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Cooperative Orientation in Earnings Calls

Heidi Hirsto, Merja Koskela & Kaisa Penttinen

Abstract Financial communication refers to the meaning-making practices by which listed companies interact with their publics to exchange information about issues that may have an effect on the share price. An important site for financial communication is the so-called *earnings call,* where companies present their quarterly or yearly results and engage in dialogue with analysts and other interested parties. In this paper, we analyze earnings calls from the perspective of the *cooperative principle* presented by Grice. Our aim is to shed light on how the maxims of cooperation are enacted by expert members of the business community in order to construct joint understanding in the potentially conflicting setting of the earnings call. The empirical data consists of the transcripts of four earnings calls held by globally operating stock-listed companies. Our analysis indicates that earnings calls rely on particularized conversational implicatures, whereby participants may strategically breach the cooperative maxims on the formal level while at the same time orienting to each other's practical goals and performing as a cooperative team of professionals in a strictly regulated context. One recurring way of doing this is by asking questions that cannot be answered directly but prompt responses with incremental or "soft" information. We argue that the specialized practices of cooperation are linked to the nature of the earnings call as a public performance where participants need to orient to self-presentational and relational concerns as well as regulative restrictions.

Keywords conversational maxims, cooperative principle, earnings call, financial communication, professional communication

1 Introduction

Financial communication refers to the meaning-making practices by which listed companies engage with their publics in order to exchange information about issues that may have an impact on the price of the company share and on investment decisions. An important site for financial communication is the so-called *earnings call* that companies arrange in connection with announcing their quarterly or yearly results. Earnings call is an established genre, which typically consists of a managerial presentation of financial results followed by a dialogue with analysts and other interested parties in the form of questions and answers (e. g. Crawford Camiciottoli 2013: 24).

The context of earnings calls is characterized by predefined institutional norms creating partly aligned and partly contradictory aims for the participants. The common aim is to arrive at a realistic view on the market value of the company so that analysts can make informed recommendations to investors to buy, sell or hold the shares. The company aims at supporting a positive image of itself by providing a sufficient amount of information as openly and honestly as possible, but preferably interpreting it in a positive way. The analysts again need

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to appear competent to their superiors and clients by asking insightful and critical questions, while they simultaneously need to stay in good terms with the company managers in order to keep themselves as well informed as possible (e. g. Graaf 2018: 1231). Because of these conflicting interests, the traditional Gricean cooperative principle, that is, that the participants in any conversation strive to make their contributions as informative, truthful, relevant, clear as possible, is a fruitful lens for studying earnings calls.

In this article, we analyze the genre of earnings calls from the perspective of cooperation, investigating their characteristic interactional features based on the theoretical framework of Gricean maxims. These maxims outline basic background assumptions of cooperation that underlie talk across different situations (Grice 1975). They can be understood as social norms, whose observance or violation in interaction has effects on the interpretation and the overall formation of the situation (Greenall 2009: 2295).

The aim of our paper is to shed light on how the maxims of cooperation are enacted by expert members of the business community in order to construct joint understanding in a potentially conflicting setting of earnings calls. The cooperative principle as a theoretical framework enables us to understand how institutional restrictions and tensions are negotiated and cooperation evolves in a professional context. Simultaneously, our analysis sheds light on the analytic potential of the Gricean maxims for understanding the conditions for cooperation in a highly regulated professional context, which differs significantly from everyday conversations on which the maxims are originally based.

Our point of departure is that while a relatively high cooperative orientation may be expected and considered useful for the functioning of earnings calls as sites of interaction, too obvious cooperation may lead to an interpretation of the earnings call as a public relations exercise with little to do with transparency and openness or the market value of the company. Indeed, Greenall (2009: 2296) argues that non-observance of maxims may, in particular settings, have productive effects through leading to heightened attention and increased interpretational activity, and thereby foster 'subversive communication' and creation of new meanings.

Earnings calls as a site of financial communication have been studied earlier in the fields of accounting and finance (e. g. Matsumoto/Pronk/Roelofsen 2011) and language studies (in particular Crawford Camiciottoli 2010, 2014). To our knowledge, however, the Gricean approach has not been used to any significant degree as a framework for studying them. Graaf (2018) has studied earnings calls using the framework of *performance team* introduced by Goffman (1959). The Gricean approach again has been used earlier in other institutional contexts with similar types of contextual conditions, such as legal courts (e. g. Penman 1987, Levinson 1992, Liao/Sun 2017) and news interviews (Clementson 2018). Based on findings of these comparable contexts, we assume that the maxims of cooperation may reveal new features of the professional discourse of earnings calls.

In the following, we will first discuss earlier research on earnings calls (Section 2), proceed to a description of the Gricean framework (Section 3), then present our data, method and research questions (Section 4), , and discuss each of the maxims and their realizations in our data (Section 5). At the end of our article (Section 6), we summarize our findings and evaluate briefly the potential of the cooperative principle for studying this highly restricted context of business communication.

2 Earnings calls as genre

For an increasing number of companies, earnings calls are an important part of their corporate communication and investor relations (IR). In the 1990's, public companies started to organize earnings announcements through audio teleconferences for a restricted number of analysts. Today, a growing number of companies are arranging earnings calls along with interim reports and broadcasting these events live on their webpages. Although earnings calls are addressed primarily to financial analysts (hereafter analysts), investors and media, usually anyone can join the webcast of the event online by signing up on the company's webpage. In addition, the recordings and/or transcripts of the event are often publicly available afterwards. Thus, earnings calls have developed from private teleconferences to a form of corporate communication that reaches individual investors in addition to invited professionals (Crawford Camiciottoli 2014: 525, Palmieri et al. 2015: 120 f.).

