**Analysts’ identity negotiations and politeness behaviour in earnings calls of U.S. firms with extreme earnings changes**

**Abstract**

Purpose

Financial analysts’ roles and incentives mean that they have conflicting identities to maintain towards investors and firm managers. We study how analysts adopt various politeness strategies in their questioning to establish socially desirable identities in the Q&A in earnings calls of publicly accessible earnings calls.

Methods

The study is based on a sample of U.S. firms with extreme earnings changes. 46 transcripts of end-of-year earnings calls were investigated with the help of linguistic discourse analysis, drawing on frameworks of face and linguistic politeness. For each transcript, we identified the structure of the face-threatening acts (FTAs) that arise when analysts ask probing questions and ascertained what specific politeness strategies, if any, are used by analysts to mitigate those FTAs. We examine how analysts perform identities through politeness in language and compare analysts’ politeness behaviour and identity construction in the increasing earnings sub-sample with the decreasing earnings sub-sample.

Findings

Analysts negotiate different identities according to specific social contexts, promoting their identity as (1) competent professionals when firms report problematic performance by asking questions in a confrontational manner with few politeness strategies; and (2) dependents of the firm by asking questions in a more polite manner when firms experience satisfactory performance. Analysts aim to present a socially desirable face in Q&A in earnings calls to influence managers’ and investors’ perceptions.

Originality/value

This study complements existing literature on earnings conference calls as part of external corporate communications by focusing on analysts’ use of language when interacting with manages. To the best of our knowledge, this paper is the first to show that politeness underpins analysts’ language use as a device for identity negotiations. This is important to understand because analysts’ identities vis-a-vis managers and investors is closely related to the stability of the financial system.

**Keywords:** analysts; discourse analysis; linguistic politeness; identity construction; earnings call

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**1. Introduction**

Earnings calls are a common type of corporate disclosure and an important financial reporting genre (Crawford Camiciottoli, 2018). These days, more than 95% of U.S. public firms host earnings calls (National Investor Relations Institute, 2016). Typically, companies hold earnings calls at the end of each quarter, immediately following the release of quarterly financial results. The audience of earnings calls include financial analysts, investors, journalists and other stakeholders. They can either call in over the phone or follow a webcast. The primary goal of earnings calls is for managers to communicate company performance and future outlook to analysts and investors. A typical earnings call consists of a presentation section and a Q&A section. In the presentation section, managers present and discuss company operations, past performance and future prospects. In the Q&A section of earnings calls, analysts and managers interact on an *ad hoc* basis. It therefore provides a suitable setting to observe spontaneous analyst-manager interactions that are not otherwise accessible (Merkl-Davies & Brennan, 2007).

Earnings calls have mostly been studied as a type of external corporatr communication and a vehicle for managers to engage in impression management. The focus has been on managers’ aim to relate positive news or, in the case of downward earnings changes, avoid share price crashes. For instance, researchers have sought to ascertain what difference managers’ optimism and certainty can make in the context of unexpected earnings changes and increased risk (Jancenelle *et al*., 2016). A particular interest has been to what extent managers’ rthetoric and tone can lower the risk of a loss in share price, be that by conveying optimism (Xi *et al*., 2021) or by incuding cues of morality (Jancenelle, 2021). By contrast, the present paper focuses on how analysts employ linguistic politeness to construct their identities when interacting with managers. Earnings calls are required to be publicly accessible in the U.S. Therefore, analysts not only negotiate their identities with managers, but also perform to a public audience in these calls: investors become the silent third parties, observing and monitoring analyst behaviour. Thus, analysts perform identities vis-à-vis managers and investors through politeness in language use.

Linguistic politeness is the use of communicative strategies to reduce conflicts and to improve harmony in social interactions and relationships (Brown & Levinson, 1987: 1; Lakoff, 1989: 102; Leech, 1983: 82; Leech, 2014: 9; Thomas, 1995: 179). In the Q&A section of earnings calls, analysts can ask questions with the goal of obtaining information they deem useful, demand clarification or confirmation on company strategies and financial numbers, or challenge managers’ interpretation of financial results. Politeness is therefore critical for analysts in these interactions: it not only helps to maintain their existing relations with managers but to actively preserve and promote socially desirable identities through social interaction. Analysts need to constantly engage in facework in order to present social identities that are consistent with the expectations of managers and investors. If they fail to do so, their respective identities might be challenged, causing a negative impact on their credibility, reputation and career. Indeed, “[r]eputational capital is a key commodity among analysts, and how each individual is perceived by others is critical to their success” (Abraham & Bamber, 2017: 18).

Drawing upon the theories of face (Goffman, 1955, 1967, 1969) and face-based linguistic politeness (Brown & Levinson, 1987), this study investigates how sell-side analysts promote professional identities through politeness in the question-and-answer section of public earnings calls (hereinafter, Q&A in earnings calls). Taking advantage of the richness of the textual data that are Q&A in earnings calls, we performed a qualitative discourse analysis on the earnings call transcripts of 46 U.S. firms that experience extreme earnings change. In section 4, we will briefly mention quantitative results before illustrating analysts’ different identity constructions with the help of excerpts from the data.

Constructing and maintaining socially desirable identities is important to both analysts themselves and to the financial market. Professional identity represents not only the profession that individuals work in, but also their beliefs and values (Slay & Smith, 2011). In order to sustain their professional standing, analysts need to present socially desirable identities to both investors and managers. Moreover, given that analysts are essential information intermediaries in the capital market and play an important role in wealth creation and distribution, the construction and maintenance of their identities is related to the stability of the financial system (Fogarty & Rogers, 2005).

