge-base in any way is affected by the characteristics of the analysts and their employment. This is examined through the three propositions derived in the literature review and accentuated accordingly through the qualitative data from the conducted interviews. Table 6 illustrates the descriptive statistics of the data applied in this section, namely the sample

of fundamental analyst reports, along with the descriptive characteristics of the analysts that wrote them.

Investment bank	Trading volume on the CSE[3]	# of companies followed by the analyst	Analyst experience, # of years	# text units in fundamental report
A	72.2	5	9	862
B	45.7	10	5	816
C	44.7	4	6	788
D	5.8	8	13	547
E	3.5	9	5	440
F	22.6	6	7	331
G	28.7	4	9	257
H	29.7	7	10	201
I	11.3	5	5	162
J	6.8	6	4	102
K	2.0	15	3	87
L	10.0	12	7	68

Table 6: Fundamental analyst reports ordered by text units

Proposition 1 stated that the number of companies actively followed affects the thoroughness of the analysts' fundamental research and thus his reports on this. Despite this, the number of companies followed by each analyst was not significantly correlated with the amount of information contained in each report. The Pearson correlation between the number of companies followed and the number of text units renders an insignificant result – a correlation of -0.307. Although insignificant, the fact that it is negative slightly indicates that our initial presumption, i.e. that the analysts conducting the most comprehensive fundamental research generally have smaller clusters of companies in their portfolio, is incorrect. However, it might just be that this correlates with a number of other particularities of matching job descriptions.

A possible conclusion could be that the analysts' job descriptions are more complex than merely dispersing their available time for research across their portfolio of companies. The particularities of the individual analyst's function in the investment banking 'value chain' differed considerably and thus constituted an influential factor on time consumption. Such particularities could e.g. relate to whether the analyst had direct client contact and to which extent the analyst took sales orders etc.

[3] CSE; Copenhagen Stock Exchange

Through the interviews, it was found that the analysts were a more heterogeneous group than initially expected (cf. Norberg 2001). Some analysts were e.g. extremely concerned with the precision of their earnings estimates and their ability to react speedily and correct in relation to earnings announcements. In the words of one analyst: "When the first numbers come out, I basically only focus on whether they are good or bad […] and then I comment on it as soon as I have read it". Somewhat dissimilar, other analysts did not mention this part of their job at all, but rather argued that their value-adding activities related to a long-term perspective and not to predicting short-term fluctuations. One of these analysts described himself in the following way:

> "I belong to the category of analysts who are more oriented towards the long-term perspective, and this has given me a strong interest in management, strategy and governance, not just for the upcoming quarter but rather 5 to 10 years into the future. Because of this, I often end up in interesting discussions with the company. I am probably an advocate for the more fundamental part of understanding the company".

Another analyst commented, "There are some analysts who are good at writing an interesting story … Having previously worked as a journalist, I know how one writes a good story, and how to make it easy to read and easy to understand". Thus, a number of analysts were denoting their specific experience as a key to their value-adding activities, in that manner creating a space where their specific competences provided a competitive advantage. Bukh & Nielsen (2006) support these particularities of the analyst community in finding that understanding the stock price and understanding the company are two distinctly different issues. While company management and the long-term oriented analysts' interests relate to understanding the company's concept and business model, fund managers and the so-called trigger oriented analysts are primarily concerned with predicting the stock price. Thus, research thoroughness is more associated with the analyst's perception of where in the analysis value-chain his/her focus was, than with a simple measure of companies followed.

Proposition 2 was concerned with whether the trading volume of the employing investment bank affected the analysts' disclosure practices. The correlation between the extent of disclosure – and thus the degree of focus on the company – and the trading volume of the investment banks on the CSE[4] is 0.730. This indicates that trading

[4] All except one, which was not a member of the exchange and thus traded through other investment banks

volume pays for analyst overhead as confirmed by Philips & Zuckerman (2001). This is not really surprising as institutional investors compensate for the analysts' services by trading through their respective employers. Fogarty & Rogers (2005) argue that good relations with management are of paramount importance as this ensures vital details, one-on-one time etc., while good relations to fund managers ensure that their recommendations and opinions are listened to, and that their overhead is covered through trading. An analyst commented,

> "Contact with customers is very relationship-based. It typically takes between 6 and 9 months, assuming you are competent, to become one of the analysts they bother to listen to when you call them … it is quite evident that you need some kind of documentation before they listen to you".