Based on a corpus analysis of 20 transcripts of earnings calls of companies from the US, Crawford Camiciottoli (2010: 353) defines earnings calls as a *genre* of their own. Thus, earnings call is a communicative event where the participants have shared understandings of its communicative purposes (see, e. g., Swales 1990: 46). According to Crawford Camiciottoli's (2010) findings, earnings calls have a consistent macrostructure, little variation from one company to the other, and highly conventional use of intertextual and interdiscursive features. What makes this spoken genre of financial communication interesting, however, is that there are obvious tensions between factual discourse and promotional features as well as between articulate speaking style and informal tone (Crawford Camiciottoli 2010: 255). In our view, these tensions make earnings calls interesting objects of study from the point of view of cooperation between experts.

2.1 Functions of earnings calls in IR communication

Earnings calls are an opportunity for companies to discuss the financial result of the preceding reporting period with analysts, investors and media representatives and thus promote two-way communication between the company and its investor publics (e. g. Kelly/Laskin/Rosenstein 2010). The analysts participate in the event by proposing questions in the questions-and-answers part (hereafter Q&A) after the preceding manager's presentation (Crawford Camiciottoli 2010: 350). Sell-side analysts work typically for brokerage firms and make recommendations for institutional and retail investors. Buy-side analysts are usually working for institutional investment companies and use sell-side analysts' reports to make private investment recommendations for portfolio and fund managers (Groysberg/Healy/Chapman 2008: 25–27).

Earnings calls are a form of voluntary financial disclosure, and their primary aim is to provide information on the financial performance of the company to the participating analysts and the stakeholders of the company. However, previous literature has emphasized the rhetorical objective of earnings calls. In addition to providing information, managers tend to persuade the audience about the company's stocks being a valuable investment (Budzynska/Rocci/Yaskorska 2014: 26, Crawford Camiciottoli 2014: 526, Palmieri/Rocci/Kudrautsava 2015: 122). Engaging in voluntary financial reporting is also a way for companies to enhance trust in investors and promote an image of transparency (Schlegelmilch/Pollach 2005, Crawford Camiciottoli 2014: 525).

Unlike in mandatory financial reports, the form and content of earnings calls are not regulated. Consequently, companies have more freedom to choose what kind of information they

present (Crawford Camiciottoli 2010: 346, 350 f., Matsumoto/Pronk/Roelofsen 2011: 1385). Of the two main parts of earnings calls, the managers' presentation represents monologic discourse, where the company executives present the financial performance of the company during the previous quarter. The other main part, the Q&A, consists of dialogic discourse and has an informal and more unplanned character (Crawford Camiciottoli 2014: 541 f.). The analysts' active involvement in Q&A distinguishes earnings calls from other forms of voluntary reporting and increases the information content of the calls (Matsumoto/Pronk/Roelofsen 2011: 1411). One distinctive feature of earnings calls is the so-called soft information that is contained in the talk of the participants. Prior research on financial disclosures has shown that soft information includes incremental information for investors and affects their reactions (e. g. Matsumoto/Pronk/Roelofsen 2011: 1408 f., Rogers/Van Buskirk/Zechman 2011: 2179, Price et al. 2012: 1006, Blau/DeLisle/Price 2015: 217, Chen/Nagar/Schoenfeld 2018: 1348).

Even though the regulations do not determine the precise form and content of earnings calls, the legislation restricts the disclosures for certain parts. For example, Finnish listed companies are obliged to follow the legislation of Finland and the European Union, and their communication is regulated by for example the so called Market Abuse Regulation (Regulation (EU) 596/2014), rules and regulations of Nasdaq Helsinki as well as the guidelines of European Securities and Markets Authority (ESMA) and Finnish Financial Supervisory Authority (FIN-FSA). The aim of the authorities and the legislation is to promote market efficiency and investor protection and thus, for example releasing false or misleading information is forbidden for the companies (Regulation [EU] 596/2014).

2.2 Earnings calls as dramaturgical encounters

In earlier research, because of their specific interactional setting, the Q&A of earnings calls have been characterized as dramaturgical encounters, where participants' behavior is affected by the surveillance mechanisms, such as webcast video cameras (Abraham/Bamber 2017: 18 f., Graaf 2018: 1242–1245). Graaf (2018: 1231) utilizes Goffman's (1959) idea of a performance team, and claims that during earnings calls, managers and analysts work together in producing a performance that is favorable for both participants. Due to the public nature of the event, however, they must perform in front of multiple audiences, which can lead to role conflicts (Graaf 2018: 1246). For analysts, earnings calls offer an opportunity to enhance their relationship with company managers. On the other hand, analysts must appear as critical and independent experts for their superiors and colleagues, and their performance cannot reveal any dependency of the company managers (Crawford Camiciottoli 2018: 287, Graaf 2018: 1243).

The balancing between the distinct audiences affects what kind of questions analysts can ask in earnings calls. Prior studies suggest, for example, that analysts avoid proposing questions on sensitive topics, like poor performance, which would put the manager in an uncomfortable position and could harm the relationship between the analyst and the manager (Do Carmo Leite de Oliveira / Rodrigues Pereira 2018: 307, Graaf 2018: 1243). On the other hand, visibility in front of fund managers during earnings calls is essential for the analysts. According to Graaf's (2018: 1244) findings, it is important for analysts to present several questions that emphasize their expertise in front of the clients. Therefore, it is an essential part of the performance that particular questions are asked even if the analysts do not need or expect an answer.