Identity construction is a multiple and contradictory process (Goffman, 1963), and analysts have to sustain a number of seemingly conflicting identities under different circumstances. We focus on two main identities, namely ‘competent professionals’ and ‘dependents of firms’. Fogarty and Rogers (2005) suggest that analysts ultimately aim to foster the impression that they are independent from managers to give unbiased advice to investors, yet close enough to managers to obtain firm-specific information. Analysts’ primary responsibility is to their investor clients, who expect them to be competent professionalsproviding objective investment advice. On the other hand, as analysts need to gain information from firm management, they are dependents of firms and have incentives to behave favourably towards them (Milian & Smith, 2017).

From a social constructivist perspective, analysts’ identities as both competent professionals and dependents of firms can be seen as processes that are located in the particular interactions in which they are negotiated, not least through discourse. Individuals use discourse to structure texts, convey experiences and establish identities and relations (Halliday & Matthiessen, 2014: 30-31; van Dijk, 1997: 2), while professional groups use discourse to construct professional identities (e.g., Amernic & Craig, 2013; Clarke *et al*., 2009). In Q&A in earnings calls, analysts can establish and promote their identities through the way they formulate their questions to managers.

Drawing upon theories of surveillance in combination with Goffman’s (1967) notion of interaction ritual, Abraham and Bamber (2017) have provided initial evidence of “what happens during Q&A [in earnings calls] and why it happens that way, which includes an identification of the types of questions that analysts are likely to ask, why they ask them and, to an extent, how they will ask them” (p.16). Our study adds to the last point (i.e., how analysts ask questions) by applying linguistic discourse analysis, specifically face-based linguistic politeness theory, to how analysts use politeness in language to construct and sustain various identities in the eyes of managers and investors in the Q&A section of earnings calls.

This paper is structured as follows. Section 2 introduces the theories underlying our analysis. Section 3 explains the discourse analysis methods and the sample we work with. Section 4 presents analysis results and findings. Section 5 concludes.

**2. Theories and prior literature: face and politeness**

Although this paper focuses on linguistic politeness, it is worth noting that politeness has also been discussed in its psychological and sociological aspects. For example, Arndt and Jenney (1985) posited that self-confidence, positive and negative emotions, and their intensity constitute three ‘emotive’ dimensions of spoken interaction, supporting interlocutors’ needs for personal autonomy and appreciation. These needs were reconceptualised by Brown and Levinson (1987) as negative and positive face wants (see 2.2). From a micro-sociological perspective, Fraser and Nolen (1981) developed the conversational contract model, which sees speakers enter into an interaction characterised by mutual rights and obligations. While some of those rights and obligations are non-negotiable, especially in an institutional context (e.g., when analysts can ask questions during an earnings conference call), others can be renegotiated during the interaction (e.g., obliging a manager to answer a question rather than distract from it). In this model, adhering to rights and obligations results in politeness. Spencer-Oatey (2008) saw rights and obligations as one of three factors influencing rapport between speakers, along with interactional goals and face. In the following, we will elaborate on face-based notions of linguistic politeness.

*2.1. Face and identity constructions*

Goffman’s (1955, 1967, 1969) theory of ‘face’ is fundamental in explaining identity construction. Face is an image of the self that individuals present in social interactions according to their expectation of how others would perceive them (Goffman, 1967: 5). In social interactions, individuals constantly engage in facework, i.e., “actions taken by a person to make whatever he is doing consistent with face” (Goffman, 1967: 12). This can take the form of protecting and tending to both one’s own and others’ face in social interactions and of taking defensive and corrective action when the face of the self or the other is threatened. Protecting and, if necessary, redressing one’s own face is important for the image one projects in social interactions. However, tending to other people’s face is equally important, because such behaviour establishes an image of the self as co-operative and kind, which can be an important aspect of an individual’s identity (Culpeper, 2011: 12). Moreover, individuals expect others to respect their own face and, hence, have expectations of how others will behave (Kádár & Haugh, 2013: 14). Given that financial analysts’ behaviour is observed by both firm managers and investors in Q&A in earnings calls, they must present “a pattern of appropriate conduct, coherent, embellished, and well-articulated" (Goffman, 1969: 81) to construct a socially desirable face that is in line with their identities as both competent professionals and dependents of firms.

More specifically, analysts use particular linguistic strategies to facilitate identity constructions in Q&A in earnings calls. As a social practice, discourse is an essential part of identity performances (De Fina *et al*., 2006: 3), and Q&A in earnings calls allow us to obtain authentic and in-depth observations on analysts’ linguistic behaviour. Discourse refers to the linguistic elements of social life and social interaction, and given the multifold facets of such interaction, linguists have developed various theories to study the different aspects of discourse. One of the most essential aspects is politeness (Brown, 2001: 11,620; Culpeper, 2011: 1).

*2.2. Face-based politeness theory*

Politeness is fundamental to individuals’ language use and identity construction. It is also a critical aspect of analysts’ identity negotiations in Q&A in earnings calls, because it reflects not only their existing relations with managers and investors, but also the process of how they sustain their professional identities through social interaction. The interpersonal relationships between analysts and managers on the one hand and between analysts and investors on the other can be expected to influence analysts’ politeness behaviour.

This sub-section introduces Brown and Levinson’s (1987; hereinafter, B&L) politeness theory, along with some of the criticism it has attracted. By using B&L’s politeness model to investigate how speakers (here: analysts) strike a balance between conflicting identities, we employ a classical and influential framework to address questions raised by more recent research into politeness.

2.2.1. Definition and importance of politeness

In linguistic terms, politeness is defined as the use of communicative strategies to reduce conflict and confrontation, and to establish, sustain and enhance social harmony (Brown & Levinson, 1987: 1; Lakoff, 1989: 102; Leech, 1983: 82; Leech, 2014: 9; Thomas, 1995: 179). This definition of politeness is consistent with analysts’ aims during interactions in Q&A in earnings calls: while analysts are expected to obtain information from managers and behave in an objective manner to safeguard their identity as competent professionals, they are also expected to maintain good relations and minimise conflicts with managers, enacting their identity as dependents of firms. Politeness serves an interpersonal function in social interaction (Brown & Levinson, 1987), and in Q&A in earnings calls, analysts are expected to actively establish and sustain socially desirable identities through politeness behaviour when interacting with managers.