Hence, the institutional environment affects the analyst's incentives to be proactive and helpful in the sense that access to a company's management team is a key to gaining a competitive edge over the market and other analysts. Through the case study, it was found that sometimes company management and analysts even work together, e.g. in relation to planning roadshows where the companies typically present themselves to present and potential investors in a number of different locations. At the same time, the analyst gets a chance to display his qualities to these investors, both through a brief case presentation of the company and also by arranging the event.

The impression received in the literature review that analysts merely are a form of sales people is not disputed by the interviewed analysts. During the interviews, the analysts readily explained how they took courses in giving presentations, promoting sales, and even in leaving messages on answering machines. One analyst, being self-critical, expressed, "My role is to be a commentator and a judge, but without responsibility". Further, the analysts readily perceived their role of performing a service function:

> "As analysts, we have to take our point of departure in what the customers want. Like everybody else working in the commercial sector, we are forced to provide the service that our customers want. The investors are not interested in reading thick reports about companies' logistics strategies or human resource strategies, unless of course it has an effect on their bottom line".

Proposition 3 questioned whether the experience of the analyst affected the depth of the research and thus the amount of disclosure made through the fundamental analyst reports. The correlation between disclosure and experience measured in years of employment was found to be insignificant, namely 0.237, and thus we cannot neither

assume that much experience leads to more in depth research nor confirm that a lack of experience triggers the need for an extension of the analyst's knowledge-base.

In respect to demographic characteristics, the analysts constituted a very homogenous group of people. With only a few exceptions, they were males between 30 – 40 years of age, most of them having a university degree in finance and work experience relating primarily to corporate finance and analysis services. The analysts described themselves as being analytically oriented professionals, hard working and competitive. In the spirit of Norberg's (2001) argumentation, one analyst commented, "I have to be the best to survive. Because of rationalization, I now do the work of 3 people. But then again, I get their money too, so I am satisfied". Thus, the qualitative analysis suggests that the identical backgrounds and experience of the analysts play an important role in the prevailing convergence of their understanding and analysis of companies.

Comparing fundamental analyst reports and the case company's present business reporting

By applying exactly the same content analysis methodology on the narrative sections of Coloplast's annual report, a comparison of the results against each other is made. Figure 1 below illustrates the dispersion of the information contained in the sample of fundamental analyst reports compared with the case company's own business reporting practices across the 15 themes. All data are in relative terms, i.e. in percentage of total disclosure. Previous comparisons of this sort have either focused on identifying text copied directly from the annual report into the analyst report (Rogers & Grant 1997), or failed to recognize the principal difference between the types of analyst reports, i.e. fundamental versus recurrent analyst reports, like Arvidsson (2003) and Orens & Lybaert (2004). This comparison therefore tries to increase the validity of such comparison studies. For the sake of simplicity, it has been chosen to retain the ordering of the categories derived from the total sample of analyst reports in table 4.

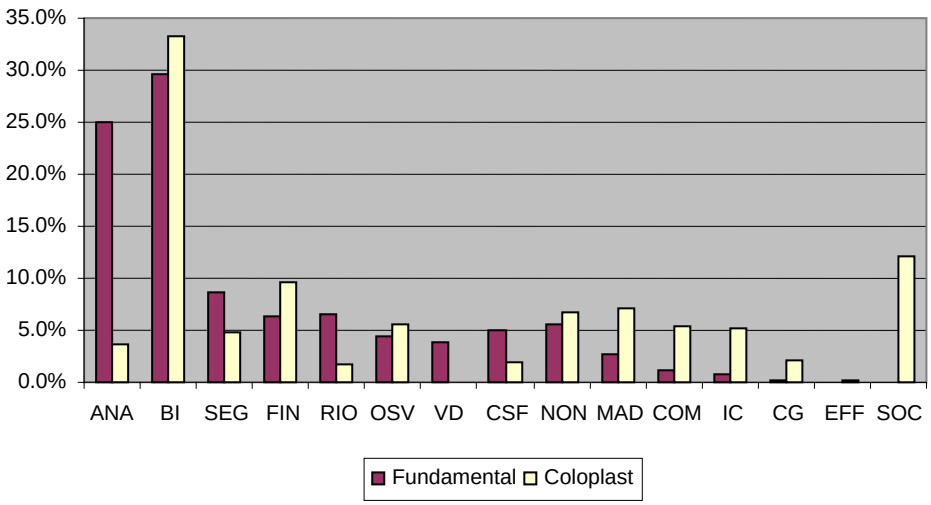

Figure 1: Fundamental analyst reports versus business reporting

In both types of reports, background information was the most disclosed upon theme. It may have been pondered that analyst reports would contain a lot less background information because it would either be considered too general to be decisive for understanding stock triggers, or regarded as redundant in comparison with the information already disclosed in the annual report. However, this did not seem to be the case in our sample.