2.3 Discursive features of earnings calls

The financial functions and the public, dramaturgical nature of earnings calls are reflected in the discursive and interactional practices of the genre. Several studies have referred to the analysts' role as information seekers and managers' role as information providers in earnings calls, and especially in the Q&A (e. g. Matsumoto/Pronk/Roelofsen 2011: 1384, Crawford Camiciottoli 2018: 287, Graaf 2018: 1231). The Q&A is organized in question-answer pairs, where the question turns are distributed by an operator. In many respects, the Q&A has common features with a news interview: the participants can be classified as interrogators (analysts) and interviewees (company managers), they represent some institution, they are performing in front of an audience, and the interviewee is held accountable (see Montgomery 2008: 267). However, the cooperative objective of the participants differentiates the Q&A from news interview where the interrogator can adopt a confrontational stance towards the interviewee (Clayman/Heritage 2002: 188) and has control over the length of answer turns (Montgomery 2008: 260). Analysts, on the contrary, cannot control the length of managers' answers, since the dialogue is controlled by a moderator. In addition, companies can choose the participant analysts for the event (Mayew 2008: 652) and restrict the number of their questions.

Since the analysts' chances to pose a question are limited, the formulation of questions plays an important role in information retrieval. According to Do Carmo Leite de Oliveira / Rodrigues Pereira (2018: 295), different formulations, especially with regard to delicate or sensitive topics, give managers diverse choices to respond: to argue back or confirm plausible assumptions and to find a way to escape from the question asked. Crawford Camiciottoli (2009: 677) found that indirect requests are more frequent than direct requests in the Q&A of earnings calls. While indirect requests are often motivated by politeness (e. g. Brown/Levinson 1987: 132–144), Crawford Camiciottoli suggests that analysts employ indirect requests primarily to gain maximal benefit from the earnings calls. More specifically, indirect requests function as a rhetorical tool for analysts to hold the floor during their question turns and gain maximal attention and amount of information (Crawford Camiciottoli 2009: 677).

Generally, companies are not always willing to discuss topics that are sensitive or might have negative consequences for them. Based on prior studies (e. g. Do Carmo Leite de Oliveira / Rodrigues Pereira 2018: 307, Graaf 2018: 1243), the objective to remain on good terms with the management restrains analysts from acting as overtly assertive interrogators. However, if the question is considered too important to disregard, the analyst might be willing to compromise the interpersonal comfort with the manager and use more assertive questioning to get the valuable information (Graaf 2018: 1243). As using assertive question strategies represents a potential breach of the cooperative principle (Grice 1975), we address this as an empirical question in our analysis.

3 Cooperative principle and Grice's maxims

Grice's theory of cooperation is based on the assumption that participants of rational interaction are expected to cooperate with each other (Grice 1975). The basic cooperative principle that participants are assumed to follow and expect from each other in a conversation, is as follows (Grice 1975: 45): "Make your contribution such as is required, at the stage at which it occurs, by the accepted purpose or direction of the talk exchange in which you are engaged."

According to Grice (1975), the cooperative principle operates through four *maxims* of quantity, quality, relation, and manner. These maxims outline basic background assumptions of cooperation that underlie talk across different situations (Levinson 1992: 75 f.). They can be summarized as follows (Huang 2014: 29 f.):

- *Maxim of quantity:* make your contribution as informative as required.
- *Maxim of quality:* make your contribution true; do not say what you believe to be false, do not say what you lack adequate evidence for.
- *Maxim of relation:* be relevant; stick to the issue at hand.
- *Maxim of manner:* be clear, be orderly, be perspicuous, avoid ambiguity and obscurity of expression.

The maxims can be understood as social norms that can be either observed or breached in interaction, with particular effects on interpretation and the unfolding of interaction (Greenall 2009). Grice's theory refers both to the speaker's intention and the process by which the audience is able to work it out to a reasonable extent (Lumdsen 2008: 1897). Hence, participants generally assume that the speaker will adhere to the maxims and interpret the speaker's words based on this assumption. This makes possible the use of irony and other forms of *implicature* where seemingly irrational or unrelated utterances are nevertheless interpreted as meaningful in a given context (Grice 1975: 43, see also Lumdsen 2008, Asher/Lascarides 2013).

In practice, adherence to maxims varies considerably according to situation and genre. Different genres are typically characterized by specific expectations about the functions that any utterance should have and may thus have their own sets of norms governing adherence to the maxims (Levinson 1992: 77). Earlier literature has distinguished between strongly cooperative conversations and "strategic conversations", where the goals of the participants are not perfectly aligned. In strategic conversations, participants have purposes that deviate from strong cooperativity, including promotional, self-presentational or deceptive purposes that may lead participants to conceal information or misdirect attention (Asher/Lascarides 2013: 6). Levinson (1992: 76) discusses court interrogation as an example of an activity type that is not deeply cooperative, noting that "it is unlikely that either party assumes the other is fulfilling the maxims of quality, manner, and especially quantity (requiring that one say as much as is required by the other)." For analytical purposes, it is sometimes useful also to differentiate between "formal" (linguistic) and "substantial" (practical) cooperation (Pavlidou 1991: 12, Lumdsen 2008: 1092). Formal cooperation refers to "cooperation in the Gricean tradition, i. e. acting according to the conversational maxims (or against them)" (Lumdsen 2008: 1902), whereas substantial cooperation means sharing common extra-linguistic or extra-conversational – e. g. social or professional – goals among communication partners (ibid.).

While we are aware of the criticism against applying Grice's theory for the study of discourse (e. g. Lindblom 2001), we recognize that the maxims as abstract principles have potential for explaining the peculiarities of communication in certain contexts, such as the earnings calls. Since earnings calls are staged, goal-oriented and purposeful communicative events used by a discourse community of experts (e. g. Swales 1990), the participants in our data have rather specific assumptions and expectations about each other's goals and motives as well as a shared understanding of their own and the other participants' communicative purposes (e. g. Whitehouse 2017, Do Carmo Leite de Oliveira / Rodrigues Pereira 2018). This knowledge has evolved in time because the same people tend to meet regularly to produce and consume the genre of earnings call. The different goals of the participants may also be derived from their

professional tasks and the overall goals of the communicative situation (see Lumdsen 2008: 1900), so they are available to both old and new participants alike. For example, the expected extent and nature of quality (truth) and the perceived relevance of what is said, are defined to some extent by the context and professional norms.