While numerous works model politeness on a theoretical level (e.g., Culpeper, 2011: 4; Kádár & Haugh, 2013: 13), one classical framework that continues to function as a benchmark for recent developments is Brown and Levinson’s (1987) face-based politeness theory. This theory, which has an important status in both linguistics and other social sciences (Kádár & Haugh, 2013: 15), consists of an extensive taxonomy of everyday linguistic strategies of politeness and provides explanations of individuals’ intentions when a strategy is used. The comprehensive and systematic nature of B&L’s theory makes it an appropriate framework to understand the role of politeness in analysts’ identity negotiations during Q&A in earnings calls.

2.2.2. Face and face threatening acts

B&L identify two aspects of face, namely negative and positive face. It is important to note that in their framework, the terms ‘negative’ and ‘positive’ are technical terms with no evaluative meaning. Rather, B&L (p. 62) define negative face as “the want of every competent adult member that his actions be unimpeded by others” (i.e., the desire to have freedom of action), and positive face as “the want of every member that his wants be desirable to at least some others” (i.e., the desire to be acknowledged, liked or admired).

However, face threatening acts (hereinafter, FTAs), i.e., actions that “run contrary to the face” of oneself or others (B&L: 65), are inevitable in social interaction (Jansen & Janssen, 2010). Based on the type of face that is threatened, FTAs are divided into positive and negative FTAs. In analyst-manager interaction, analysts can perform FTAs to managers’ positive face by disagreeing with them or expressing criticism.[[1]](#endnote-1) Positive FTAs make managers appear less likable, competent or reputable, while FTAs that threaten managers’ negative face include requests, probing questions and suggestions. Negative FTAs hinder managers’ freedom of action and territorial integrity by establishing expectations of a certain behaviour on their part.

Importantly, FTAs towards managers also have an indirect impact on analysts’ own face and identities. Because individuals want to maintain their own face and expect that others will co-operate to protect their face, analysts can predict that managers expect analysts to avoid FTAs and that managers will be offended if FTAs are enacted. Given such predictions, analysts have to decide whether to perform FTAs or not. If they perform FTAs, i.e., damage managers’ face, managers will likely be offended. Consequently, analysts’ own positive face – being appreciated by managers – and their identity as dependents of firms will also be damaged. As Abraham and Bamber observe, “an analyst who threatens the face of senior company officials in this public forum can themselves end up losing face” (2017: 28). However, analysts’ own negative face and their identity as competent professionals will be enhanced, because they perform FTAs to obtain information from managers. Reversely, if analysts do not perform FTAs, they will avoid offending managers and, hence, protect managers’ face. Thus, analysts’ own positive face and identity as firm dependents will also remain intact because they have not threatened managers’ face. By the same token, however, analysts will damage their own negative face and identity as competent professionals, because they have limited their own freedom of seeking information.

2.2.3. Politeness strategies

B&L (1987: 91-227) summarise various politeness strategies, each with specific linguistic features that mitigate face threats. There are more ways of being polite than captured in B&L’s model, including indirectness, compliments, humour, self-deprecation, friendliness, deference and others (Culpeper and Hardaker, 2018: 457), and ultimately, “it is speakers rather than utterances that are … polite” (Garcés-Conejos Blitvich, 2013: 3). Nevertheless, B&L’s categorisation is still useful and therefore forms the basis of this study. Using positive politeness strategies mitigates threats to managers’ positive face, indicating that analysts understand managers’ wish to be appreciated. When analysts use negative politeness strategies, on the other hand, they mitigate threats to managers’ negative face, i.e., their wish to have freedom of action.

 Both positive and negative politeness strategies (see Tables 1 and 2) require analysts to counterbalance the expected face damage of FTAs (Culpeper, 2011: 9). These strategies are used to weaken the strength of FTAs, where the strength of an FTA is associated with the degree of politeness (Kádár & Haugh, 2013: 15): the more (fewer) politeness strategies analysts use, the weaker (stronger) the FTA becomes. It is important to note that using fewer politeness strategies (i.e., being less polite) does not equal being impolite; indeed, politeness and impoliteness can be seen as two extremes with a neutral middle ground. In the context of Q&A in earnings calls, being less polite indicates that analysts put less effort into redressing the FTA, but they still intend to save managers’ face to some extent. We neither expected to nor did we find instances of actual impoliteness in our data; as a form of interaction, “[t]he Q&A [in earnings calls] is almost always nuanced, sometimes critical, but … rarely intentionally confrontational or combative” (Abraham & Bamber, 2017: 26).

 Positive politeness represents familiar and co-operative behaviour in social interaction (B&L: 129). Accordingly, positive politeness strategies serve as “social accelerators” because, by using them, analysts imply that they wish to have a friendly and close relationship with managers (B&L: 103). Positive politeness strategies are categorised into three broad groups (B&L: 101-129), namely claiming common ground, e.g. by agreeing; showing co-operation; and satisfying the hearer’s desire to be appreciated, e.g. by congratulating them on good performance. Details and examples of positive politeness strategies are provided in Table 1.

[Insert Table 1 here]

 Negative politeness represents respect behaviour (B&L: 129) and associated strategies can be classified into five broad mechanisms: being conventionally indirect;[[2]](#endnote-2) avoiding assumptions; not coercing others; making clear that the speaker has no intention to impinge on the hearer’s negative face, e.g. by apologising for performing the FTA; and attending to others’ negative face by going on record as incurring a debt (B&L: 209), e.g. ‘Can you just explain that for me please?’. Table 2 includes more detail and gives examples of these strategies.

[Insert Table 2 here]

In section 3, we introduce the data and methods we used to study analysts’ use of different politeness strategies to construct competing identities in the Q&A in earnings calls.