Analysis of financial and operating data was one of the themes where the discrepancies between the two studies were greatest. Coming in as the 10th most disclosed upon category in Coloplast's own report with 3.7%, 25% of the information in the analyst reports was related to this theme. Significant differences were also evident with respect to segment information. Relatively, the analyst reports disclosed almost twice that of the annual report within this theme.

There was also a tendency for the fundamental analyst reports to disclose relatively more information on risks and opportunities, value driver and critical success factors, while the pattern was reversed in relation to the categories 'objectives, strategy and vision', 'financial information', 'management's operating data' (labelled 'MAD') and 'non-categorizable information'. In relation to risks and opportunities, there were quite different dispersions between the two sub-categories constituting this theme, namely disclosures of risks and disclosures of opportunities. The analyst reports disclosed a lot more information on opportunities. Actually, 40% of the information related to this theme, concerned opportunities. In comparison, this was only the case for 4% of this theme in the annual report study.

In both types of reports, considerations of the effects of voluntary disclosure are virtually non-existent. Although the capital market participants in general have been known to criticize new reporting practices for lacking reliability because of the lack of comparable information, this study indicates that the analyst population in fact is worse at constructing comparable non-financial measures than the companies they readily criticize. In this study, comparable non-financial information accounted for 5.4% of Coloplast's report but was non-existent in the analyst reports. In a recent study comparing an intellectual capital statement and an IPO prospectus (Nielsen *et al.* 2006), it was found that comparability and quantification had a greater emphasis in the intellectual capital statement, although the prospectus often is seen as a role model for developing business reporting practices (Cumby & Conrad 2001). Thus, the participants in the market for information are in fact those displaying the worst shortcomings in producing such comparable information.

There were also significant differences in the disclosure patterns with respect to the three themes 'intellectual capital', 'corporate governance', and 'social and sustainability disclosures' which have received an immense focus in the recent business reporting debate. In the annual report study, these three themes amounted to 19.5% of all disclosure, whereas in the sample of analyst reports they amounted to a mere 0.9%, thus indicating that the capital market agents have some reluctance towards these types of information.

Concluding remarks

In the present paper, the narrative information content of 111 analyst reports was analyzed according to 15 themes derived from the business reporting literature. The contribution of the present study is threefold. On the one hand, the content analysis illustrates which types of information the analysts consider that the market requires when evaluating the firm on a maintenance-basis and when extending their knowledge-base on the company. On the other hand, the present study contemplates whether the analyst's decisions to conduct more or less thorough research are affected by the institutional environment or individual characteristics. A final contribution was to compare the sample of fundamental analyst reports with current business reporting practices from the same industry.

Here, it shall be noted that the type of content analysis conducted as a basis for this article has a number of limitations. Accordingly, care must be taken in trying to stretch the conclusions too much. This type of content analysis captures only the narrative content, thereby leaving out the possibly very informative content of figures, graphs and tables. Furthermore, this type of study must not be mistaken for a quality of disclosure study, which would impose a whole new array of implications for the analysis. Finally, it is worth noting that the reliability of studies of this nature would be increased dramatically if multiple coders and developing coding frameworks depicting rules for ensuring the exclusivity of individual categories were used.

In the paper, the differences in information supply between situations where the analysts were extending their knowledge-base versus situations where they were conducting maintenance work were examined. The data indicates that maintenance work to a large extent is concerned with evaluating the information disclosed by the firm, e.g. within the realm of the financial reporting calendar. Coupled with the notions put forth in relation to the differences in focus in the 'analyst's analysis of financial and operating data' category, this indicates that while maintenance work might be focused on evaluating specific details, fundamental research is perhaps more concerned with extending the understanding of the general picture, i.e. the performance of the overall business model. This being said, it shall here be noted that both recurrent and fundamental research in some instances are driven by the regular interaction between companies and analysts, e.g. capital market days and private meetings.

Next, it was questioned whether the research concerned with extending the analysts' knowledge-base in any way was affected by the characteristics of the analysts and their employment? Qualitative methods were applied to uncover some of the intricacies of the analysts' roles and relationships. The thoroughness of the individual analysts' research was found to correlate with the size of the employing investment bank on the specific market (the CSE) in terms of trading volume. This was expected because trading volume is essentially what reimburses the investment banks' analyst overhead. The analysts' thoroughness did not, however, correlate with the number of companies each analyst followed, although the relationship was negative as could be expected. The qualitative data illustrated that the job descriptions of the analysts differed in other respects than as regards cluster size. Also, the analysts' experience in the market was found to have an insignificant effect on the thoroughness of their research reports, perhaps because they constituted a very homogenous group.