Hence, earnings calls may be considered to represent a specific case of conversational cooperation. In a way, the earnings calls genre selects its users, who are either representatives of a listed company, investors, analysts or representatives of business media. The shared expertise of the participants enables the use of a central feature of earnings calls, namely intertextuality: because there is so much shared information, the participants may refer to earlier texts and discourses without explicitly naming them (Crawford Camiciottoli 2010: 253). In Gricean terms, it can be stated that the genre of earnings calls is based on *particularized conversational implicatures* (Huang 2012: 149, 218, Huang 2014: 31) used deliberately between experts. This makes earnings call discourse at least partly unavailable for non-expert audiences and creates challenges for us as analysts, which is why we try to make our interpretations as transparent as possible.

4 Data and method

The research data consists of four earnings call transcripts from four companies listed on the Finnish OMX Helsinki 25 stock index. The companies we use as examples have been chosen among those companies that had both a video and a transcript of their earnings call Q3 year 2016 openly available online. These companies represent heavy industries and operate in energy industry (Fortum), elevator and escalator industry (Kone), steel industry (SSAB), and marine and energy industry (Wärtsilä). In this article, we focus on the transcripts of the earnings calls and use the video only for verifying the correctness of the transcripts.

As Table 1 illustrates, the managerial presentations have 1,836–3,076 words, while the length of the Q&A's varies from 1,652 to 7,908 words. In this article, we will study only the dialogue part of the data because that is where the cooperative orientation is realized and challenged.

Table 1: The data of the study

	Monologue (nr of words)	**Dialogue (nr of words)**	**Total (nr of words)**
Fortum	3,706	1,652	5,358
Kone	3,687	7,908	11,595
SSAB	3.397	6,387	9,784
Wärtsilä	1.836	5,725	7,561
Total	**12,626**	**21,672**	**34,298**

The number of participating analysts varies from 4 to 12 (Table 2). Chief executive officer (CEO) and chief financial officer (CFO) represent the company in all earnings call events in our data. In addition, the investor relations manager of Fortum, head of investor relations of Kone and SSAB, and head of corporate communications of SSAB are present during the earnings calls. In the Q&A of Wärtsilä, also the presidents of different business areas take part in the dialogue by answering to analysts' questions.

Table 2: The role and the number of participants in the earnings calls

Company name	Company executives, monologue	Company executives, dialogue	Analysts
Fortum	CEO, CFO, IR Manager	CEO, CFO, IR Manager	4
Kone	CEO, Head of investor relations	CEO, CFO, Head of investor relations	9
SSAB	CEO, CFO, Head of corporate communications, Head of investor relations	CEO, CFO, Head of corporate communications	12
Wärtsilä	CEO	CEO, CFO, President of energy solutions, President of services, President of marine business	10

Our analysis was carried out in a circular process of qualitative analysis informed by the theoretical constructs synthesized from the Gricean maxims. At first, we read and re-read the data and identified sites where the cooperative principle seemed to be actualized. Next, we highlighted relevant passages, made annotations based on the initial key theoretical constructs, cross-checked each other's findings, and finally proceeded with the interpretations of the maxims from the perspective of financial communication in general and the genre-features of earnings calls in particular.

Our analysis addresses the following research questions:

- In what kinds of situations during the Q&As are the maxims of cooperation challenged, violated or otherwise called into question?
- How are the differing goals of the participants reflected in these situations?

Through our analysis we will be able to illustrate how the maxims are realized in the specific context of earnings calls and discuss how expert members of the business community construct joint understanding in the potentially conflicting setting of earnings calls. We will take a broad perspective and discuss all four maxims in our analysis. This exploratory approach will enable us to recognize which of the maxims have the most explanatory power for the needs of further research of the context of earnings calls. Before presenting the results of our analysis, we will first introduce briefly the main ideas of Gricean principles of cooperation.

5 Results

In this section we present the results of our analysis. In Table 3, we have gathered rational expectations for earnings calls, which may be derived from the communicative purposes of the genre. According to earlier literature, the interpretation of all talk in Q&As is likely to rely on the primary function of earnings calls, which is to provide information on the financial performance of the company to the participating analysts and the stakeholders of the company within the confines of regulation and institutional norms. In addition, managers' words may be interpreted in the light of them wanting to communicate a favorable image of the company and its outlook, often with a long-term view, while analysts' words may be interpreted as attempts to extract information about the short-term outlook and cash flow. These genre-spe-

cific features are likely to have an effect on how the different maxims are mobilized to ensure a cooperative professional conversation.

Table 3: Application of the maxims on the context of earnings calls (EC)

Maxim	Definition	Application to EC – Managers	Application to EC – Analysts
Maxim of quantity	Give the right amount of information, and not more than is necessary.	Regulations determine obligatory amount of information and limit voluntary one. Company determines the right amount of voluntary information taking into account the wishes of their stakeholders.	Analysts assume that managers provide a "minimum" amount of information, but that they know more than they reveal.
Maxim of quality	Say only what you know is true and you have evidence of.	Companies are truthful, while false information is sanctioned. Statements of the future are unsure, and not preferred.	Analysts assume that company information is true and based on evidence.
Maxim of relation	Be relevant; stick to the issue at hand.	Companies choose what they tell based on what they find relevant for their business, often strategically in the long term. Relevance based on looking trustworthy; thus, negative information is also revealed.	Analysts assume that what companies say is relevant "to the issue at hand". Relevance for analysts is often short-term cash flow and return to shareholders.
Maxim of manner	Be clear and orderly, avoid ambiguity and obscurity of expression.	Companies strive to be clear and orderly. When conflicts arise between maxims, they resort to avoidance; ambiguity and obscurity are avoided.	Analysts assume that managers are not intentionally ambiguous or unclear. Exact wordings may be important.