**3. Investigating analysts’ politeness behaviour: sample and discourse analytical methods**

*3.1. Sample*

Following prior literature, the analysis of analysts’ politeness behaviour is based on a sample of 46 U.S. firms that represent a range of industries, including advertising, energy, entertainment, finance, food, healthcare, insurance, IT, logistics, mining, pharmaceuticals and real estate. All firms in the sample show extreme earnings changes, because the effects on financial communication behaviour are expected to be more detectable when firms experience extreme performance change (see Clatworthy & Jones, 2003, 2006). Change in earnings is measured by annual percentage change in net income.[[3]](#endnote-3)

The sample selection process consisted of the following steps: first, data on current and past annual net income of U.S. firms for the last fiscal year ended on or before 31 December 2014 were obtained from Compustat. After calculating annual percentage change in earnings, firms were ranked by the value of percentage earnings change. Then, earnings call transcripts of firms that experienced extreme earnings change for the fiscal year were downloaded from either Factiva or SeekingAlpha. We focus on year-end annual earnings calls because Q&A sections in these calls are typically longer than Q1 – Q3 earnings calls, therefore providing a richer setting to observe analysts’ linguistic behaviour. For the increasing (decreasing) earnings sub-sample, starting from the firm with the largest earnings increase (decrease), 25 transcripts each were downloaded, which is a manageable sample size for qualitative discourse analysis.[[4]](#endnote-4) Within each sub-sample, there are two transcripts of earning calls that contain no Q&A section. Therefore, the final sample consists of 23 call transcripts of firms with the most extreme earnings increase and 23 of firms with the most extreme earnings decrease.

*3.2. Discourse analytical methods*

We investigated earnings calls’ textual data with the help of linguistic discourse analysis. Discourse analysis investigates the relationships between the form and function of communication by studying the content and linguistic features of language in use (Gee, 2011: 8; Renkema, 2004: 1) and helps explain why language is used in specific ways in a particular context (Lazaraton, 2002). In this study, we analysed how analysts structure FTAs and use politeness strategies under various circumstances to present socially desirable identities.

To gain an overview of how analysts enact FTAs in the whole sample, we first read all 46 transcripts. This helped us to establish the context of analysts’ turns, which is important in analysing politeness in situated interactions (Kádár and Haugh, 2013: 109). Second, all analyst-manager interactions in the Q&A section of the earnings calls were examined to determine whether the analysts’ language use constitutes FTAs to managers. An analyst was seen as performing an FTA if an utterance, or a series of utterances, could be considered by managers, analysts or both to compromise the positive and/or negative face wants of managers. Table 3 summarises the circumstances under which utterances by analysts are coded as a positive and/or negative FTA.

[Insert Table 3 here]

Based on this classification, we then examined each FTA to identify positive and negative politeness strategies, following B&L’s framework. For each politeness strategy identified, we manually recorded its type (i.e., positive or negative), linguistic marker (i.e., the word, phrase or sentence that is used to implement it), and the number of markers. This made it possible to compare the proportion of FTAs as well as the number of different politeness strategy markers in the increasing and decreasing earnings sub-samples. Intra-coder reliability was measured using percentage agreement, which is the percentage of all coding decisions on which the coder agrees on two coding occasions (Lombard *et al*., 2002). All transcripts were coded again after a lapse of three months with a resultant level of agreement of 86.98% and 87.45%, respectively,for the increasing earnings and decreasing earnings sub-samples.[[5]](#endnote-5)

Qualitatively speaking, our investigation relies on a turn-by-turn analysis[[6]](#endnote-6) of the cumulative linguistic realisations of analysts’ politeness strategies. The analysis follows three steps. First, each transcript is read to investigate analysts’ politeness behaviour in detail. The main foci are the structure of the FTAs that arise when analysts ask probing questions in Q&A in earnings calls, and what specific politeness strategies, if any, are used by analysts to mitigate those FTAs. Following the investigation into individual transcripts, typical examples of politeness are recognised for the increasing and decreasing earnings sub-samples. The analysis then identifies the extent to which there is a need for analysts to promote one specific identity or balance their two identities and shows how analysts achieve those aims through politeness in language. Finally, the analysis compares analysts’ politeness behaviour and identity construction in the increasing earnings sub-sample with the decreasing earnings sub-sample.

**4. Results and discussion**

*4.1. Discourse analysis*

As discussed above, the more politeness strategies analysts use to mitigate an FTA, the weaker that FTA becomes. To provide more insights into this, we analyse and compare FTAs that concern the same topic from calls of firms with increasing vs decreasing earnings. As indicated in Table 4, analysts perform significantly more FTAs during calls with firms with decreasing earnings than those with increasing earnings, at least in our sample.

[Insert Table 4 here]

Results in Table 4 are consistent with theory and evidence from prior research (e.g., Merkl-Davies and Brennan, 2007; Osma and Guillamón-Saorín, 2011). The primary goal of earnings conference calls is to discuss firm performance. Managers’ positive face is more easily threatened when performance is poor, because analysts’ questions about such performance, or challenges to managers’ interpretations of it, will make managers appear to be less qualified. Additionally, as managers may be reluctant to disclose information when firm performance is poor, analysts’ identity as competent professionals is at stake, because their aim for participating in earnings conference calls is to seek information on behalf of their clients. However, qualitative analysis of the data shows a somewhat more complex picture.

4.1.1 Constructing an identity as a dependent of the firm

Excerpts 1 and 2 show how analysts enact negative FTAs to managers of increasing earnings and decreasing earnings firms, respectively. Both FTAs involve analysts seeking information on earnings and revenues.