Finally, it was questioned how the disclosure pattern aimed at the market for information compared with the companies own disclosure, which inevitably also must take the information needs of a wide variety of stakeholders other than merely investors and analysts into consideration? Interestingly, it was found that a number of themes that have received much attention in the recent business reporting debate, namely 'intellectual capital', 'corporate governance', and 'social and sustainability disclosures', turned out to be virtually non-existent in the sample of fundamental analyst reports, while at the same time constituting nearly 20% of Coloplast's own narrative disclosures. Two possible explanations present themselves. Either the information is not considered relevant for understanding the future prospects of the firm, or the role of such types of information in relation to the value creation process is not understood by the capital market agents, as likewise suggested by Holland & Johanson (2003), and therefore they leave it out. This poses an interesting proposition for future research.

Because the analysts' and fund managers' patterns of behaviour are driven by values and experience (Söderbaum 2002), it may take time before their reluctance towards new inputs and new types of information declines (cf. Norberg 2001). If, for example, the dominating party (the investors) in the market for information disregards certain types of information as relevant, it may be difficult for the supporting function (the analysts) to acknowledge them too and consider them in their analysis processes. More qualitative research methods must be applied for further study of this proposition.

Although the capital market participants in general have been known to criticize new reporting practices for lacking reliability because of the lack of comparable information, this comparison indicates that the analyst population in fact is worse at constructing comparable non-financial measures than the companies they readily criticize. The main contribution of this paper relates to the distinction between recurrent and fundamental analyst reports. This distinction has been discussed and analysed, and the paper has, via the three research questions, been able to shed light on the content and function of such means of disclosure and the role they play in the market for information.

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Appendix 1

The financial report and related financial disclosures	FIN
Capital expenditure	CEX
Cashflow	CF
Debt	DBT
Dividends	DIV
Gearing	GEA
Interest cover	INT
Profit & profitability measures	PRO
Tax	TAX
Turnover/sales	TUR
Working capital	WOR
Share performance	SHR
Other	OTH
Total	

Management's performance measurement and operating data	MAD
Revenue/income	REV
Costs	COS
Productivity and production	PRD
Innovation	INN
Quality	QUAL
Total	

Management's analysis of financial and non-financial data; Identification of and reasons for changes	ANA
Financial data	AFD
Management data	AMD
Macroeconomic trends	AMT
Market changes	AMC
Forward-looking information, for example outlook & pipeline data	AFL
Other external trends	AEX
Total	

Risks and opportunities	RIO
Risks	RISK
Opportunities	OPP
Total	

Critical success factors	CSF
Activities improving competitiveness	CAC
Activities improving the business	CIB
Securing future profitability	SEC
Realizing objectives, strategy and vision	REA
Total	

Objectives, strategy, and vision	OSV
Objectives and goals	OBJ
Strategy	STR
Vision	VIS
Mission	MIS
Total	

Non-financial measures that are comparable across companies and over time	COM
Time-line	TIME
Comparisons across peers and competitors	PEER
Geographical comparisons	GEO
Total	

Background information and business description	BI
General development of the business & company information	BUS
Products	PROD
Industry	IND
Markets	MAR
Processes	PROC
Customers	CUS
Relationships	REL
Distribution	DIS
External regulation	REG
Management; identity and background	MAN
Major shareholders	MSH
Compensation of management and shareholders incl. incentive plans	COMP
Total	

Value drivers	VD
Growth drivers	GRO
Excellence	EXC
Innovation	VIN
Company specific	VCS
Industry specific	VDI
Total	

Segment information	SEG
Geography	SGE
Products	SPR
Markets	SMA
Total	

Information on intellectual capital	IC
Employees	EMP
Core competences	CORE
Core knowledge and technology	TECH
Organizational, structural & relational capital	ORG
Patents	PAT
Total	

Considerations of the effects of voluntary disclosure	EFF
Competitive considerations	CC
Greater transparency towards the capital market	CM
Investor relations considerations	IR
Total	

Corporate governance metrics	CG
Board structure and assignments	BOA
Division of power between board and management	POW
Governance in general	GOV
Total	

Social and environmental disclosures	SOC
Sustainability reporting	SUS
Social aspects	ASP
Employees' quality of life	EMQ
Effects on society and community	ESC
Environmental aspects	ENV
Total	

Other and no code applicable	NON
Link to other source	LINK
Accounting standards & policies	STD
Background information on illness/ disease or other information that is not linked specifically to the business or products	BACK
Total	

Total (all 75 categories)