In the following four sections we will discuss our findings using the characterizations in Table 3 as a starting point. The discussion proceeds by analyzing one maxim of cooperation at a time. In accordance with our research questions, we discuss examples of situations where the maxims are challenged, violated or otherwise called upon question, and reflect on how the differing goals of the participants show in those situations.

5.1 Maxim of quantity

According to the maxim of quantity, speakers are presumed to make their contribution as informative as required but not more informative than necessary (Grice 1975: 45). We assume that the genre of earnings call produces tensions with regard to the right or necessary amount of information. This is because managers have access to unpublished information of the com-

pany's financials and future plans, and control over what is published. Analysts, on the other hand, strive to obtain valuable information previously unrevealed. Since managers' disclosures are restrained by laws and regulations, the participants have partly divergent perceptions concerning the right amount of information.

For investors, up-to-date information is essential for making investment decisions. In addition, availability of adequate financial information of public companies is a fundamental component in securing investor protection and market efficiency. Annually and half-yearly published mandatory reports are principal sources of financial information for investors (Strampelli 2018: 542), but they do not give a complete picture of the factors affecting a company's performance. The Q&A of earnings calls gives analysts a chance to request information not revealed in other reports (Crawford Camiciottoli 2009). Our data included several situations where analysts request explanation or clarification for a certain matter, and managers in turn provide the requested information to the best of their ability. Thus, analysts are continuously sorting out the valuable information from all the information that is provided by the company and if needed, asking the manager to elucidate important topics in the Q&A.

Grice (1975: 45 f.) notes that the second maxim of quantity ("Do not make your contribution more informative than is required") is disputable, since being overinformative can be interpreted to be solely as a waste of time rather than violation of the maxim of quantity. Nevertheless, the disadvantage of providing excess information is that it can be confusing for the hearer (Grice 1975: 46). Example 1 demonstrates a situation where the manager provides more information than the analyst requests.[1]

(1) Analyst: And then on the joint venture income, looked a little bit low for the third quarter, do you have an outlook for the fourth quarter? Is it as usual, flattish or moving up?

CEO: It's good to remember that the joint ventures of the engine factories, one in Korea and the two ones in -- or mainly we have had in our numbers one of the joint ventures in Shanghai producing engines. They -- the numbers have been high because of the LNG carrier orders and those haven't -- we haven't had for many, many months. So that's why the order intake numbers in Korea has been extremely low. And if you look at the market, we haven't seen any LNG carrier or one or two orders so it's not going to be high.
(Wärtsilä)

In example 1, the analyst is requesting a figure for joint venture income, and the CEO gives the actual answer to the analyst's question only in the end of his turn (*it's not going to be high*). In the beginning of his answer, the CEO explains why the joint venture income has been low and is expected to remain low in the next quarter. Thus, the CEO is providing more information than the question requires.

The manager's answer in example 1 reminds one of a *roundabout answer* (Clayman/Heritage 2002: 243 f.) that begins with a unit of talk that does not include the answer to the question but is still relevant to the question and complements the actual answer through giving more

[1] The examples from the data are cited in their original form and may include spelling mistakes, repetitions etc.

understanding of the situation. One of the main purposes of the earnings call is to provide information for the stakeholders of the company (e. g. Crawford Camiciottoli 2010: 346), and hence complementary information that is still relevant to the question might be interpreted as an effort for cooperation rather than transgression of the cooperative principle. However, Clayman/Heritage (2002: 244) point out that in roundabout answers, the actual answer to the proposed question has to be included in the turn so that it can be regarded as an adequate answer and not be interpreted as evasive. In example 1, the manager is providing the adequate answer and therefore overinformativeness is not used as a strategy of evasion.

Regarding the voluntary disclosures, the company has the discretion to decide what kind of information they want to reveal, and there can be a contradiction between the information needs of investors and companies' motives to disclose certain information. Hence, companies can sometimes refuse to provide the requested information, like the CEO does in example 2.

(2) Analyst: Thank you very much. And just a follow-up question on pricing. I know there was one price in the US from Nucor, I don't think it was followed by yourselves. Do you have any confidence in US prices finding a floor in the near term for plate?

CEO: We don't comment on that.

Analyst: Okay. Thank you very much.

(SSAB)

Prior studies suggest that companies try to avoid silence, since refusal to answer analysts' questions is interpreted negatively by the investors (Hollander/Pronk/Roelofsen 2010: 556), for example as an attempt to hide negative facts (Palmieri/Rocci/Kudrautsava 2015: 130). Nevertheless, companies may have well-founded reasons to refrain from disclosing information like avoiding litigation costs or preventing to give a competitive advance to their peers. Before the analyst's question in example 2, the CEO has announced that the company does not give more information about future prices than is presented in their outlook. Thus, it could be anticipated that the analyst's question will not be answered. However, the CEO's refusal to answer indicates unwillingness to cooperate with the analyst to fulfill his information needs (see Liao/Sun 2017: 66) and can therefore be interpreted as a violation of the cooperative principle.

5.2 Maxim of quality

Public companies are required to provide truthful information in their financial reporting and thus it can be assumed that financial disclosures follow the maxim of quality. Company managers are also held accountable for their statements during earnings calls, and revealing untruthful information includes a litigation risk for the company (e. g. Healy/Palepu 2001: 422 f., Kent/Ung 2003: 276). In addition, since companies strive to appear credible and trustworthy in front of the investors, misleading disclosure also risks the reputation of the company (Kent/Ung 2003: 276, Mercer 2004: 190–193).