Earnings Call Excerpt 1. Increasing earnings sub-sample

|  |  |  |
| --- | --- | --- |
| 1 | Analyst 1: | And just the one housekeeping thing. I don’t know, Tom,  |
| 2 |  | whether you have any color on just your pro forma figures for  |
| 3 |  | 2014 on revenue and EBITDA, and free cash flow, just as  |
| 4 |  | we’re tuning up our models for going forward? |
| 5 | Manager 1: | I don’t have anything at my fingertips to do that, but I can try  |
| 6 |  | and give you some help. I think – what I have done, obviously,  |
| 7 |  | is give you Q4 same-station growth, and so you can back into  |
| 8 |  | what those numbers were in previous years. But I can try and |
| 9 |  | give you some guidance on that, I just don’t have the numbers  |
| 10 |  | here. |
| 11 | Analyst 1: | Great. Okay. Thank you. |

(Nexstar Broadcasting Group, Q4 2014 Earnings Call, 26 February 2015)

 In Excerpt 1, an analyst performs a negative FTA to managers of an increasing earnings firm by asking for earnings, revenue and free cash flow information with various, mostly negative politeness strategies. He repeatedly minimises the imposition on managers through the use of ‘just’ (lines 1, 2 and 3; being negatively polite) and shows his reluctance by saying “I don’t know, Tom” (line 1; being negatively polite). He then moves on to threatening the manager’s negative face in “whether you have any color on just your pro forma figures for 2014 on revenue and EBITDA, and free cash flow” (lines 2-3). Although that utterance has the form of a declarative, it functions as a question (as also indicated by the question mark in the transcript), making it another negative politeness strategy. The analyst then explains that he asks the question for his forecasting models (lines 3-4; being positively polite). The manager answers the question by stating that he does not have the numbers (lines 5-10) and while this threatens his own positive face, he uses positive politeness towards the analyst by repeating his willingness to help. The analyst finishes the interaction by thanking the manager (line 11; being positively polite). In this example, the FTA is both mitigated and followed by a corrective process of acceptance and thanks (Goffman, 1967: 22). The analyst here performs an identity as dependent of a firm with increasing earnings by minimising the FTA he performs.

Earnings Call Excerpt 2. Decreasing earnings sub-sample

|  |  |  |
| --- | --- | --- |
| 1 | Analyst 2: | Finally, the 18% to 22% exiting EBITDA margin target, at  |
| 2 |  | a high-level what are the revenue expectations on an absolute  |
| 3 |  | level that’s consistent with that, so we get a sense of –? |
| 4 | Manager 2: | Glenn, as we said in the remarks, these bookings will be in  |
| 5 |  | the high single digits. There is the lead in the – the lag in the  |
| 6 |  | lead with the revenue in bookings; so at a constant-currency  |
| 7 |  | basis, the revenue growth would be lower single digits from |
| 8 |  | a revenue standpoint. |
| 9 | Analyst 2: | Great. Thanks a lot, guys. |

 (Monster Worldwide, Q4 2014 Earnings Call, 10 February 2015)

 In Excerpt 2, the analyst performs a negative FTA towards managers of a decreasing earnings firm by seeking information on earnings and revenue targets. He enacts the FTA by directly asking a question about revenue expectations (lines 1-3). He attempts to provide reasons for the FTA by saying “so we get a sense of” (line 3; being positively polite), after which he gets interrupted by a manager. While the interruption itself could be seen as a threat to the analyst’s negative face, the manager nevertheless starts his answer with a positive politeness marker, i.e., directly addressing the analyst (line 4). It should be noted that the manager’s response does not provide the information that the analyst seeks, but the analyst ends the interaction by thanking the managers anyway (line 9; being positively polite). Although in this context, the final token of gratitude may be formulaic rather than indicating any corrective action, the identity here constructed by the analyst is still more that of a dependent of the firm rather than a competent professional. By comparing Excerpts 1 and 2, it can be seen that the latter features fewer politeness strategies, making FTAs stronger during the call with decreasing earnings firms. This is an observable difference for increasing and decreasing earnings firms in our sample overall and also consistent with evidence from empirical research that analysts compliment managers more when firm reports good performance (Milian & Smith, 2017).

 Another noticeable pattern of analysts’ politeness strategies with increasing earnings firms is that they ask questions in stages to justify and gradually enact FTAs. By contrast, during calls with decreasing earnings firms, many analysts appear to adopt a more direct questioning style, instead of paving the way for FTAs. Excerpts 3 and 4 show analysts performing negative FTAs during calls with increasing earnings and decreasing earnings oil and gas firms, respectively. Both FTAs regard cost control.

Earnings Call Excerpt 3. Increasing earnings sub-sample

|  |  |  |
| --- | --- | --- |
| 1 | Analyst 3: | Hopefully my second answer is a little quicker. Obviously,  |
| 2 |  | there’s a lot of debate over how quickly and what scale of  |
| 3 |  | cost reduction the industry can expect in this lowered oil price  |
| 4 |  | environment. If you could give us Devon’s perspective, please, |
| 5 |  | in terms of what have you assumed in your capital budget by  |
| 6 |  | way of cost reduction and ultimately what do you think it can  |
| 7 |  | get to by year end as opposed to the average for the year? |
| 8 |  | I’ll leave it there. Thank you. |

(Devon Energy, Q4 2014 Earnings Call, 18 February 2015)

 In Excerpt 3, the analyst performs a negative FTA to managers of an increasing earnings oil and gas firm by seeking information on cost reduction. The analyst starts by presumably trying to minimise the imposition on managers (“Hopefully my second answer is a little quicker”, line 1; being negatively polite).[[7]](#endnote-7) He then attempts to give reasons for his questions by linking them to an impersonal ‘debate’ (“Obviously, there’s a lot of debate”, lines 1-2; being positively and negatively polite), before gradually getting to the questions (lines 4-7). These are introduced in a conditional clause with a modal verb and the marker ‘please’ (“If you could give us Devon’s perspective, please”), so one can see the analyst using a whole cluster of negative politeness strategies. Next, to avoid putting too much pressure on managers, he minimises the imposition by saying “I’ll leave it there” (line 8; being negatively polite), and ends his turn by saying “Thank you” (line 8; being positively polite).