The mandatory reports include mainly historical information of a company's performance whereas the investors are interested also in future-oriented information to be able to forecast future earnings of the company (e. g. Hussainey 2011: 124). Future-oriented disclosures are particularly disposed to a litigation risk, since they are usually still uncertain predictions when released. Hence, it is a frequently occurring situation in earnings calls that a manager does

not give a sufficient answer on topics that concern uncertain future prospects. On the other hand, companies have the motive to disclose their future forecasts to cooperate with investors and help them with their investment decisions (Kent/Ung 2003: 283). Therefore, they have to balance between the threat of litigation and investors' demands.

In example 3, the analyst is requesting information about the order book for next quarters. The CEO does not want to comment on the topic and explains that it is still uncertain how the order book will be in the future. In other words, he does not want to disclose uncertain information. By refraining to disclose uncertain information, the CEO complies with the maxim of quality.

(3) Analyst: All right. Thank you. The third question is around your order book, or order books, for Q4 and 2017. Until how far in the future are they full? That's my third question.

CEO: We typically, **at this point of time, have very limited visibility into Q1**. **We have a decent feeling** of how the order book looks for Q4. But then I said, there is always also -- customers need to take out volumes at the end of Q4, as well, during Christmas and New Year, so **there is always, of course**, that was what I tried to explain, **an uncertainty**. But we have a fairly good grip on Q4. Q1 is still -- we haven't finalized negotiation on prices for Q1. We have yearly contracts, half-year contracts, and then quarterly contracts, and **they are not completely ready yet. So we -- the visibility into Q1 is, at this point of time, fairly limited**.

(SSAB)

Unlike the company representatives, analysts are not obliged by laws or regulations to be truthful in their communication. In example 4, the analyst's question embodies a presupposition (marked by the verb *noticed*; see Clayman/Heritage 2002: 203) that the company's engine inventory is empty. The analyst then refers to a statement that the company has made on fast track orders and implies that there might be a problem to deliver the planned fast track orders with the empty inventories *(what is the kind of realistic contribution from fast track orders going forward if you don't intend to build further inventories of engines).* Thus, the analyst claims to know the state of the inventories and the problem that the empty inventories evokes, but he does not provide any evidence to support it. The claim about the inventories is corrected by the CEO in his turn *(Now, first of all the inventory is not yet flat or its not -- it hasn't yet disappeared anywhere),* which implies that he does not want to let the analyst's claim be the final statement on the issue.

(4) Analyst: Good morning. I just wanted to come back to the fast track, because **I noticed your inventories are actually flat sequentially**. So where else have you built inventories to offset your fast track deliveries in Q3? You've also mentioned that you want to beat competition with fast track orders. So again, how do I square that with the current inventory levels and what what is the kind of realistic contribution from fast track orders going forward if you don't intend to build further inventories of engines, thank you.

CEO: **Now, first of all the inventory is not yet flat or its not -- it hasn't yet disappeared anywhere** -- I mean it has come down but it hasn't disappeared yet. What Javier mentioned with going forward also to be able to deliver fast deliveries, our engine factories have also developed ways to build the engines faster than before. (…)
(Wärtsilä)

Example 4 illustrates that analysts are not held accountable for their words to the same extent as managers, and so they can for example use expressions that violate the maxim of quality as a strategy to provoke an answer from a manager. The analyst's question in example 4 represents what Minson et al. (2018: 78 f.) call a *negative assumption question*, which includes an implicit assumption of an existing problem. According to their results, negative assumption questions communicate assertiveness and questioner's knowledge on the existing problem, which in turn evoke honest disclosures. The analysts' task in earnings calls is to obtain as much valuable information as possible, and thus they can intentionally break the maxim of quality for the sake of questioning strategy. Managers on the other hand are restricted in their communication since they are held accountable on their words and disclosing false information can lead to litigation costs.

5.3 Maxim of relation

In professional contexts such as the earnings call, the maxim of relation is closely related to the communicative purpose of the genre as well as the professional roles of participants. Managers and analysts assign relevance to each other's words based on assumptions about not only general conversational goals but also practical, professional tasks. Due to their different roles, it may be assumed that participants may have differing interpretations of what exactly is the "issue at hand" in earnings calls.

Our analysis indicates that in the majority of the earnings call discourse, questions of relevance remain unproblematized. In their presentations, managers disclose information that they find to be relevant in the context of the financial and market situation, and use relevance markers such as *highlight, point out, important,* and *significant* to direct attention to issues they suggest as particularly relevant. They also design their message specifically for the analyst audience through using specialized terms and intertextual references.

However, there are examples that reveal that relevance remains an object of negotiation. In our data, there are several instances where managers seem to answer beside the point or provide a roundabout answer (Clayman/Heritage 2002: 244), thus violating the maxim of relation. In example 5, the manager's turn does not include a direct answer to the analyst's question, i. e. how much of the sales were related to fast delivery, but instead offers something else. The analyst expresses dissatisfaction with the answer by repeating it, after which the manager states that they cannot give the answer.

(5) Analyst: (…) And the last bit was you mentioned there was a fast delivery in this division this year. **I was wondering if you could give a quantification** of the first 9 months, **how much** of the sales were related to fast delivery?
[turns answering the first question omitted]

Manager: And for the second question about the fast track, I mean we have had, as [CEO] mentioned, a big development that our inventory has reduced quite considerably. And we are being able to deliver big part and I would say that we have a healthy situation in our stock of engines today along this year and next year we will continue with fast track. And when we talk about fast track, we are moving from emptying the stock of engines that we have sold in the past, to a situation in which our factories are being flexible and are being able to deliver much faster, and deliver in a quicker way, so that we are even able to beat any competition in terms of delivery time for power plant. And that is what we are talking fast tracks. And going forward, next year we will continue increasing the flexibility in the factories.

Analyst: OK. **But are you able to quantify** the sales driven by reducing the engine inventory through fast track orders as was just described by [unintelligible]?

Manager: **I cannot give that figure**. I mean, it depends on set of countries and different projects. (…)
(Wärtsilä)

In contrast to example 1, this roundabout answer does not include an answer to the original question. The manager starts with confirming that reducing the inventories has had a (positive) impact on sales. However, he goes on to downplay the significance of inventory and highlighting the role of flexible factories. The answer can be read as a defensive response to a potentially negative implication in the analyst's question, namely that the growth in sales is based on emptying inventories. The manager's answer is designed to refute this implication and to promote a more proactive and positive view on the delivery strategy of the company. Hence, the example reveals that even though the answer violates the maxim of relevance on the formal level by answering to something that was not directly asked, it may be interpreted as a relevant response on the substantial level, in the light of professional roles and tasks.

Example 6 depicts a similar exchange where participants deal with tensions related to relevance, this time more clearly in the context of a sensitive topic. In the first question, the analyst asks whether the company expects its earnings before interests and taxes (EBIT) to *drop to a loss* during the following quarter of the year. The manager contends that they will not give an answer to this question and continues instead to offer the estimate that the result will be better than a year ago. The analyst continues by pushing for the possibility of loss in the next quarter, after which the manager repeats that they do not give guidance on profit for the following quarter.

(6) Analyst: If I sum all of this up, it looks like Q4 will be pretty tough, although I think a lot of these challenges are, admitted, probably just more temporary. Would you allow that you would drop to a loss on EBIT level again in the fourth quarter? Because it does sound like a fair amount of headwind. Thank you.

CEO: We are not giving any result guidance, but we are pretty sure that we will see a better result in Q4 this year than last year.

Analyst: But would you rule out that you would be loss-making?

CEO: As said, we are not giving any guidance on profit; we are trying to give guidance on volumes and prices.
(SSAB)

Example 6 illustrates complex negotiation of relevance. In his question, the analyst interprets the information that the manager has provided in the monologue presentation (reformulated here as *pretty tough*, *these challenges, a fair amount of headwind*) as potentially relevant for short-term profit, which aligns with his task and his clients' probable interests. In this case, however, the analyst is likely to know that the manager cannot give a direct answer to the question due to competitive or regulative reasons. Instead, the question may serve other purposes, such as making the analyst's perspective salient, implying a negative prognosis, or luring out reactions that might be read as soft information. The question puts the manager in a situation where he can neither dispute nor confirm the analyst's interpretation. Regardless of his answer, the implication of the analyst's question will prevail: the possibility of loss in the next quarter is now a publicly available interpretation.

Instead of simply refusing to answer, e. g. based on company policy, norms, or regulations, the manager chooses, in both his turns, to offer additional information that was not asked for (*but we are pretty sure that we will see a better result in Q4 this year than last year; we are trying to give guidance on volumes and prices*). This again can be interpreted as a response to the assumed implication in the analyst's question – in this case, a negative projection – and an attempt to adjust the relevance frame in a way that highlights a longer-term perspective to business and advances a more positive view on the company. As such diversion is likely to have little effect on expert audience (as evidenced by the analyst ignoring it and repeating his question) it may in fact be designed for the more general audience and serve impression management purposes. To sum up, what is common to examples 5 and 6 is that the manager interprets the analyst's questions as relevant through implicature and shows this by producing answers beyond the scope of the literal question.

5.4 Maxim of manner

The maxim of manner means that the participants need to deliver their message clearly, in an orderly and perspicuous manner (Grice 1975: 46). They should also avoid ambiguity and obscurity of expression to ensure cooperation (Huang 2014: 29 f.). The context of earnings calls, as a site of transparency, naturally supports the maxim of manner because the managers need to look honest and trustworthy, and this is best achieved by being clear and orderly.

In general, the maxim of manner may be violated by using ambiguous language (Grice 1975: 45). In the context of earnings calls this may be intentional or unintentional. Because earnings calls are sites for expert-to-expert communication, researchers must be careful not to interpret the use of professional discourse and technical terms as sources of ambiguity. Experts normally understand technical terms in similar ways, even though they might remain ambiguous for non-experts. However, as shown in examples 7 and 8, there are some negotiations around interpretations concerning how something has been said.

(7) CEO: But I am not sure that I really understood the first question. I haven't seen price increases, what did you say, EUR500 per tonne?
(SSAB)

(8) Analyst: (…) going back to the wording around divestments, it looks a bit more cautious than last quarter.
(SSAB)

In example 7, the CEO does not seem to agree with the analyst's statement and refers to his earlier wording with *what did you say*. Similarly, in example 8, the analyst refers to how the management has expressed the issue at hand: *wording ... looks ... more cautious* and asks for clarification for using more cautious expressions than in earlier quarters. This illustrates the importance of so called "soft information" in earnings calls. The numbers are publicly available to all, but the analysts seek confirmation for their evaluations not only in what is said, but also in how it is expressed.

In example 9, there is a case of intentional obscurity when the analyst wants to get exact numbers for steel prices and the CEO answers with approximations. The analyst seeks to find out how much and to which direction is *roughly*, but the CEO only repeats his earlier wording. The analyst does not insist any further and acknowledges the estimation with *Fair enough*.