 There is a tension between the analyst’s need to perform the FTA and undertake his work as a competent professional on the one hand, and the need to protect his identity as a dependent of the firm on the other. Consequently, he performs the FTA in stages with various politeness strategies so that it becomes less strong. Additionally, he justifies the FTA by stating that there is a debate surrounding this issue. By doing so, he can distance himself from the FTA and preserve his identity as a dependent of the firm. Nevertheless, the analyst eventually still performs the FTA to maintain his identity as a competent professional.

In this sub-section, we have moved from a relatively clear case of identity construction as a dependent of the firm to a slightly more ambiguous case and finally to a mixed identity construction. The following sub-section will look at how analysts use language to construct themselves as competent professionals.

4.1.2 Constructing an identity as a competent professional

Excerpt 4 shows how an analyst performs a negative FTA to managers of a decreasing earnings oil and gas firm by asking about cost savings.

Earnings Call Excerpt 4. Decreasing earnings sub-sample

|  |  |  |
| --- | --- | --- |
| 1 | Analyst 4: | The last one for me: In terms of achieving those cost savings, |
| 2 |  | particularly on the G&A side, do you think there will be any |
| 3 |  | upfront costs associated with that, or are you just going to  |
| 4 |  | be able to start to recognize the decreases over the next couple  |
| 5 |  | of quarters, and will you be (multiple speakers) –? |

(Swift Energy, Q4 2014 Earnings Call, 26 February 2015)

 The analyst here begins by indicating that this will be his final question (“The last one for me”, line 1), which could be interpreted as assuring other analysts that he will soon yield the floor. He then directly identifies the topic of the FTA (lines 1-2), before stating his questions (lines 2-5). The FTA is mitigated only by asking about managers’ thoughts rather than actual forecasts (“do you think there will be any upfront costs”, lines 2-3; being negatively polite), giving them more leeway to refute the answer later, should it turn out to be incorrect.

 The questioning style of Analyst 4 is more confrontational than that of Analyst 3 (see 4.1.1). Analyst 4 does not provide justification for the FTA but identifies the topic directly. Moreover, he uses fewer politeness strategies than Analyst 3. By comparing the politeness behaviour of Analysts 3 and 4, we can again see a tension between analysts’ need to sustain their different identities. A distinguishable pattern from the data is that during calls with increasing earnings firms, analysts appear to make great efforts to weaken FTAs and, hence, enhance their identity as dependents of firms. During calls with decreasing earnings firms, however, it is mostly analysts’ identity as competent professionals that is at risk, because managers may be reluctant to discuss poor performance and future prospects. Thus, analysts adopt a more confrontational and less polite questioning style to pressure managers into talking, so that analysts can present themselves as competent professionals towards their investor clients.

 Nevertheless, some analysts also perform FTAs in stages and provide justification for FTAs during calls with decreasing earnings firms. Under such circumstances, they adopt other strategies to maintain their identity as competent professionals. As shown in Excerpt 5 below, one strategy is to directly construct a public image as a competent professional.

Earnings Call Excerpt 5. Decreasing earnings sub-sample

|  |  |  |
| --- | --- | --- |
| 1 | Analyst 5: | Good morning. I would like to follow up on Jana’s question.  |
| 2 |  | I understand the difficulty of the situation, and your need for  |
| 3 |  | limited comments, but nonetheless I think investors are certainly |
| 4 |  | very focused on how a search for replacing senior executives,  |
| 5 |  | particularly now in light of the fact your COO has resigned, they  |
| 6 |  | really would desire some more color as you’re conducting both  |
| 7 |  | a search for Board members, a search for executives presumably,  |
| 8 |  | as well as undertaking this assessment of strategic alternatives.  |
| 9 |  | How is the Board thinking about recruiting some high quality |
| 10 |  | talent, while there’s a strategic alternatives analysis underway?  |
| 11 |  | And related to that is your acting COO on the call today? |

(Campus Crest Communities, Q4 2014 Earnings Call, 26 February 2015)

 In Excerpt 5, the analyst threatens both managers’ positive face, by mentioning the difficult situation the firm is in, and their negative face, by demanding information managers are unwilling to disclose, at least in the presentation that precedes the Q&A in this earnings call (see Abraham & Bamber, 2017: 20). The analyst performs the FTA in stages. She starts by saying “Good morning” (line 1; being positively polite), and then asserts her understanding of the situation and managers’ needs (lines 2-3; being positively polite). The description of the firm’s chaotic situation is probably intended to justify the FTA, but nevertheless also constitutes a threat to managers’ positive face. The analyst further justifies the FTA by ascribing it to her clients (“investors are certainly very focused on how a search for replacing senior executives … they really would desire some more color”, lines 3-6). However, she also reinforces the (ascribed) FTA through intensifiers: “investors are certainly very focused”, “they really would desire some more color”. Finally, she targets managers’ negative face by asking questions directly, although the first of them is about managers’ thoughts (“How is the board thinking about recruiting high-quality talent, while there’s a strategic alternatives analysis underway?”, lines 9-10; being negatively polite). Analyst 5 thus starts with a show of “deference and demeanour … and at the same time fulfil[s] [her] key objective of being seen to be asking good questions” (Abraham & Bamber, 2017: 23). While she enacts the FTA in stages and justifies it, her questioning style still appears to be confrontational, because she does not use many politeness strategies and, importantly, she explicitly establishes a public image for herself as acting on behalf of investors. As a result, she reinforces her identity as a competent professional and distances herself from the firm. Taken together, Excerpt 5 shows that where managers avoid disclosure of information, analysts sustain the identity as competent professionals by continuing to probe managers for answers. This is also illustrated in Excerpt 6.