(9) Analyst: Three questions, if I may: first one on steel prices, (…). Regarding steel prices, you **guide for a flat or stable steel prices** in Europe, at the same time as we should see a negative in America, due to the lag effect. Isn't there a lag effect in Europe, as well? Shouldn't we see a positive effect then?
CEO: What we guide for is **roughly** stable prices in Europe.
Analyst: So it's more on the positive side then if you say **roughly**?
CEO: I say **roughly** stable prices.
Analyst: Fair enough. (…)
(SSAB)

In example 10, there is again the situation where the analyst asks a question well knowing that it cannot be answered because of normative restrictions or for competitive reasons. The point in asking it anyway is to get a reaction of some kind and making interpretations based on that. In this case, the manager resorts to avoidance, which can even be interpreted as obscurity. See example 10:

(10) Analyst: Just a follow-up question. And so, you would expect the year end net cash number to improve from the nine months stage?
CFO: We are not specifically giving any guidance of the last quarter or year-end numbers but I said **of course** they fluctuate around the market condition and **of course** what is then happening in our own operations.
(Fortum)

In example 10, the analyst makes a statement about a positive development in the future and uses intonation to make it a question. He thus challenges the managers for reactions even though he knows that the company is not giving any forward-looking statements at that point. In his answer, the CFO indicates this clearly, *we are not giving any guidance*, but uses the certainty marker (for a classification of discourse markers, cf. Hyland/Tse 2004) *of course* twice for explaining the uncertainty of the future prospects. Even though *of course* indicates confidence

in the truth of what is said and refers to common knowledge, it simultaneously functions as a concession marker, which seems to be the case here.

As shown above, hedging may be an indication of problems with the maxim of manner during earnings calls. However, this also concerns analysts, not only managers. This becomes evident in example 11:

(11) Analyst: OK. And would you – is it possible to explain, because I thought in the second quarter that you were saying you felt that these revenues were going to improve based on the visibility that you had. Am I mistaken in that, or (there) anything sort of changed? Or is that the point you're making on the some of the areas of weakness?
(Wärtsilä)

In example 11, the maxim of manner seems to be challenged: the formulation of the analyst's question is not clear and orderly. On the contrary, the analyst formulates his question very politely expressing repeatedly his own uncertainty when requesting an explanation from the management for a difference between statements from Q2 and Q3. The analyst's careful and polite formulation in the example indicates that analysts tend to interpret managers' words based on the assumption that managers try to be reasonably clear and non-ambiguous. If something remains unclear, it is not automatically assumed to depend on deliberate obscurity, but either as unintentional lack of clarity or limitations of the ability of the analyst to interpret what is said, as suggested in the example (*I thought ... you were saying ... Am I mistaken*).

6 Discussion

In this paper, we analyzed earnings calls as a genre of financial communication, from the perspective of Grice's cooperative principle. Our aim was to shed light on how the maxims of cooperation are enacted by expert members of the business community in order to construct joint understanding in a potentially conflicting setting. Through our two research questions we set out first to identify situations where the maxims of cooperation were challenged, violated or otherwise called into question, and second, to investigate how the varying goals of the participants showed in those situations.

Based on our analysis, earnings call discourse may be characterized as cooperative, as the maxims were as a rule observed by all participants. However, the relatively rare occasions where they were breached or challenged revealed tensions not only in conversation but also between participants' professional goals and roles. This concurs with Liao/Sun's (2017: 75) findings from a courtroom context that conversational maxims are typically violated in situations where the participants' goals diverge.

A recurring situation where several of the maxims were called into question was a type of exchange where the analyst posed a question knowing that it would not get a direct answer due to competitive or regulative reasons. Based on our analysis, analysts' primary aim in asking these kinds of questions was to provoke a reaction from the company manager, as any reaction might be useful for them as incremental information. Due to the public and strictly regulated nature of the situation as well as the institutionalized questions-and-answers format, such questions put managers in a challenging position where they had to produce some kind of response in order to promote an image of transparency and trustworthiness (Schlegelmilch/Pollach 2005, Crawford Camiciottoli 2014: 525). In these situations, managers either refused

to answer, hence apparently violating the maxim of quantity; answered beside the point, hence violating the maxim of relation; or evaded the question by giving an obscure and ambiguous answer, hence violating the maxim of manner.

The maxim of quality, which concerns participants' relation to truthful communication, turned out to offer a particularly useful lens to understand this type of exchange. In general, observance of the maxim of quality is a taken-for-granted premise in earnings calls. For the company managers, truthful disclosure is also required by laws and regulations, preventing them from giving a false or misleading answer. However, according to our analysis, analysts' discourse is not as restricted as managers' when it comes to truthful communication. Analysts used this asymmetry to include in their questions assumptions that were untrue or lacked evidence, thereby making their questions more assertive. Managers, in their turn, seemed to be well aware that analysts presented their questions with specific informational needs in mind, as they formulated their answers to address not only explicit but also implicit questions and claims and used hedging devices to regulate the clarity of the answer.

Both analysts' and managers' conversational tactics thus entailed "formal" breaches of the maxims. Their interaction may nevertheless be interpreted as "practically" cooperative within an institutionalized genre of expert-to-expert communication where participants have a shared understanding of each other's professional roles as well as the communicative purpose and institutional preconditions of the event. According to our analysis, then, earnings call interaction as a team performance (Graaf 2018: 1237) is based on particularized conversational implicatures, which are shared and understandable to the participants but largely unavailable to external audiences. From the methodological perspective, it may be concluded that the cooperative principle offered a useful lens for analyzing also a highly specialized communicative genre, as it helped us locate situations where breaches of conversational maxims indicated broader self-presentational and relational concerns as well as role conflicts related to the public and performative nature of the genre. In particular, the Gricean approach can be recommended for studying professional discourse because it opens up a new perspective for studying the participants' institutionalized communicative goals and their instantiations in practice.

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