Earnings Call Excerpt 6. Decreasing earnings sub-sample

|  |  |  |
| --- | --- | --- |
| 1 | Analyst 6: | What was the I guess surrounding Angel’s resignation, who is |
| 2 |  | running operations today? When did that happen? How do you |
| 3 |  | go forward? |
| 4 | Manager 6:  | So Angel chose to resign to pursue opportunities in the  |
| 5 |  | Southwest near his family. We have been, that was an amicable  |
| 6 |  | and friendly resolution. And I can assure you I’ve been working  |
| 7 |  | day to day with our leasing and operations and facilities teams to |
| 8 |  | deliver leasing results, and respond to tenant inquiries and tenant |
| 9 |  | needs, and we’ve been doing that for a good while here. And I  |
| 10 |  | think it’s evident in the results. |
| 11 | Analyst 6: | When did that occur? |
| 12 | Manager 6:  | When did it occur? I don’t know, I’ve been actively involved  |
| 13 |  | with things since the seven months I’ve been here, and [sic]  |
| 14 |  | team obviously has years of experience. |
| 15 | Analyst 6: | When did Angel–? |
| 16 | Manager 6:  | As stated in the 8-K Angel formally gave his formal resignation  |
| 17 |  | on the 20th, and it is effective now. |

(Campus Crest Communities, Q4 2014 Earnings Call, 26 February 2015)

 In Excerpt 6, the analyst enacts an FTA towards managers’ negative face by seeking information that the managers are reluctant to provide, as well as towards their positive face, by mentioning the resignation of an executive. The analyst first identifies the topic of the FTA with a hesitancy marker (“What was the I guess surrounding Angel’s resignation”, line 1; being negatively polite), but then directly targets managers’ negative face by asking three unmitigated questions in a row “who is running operations today? When did that happen? How do you go forward?” (lines 1-3). The manager’s response, while including a positive politeness strategy (“I can assure you”, line 6), does not provide the information that the analyst seeks. The analyst keeps putting pressure on managers by asking another unmitigated question (“When did that occur?”, line 11). As the manager again fails to provide a satisfactory answer, the analyst attempts to rephrase the question by asking “When did Angel–?” (line 15), before he is interrupted by the manager, who provides information from the firm’s current report.

 The analyst-manager interaction in Excerpt 6 includes a number of turns during which the manager tries to avoid disclosing the requested information. The analyst prioritises his identity as a competent professional: although the manager seems uncomfortable, the analyst keeps threatening the manager’s face to obtain information and fulfil his responsibilities to investor clients.

So far, we have illustrated how analysts use fewer politeness strategies in Q&A in earnings calls with firm that show decreased earnings, making their questioning style more straightforward. However, our data also include one example of an analyst engaging in unmitigated threats to managers’ positive face in an increased earnings Q&A. At first sight, this seems to counter our expectation that analysts would employ more politeness strategies with profitable firms in order to perform their identity as dependents of the firm towards management. We would therefore not expect analysts to engage in unmitigated FTAs towards managers of profitable firms. Still, we do find the following:

Earnings Call Excerpt 7. Increasing earnings sub-sample

|  |  |  |
| --- | --- | --- |
| 1 | Analyst 7: | If I add back the 7 million to 10 million for the revenue  |
| 2 |  | adjustment, you guys are maybe only a couple of million below  |
| 3 |  | what we’re looking for Q1. The only thing I would ask is given |
| 4 |   | the fact that we’ve heard from other people in industry that the  |
| 5 |  | Chrome headwinds have largely passed, starting to see a little bit |
| 6 |  | of even CPM or CPC, everyone call it, tailwinds from some of  |
| 7 |  | the policy changes. Your Q4 was down significantly  |
| 8 |  | sequentially from Q3. But if it’s fairly significant step down in  |
| 9 |  | Q1, could just talk about some of the factors impacting that step  |
| 10 |  | down in search, if you’re churning any of your partners? Or  |
| 11 |  | what might be causing that increased step down, Josef? |

(Perion Networks, Q4 2014 Earnings Call, 25 February 2015)

In Excerpt 7, the FTA starts on lines 1-2, with a hypothetical scenario in which the company does not fare well in the quarter to come. The threat to positive face is mitigated here, with the minimiser ‘only’, In line 8, however, the analyst sketches an alternative hypothetical scenario in which the firm could see “a fairly significant step down”. While there is still mitigation (‘fairly’), this scenario is clearly less positive, and the analyst is asking managers for the reasons in case such a development should come to pass in the first quarter. His sequence of questions in lines 9-11 features a negative politeness strategy in using a question in lieu of a request, along with a minimiser (“could [you] just talk”), but also threatens a particular manager’s negative face by directly addressing him by name. While using a manager’s name could be interpreted as “a recognition of a pre-existing affiliation” (Abraham & Bamber, 2017: 26; see also Excerpt 2), its main function in Excerpt 7 rather seems to be to single out an individual and pressure him into answering the analyst’s question. The negative hypothetical scenarios for Q1 are justified with another threat to positive face, this one both unmitigated and factual: “Your Q4 was down significantly sequentially from Q3” (lines 7-8).

Excerpt 7 demonstrates that even when a firm shows great increased earnings overall, analysts can still be quick to lessen or even abandon politeness strategies when parts of the performance are unsatisfactory or there is reason to believe that future financial performance may be found wanting. Clearly, analysts are aware of their task to spot signs of possible trouble early on to make predictions as competent professionals.

*4.2. Discussion*

The discourse analysis performed for this study provides insights into analysts’ politeness behaviour and identity negotiations in Q&A in earnings calls. While both professional identities (i.e., competent professionals and dependents of the firm) drive analysts’ politeness behaviour, their respective importance varies according to the firm’s performance and consequent manager and analyst incentives. During Q&A in earnings calls with increasing earnings firms, analysts mostly perform FTAs in stages with frequent use of politeness strategies to justify FTAs and weaken the strength of face threats to managers. By contrast, during Q&A in earnings calls with firms that report decreasing earnings and firms that may experience problematic future financial performance, analysts prioritise their identity as competent professionals. They perform FTAs to managers of such firms in a more confrontational manner with fewer politeness strategies.

Nevertheless, the fact that analysts prioritise their identity as competent professionals when firm performance is poor, or even when there is reason to believe that it may be in future, does not mean that their identity as dependents of firms has no impact on their language use. During calls with firms with increasing earnings, the identity as a competent professional is unlikely to be at risk because managers are expected to be relatively co-operative. Thus, analysts make greater efforts to lessen the strength of FTAs and save managers’ face, and to promote their identity as dependents of firms. These findings provide further detailed evidence consistent with Fogarty and Roger’s (2005) statement that analysts aim to display a public image that they are independent from managers, but still close enough to gain information unavailable from other sources.

 Taken together, our findings on analysts’ politeness behaviour and identity negotiations in Q&A in earnings calls show that analysts use various politeness strategies to construct socially desirable identities for themselves. More specifically, analysts enact politeness through language to construct different identities according to specific social circumstances. Analysts’ use of politeness strategies varies with firm performance and managers’ incentives to withhold information. Analysts make great efforts to redress FTAs to managers during Q&A in earnings calls with increasing earnings firms, while performing FTAs more directly during Q&A in earnings calls with decreasing earnings firms. Moreover, when necessary, analysts are willing to risk their identity as dependents of firms in order to prioritise their identity as competent professionals and portray themselves as neutral and impartial. Although they thereby threaten not only managers’ negative face, but also their own positive face, maintaining their own face seems to be less important than performing an identity as competent professional.

**5. Conclusion**

Drawing upon Goffman’s theory on face and Brown & Levinson’s face-based politeness theory, we studied analysts’ politeness behaviour in the Q&A sections of earnings calls to demonstrate how analysts construct competing identities in financial discourse and maintain relationships in a daily-task environment. We performed a quantitative and qualitative discourse analysis on earnings call transcripts of 46 U.S. firms that represent different industries and experience extreme earnings change. Our analysis shows that analysts adopt various politeness strategies when they ask questions to firm managers in Q&A in earnings calls to construct and promote socially desirable identities according to the specific circumstances of the earnings call.

This study contributes to corporate communication research in two ways. First, this study contributes to the literature on financial discourse by emphasising the importance of linguistic politeness. While linguistics research shows that politeness is fundamental in social interactions and relationship construction, evidence on politeness in financial discourse is largely missing from the existing literature. Politeness is a fundamental element in financial discourse because it can be used to construct, sustain and promote relationships among firms, analysts and investor clients. If we understand corporate communication as “a management function … with the overall purpose of establishing and maintaining favourable reputations with stakeholder groups” (Cornelissen, 2020: 5), then Q&A in earnings calls are an important site for reputation management. The interaction between senior executives and analysts provides both with an opportunity to project a positive image to investors: while managers seek to maintain a good reputation for the company towards a central stakeholder group, analysts aim to balance their different professional identities towards their clients. Speaking to the value of politeness, this paper is the first to provide evidence on its role in financial discourse and investor communications, by analysing how analysts use politeness strategies in earnings calls to sustain professional identities in front of managers and investors. Given the importance of Q&A in earnings calls for integrated corporate communications, it is hoped that in practical terms, the present study will raise awareness about linguistic politeness for analysts and managers alike. Such awareness is a condition for using politeness consciously and strategically in interactions and for recognising such use by others.

Second, this paper furthers our understanding of analysts’ incentives and behaviour by examining how they use linguistic politeness to establish and promote socially desirable identities in a daily work environment. Given the essential role that analysts play in financial markets, it is important to understand how they construct professional identities because they have significant influence over the allocation and distribution of wealth within society and their identity is closely related to the stability of the financial system.

As the first to explore how analysts use politeness to construct identities in naturally occurring social interaction, this study provides a glimpse into politeness and identity construction in financial discourse. Given the fundamental role of politeness in social interaction, we identify several future research avenues. For example, it would be worth studying the implications of analysts’ politeness behaviour in analyst-manager interaction. In addition, future research could go beyond the individual face of managers and analysts to focus on the collective face of the organisations they work for. Research into financial discourse could also be advanced by examining the politeness behaviour of various participants in corporate communication. This will enhance our overall understanding of how financial market participants use discourse to construct identities, legitimacy and, ultimately, reality.

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1. **Notes**

 Analyst-manager interactions are used as examples to explain face-based politeness theory. In the context of this study, analysts are always the speakers in the interaction and the ones who perform FTAs, while managers have the hearer role. In actual Q&A in earnings calls, the roles of course switch back and forth between managers and analysts. [↑](#endnote-ref-1)
2. This strategy draws on the notion of direct and indirect speech acts (Searle, 1969): for the former, the form and function of an utterance converge; for example, an interrogative is used to ask a question (e.g., ‘When did XY hand in her notice?’). In indirect speech acts, however, form and function diverge; for example, an interrogative is used to make a request (e.g., ‘Can you give some colour on upfront costs?’). Indirect speech acts are an important linguistic resource for enacting negative politeness strategies. [↑](#endnote-ref-2)
3. Careful examination of the data is performed to ensure that the performance changes in the sample are not trivial (e.g., net income increases from $1 to $1,000). [↑](#endnote-ref-3)
4. Some firms did not hold an earnings call, so no transcript could be obtained. [↑](#endnote-ref-4)
5. Research suggests that an agreement level of 80% is acceptable (Lombard *et al*., 2002; Neuendorf, 2002: 145). [↑](#endnote-ref-5)
6. Defined as participants’ contributions to a conversation, turns are a constitutive feature of spoken interaction. Conversation commonly involves people taking turns and speaking one at a time (Sidnell, 2010). [↑](#endnote-ref-6)
7. It is assumed that the analyst meant to say “hopefully, my second *question* will be a little quicker”. Otherwise, the utterance would be an unmitigated attack on manager’s positive face. [↑](#endnote-ref-7)