Once Upon a Quarterly Report

A Qualitative Case Study of Market Actors' Interpretations of New Accounting Information

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Abstract

This qualitative case study investigates how stakeholders in the capital market make sense of new accounting information in connection with a quarterly reporting event. Interim reporting constitutes an important information process in financial markets and involves not only the publication of financial statements, but also surrounding communicative events such as earnings conference calls, analyst reports, business media coverage, and private interactions between market participants. Prior research on interim reporting and financial communication has largely focused on disclosure outcomes, value relevance, and the informational utility of accounting reports, often relying on interview-based approaches centered on general practices. In contrast, this study approaches interim reporting as a broader interpretive process in which accounting information is continuously communicated, interpreted, and negotiated across multiple market actors. Drawing on sensemaking theory, the study adopts a multi-perspective qualitative case study of a specific quarterly reporting event, combining documentary material with interviews conducted with investors, sell-side analysts, and an investor relations representative. The findings suggest that interpretive outcomes of financial communication are strongly shaped by actors' prior retained understandings, thereby limiting firms' ability to influence how disclosures are interpreted. The study further shows that private interactions matter not primarily because they provide new information, but because they shape how existing information is interpreted and understood.

Keywords:

Interim reporting, quarterly reporting, accounting information, financial communication, sensemaking

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1. Introduction

1.1. Background and Problematization

In recent years, a growing debate has emerged regarding a potential reduction in the number of required interim reports, referring to reports covering periods shorter than a full financial year. Regulatory shifts in the EU, public statements by political leaders such as U.S. President Donald Trump, and surveys among Swedish market participants have all raised the possibility of a future with two instead of four interim reports (Cherian et al., 2025; Hugo, 2013). Although many countries and stock exchanges have chosen to retain quarterly reporting requirements, this debate highlights an important underlying question: what role these reports actually play for users of accounting information.

Academic research has historically concentrated on the value relevance of interim reports or the broader utility of accounting information through interview-based approaches focused on more general practices and experiences. However, interim reporting constitutes a broader process in which accounting information is communicated, interpreted, and responded to by multiple market actors over time. Consequently, there is a need for research approaches capable of capturing how such reporting events unfold in practice. This study addresses this gap through a multi-perspective qualitative case study of a specific quarterly reporting event. An interim reporting event constitutes more than the publication of a formal financial report; it typically also encompasses a range of related activities, such as earnings conference calls, private meetings with investors and analysts as well as news coverage (Corporate Finance Institute, n.d.; Meirkulov et al., 2024). Interim reporting should therefore be understood as a broader communication process in which multiple actors interpret, disseminate, and respond to accounting information. Against this background, the interim reporting event is of particular interest to study for three main reasons.

Firstly, the International Financial Reporting Standard (IASB, 2001) states that the intention and purpose of interim reports is to "*provide an update on the latest complete set of annual financial statements. [...] it focuses on new activities, events, and circumstances and does not duplicate information previously reported.*" (paragraph 6). Accordingly, the capital market receives new information following the release of interim reports. Bamber et al. (2011) and Choi (2019) demonstrate that traded share volume increases around earnings announcements, suggesting that these announcements contain information relevant to investors. Overall, due to their newsworthiness, interim reports can be considered salient market events, as their release generally leads to observable market effects. Despite their significance for financial markets, there remains limited understanding of how different market actors interpret and respond to new accounting information throughout the broader reporting event.

Secondly, financial reports and the events surrounding them serve as important arenas through which companies construct and convey narratives. Åhblom (2017) synthesizes this perspective by suggesting that financial communication consists of several activities, including earnings

conference calls, the report itself, and other preparatory practices such as gathering market consensus. Woods (2025) further shows that reporting companies devote considerable time and resources to these communication processes. Hence, it is argued that interim reporting is not a neutral disclosure process, but also a strategically important communication activity aimed at shaping how accounting information is understood and interpreted by market actors. Despite the considerable resources devoted to such communicative efforts, the understanding of how these activities are received and interpreted across different market actors remains limited.

Thirdly, interim reporting extends beyond the publication of the financial report itself and also encompasses various interactional and communicative arenas surrounding the reporting event. Prior research shows that both disclosed accounting information and related communication activities, such as earnings conference calls and private meetings, are considered important by capital market participants (Barker et al., 2012; Graaf, 2023; Spence et al., 2019). This suggests that interim reporting not only provides new information but also constitutes a broader social and interpretive setting in which market actors evaluate, discuss, and contextualize accounting information. However, despite the recognized importance of such interactional arenas, there remains limited understanding of how they contribute to actors' interpretation and use of new accounting information in practice.

Taken together, these three perspectives, the capital market, accounting preparers, and accounting users, combined with the potential future easing of reporting requirements, position interim reporting as an important communication and interpretation process to study. This study therefore seeks to understand how different stakeholders interact with and use new accounting information throughout a quarterly reporting event through an innovative methodological approach. Thus, the research question is formulated as follows:

How do different stakeholders in the capital market make sense of new accounting information?

To address the research question, this study employs a multi-perspective qualitative case study design centered on a specific quarterly reporting event. The quarterly report and other materials released by the reporting company serve as the empirical foundation for the investigation. A qualitative content analysis is conducted on publications associated with the reporting event, including financial news media, such as articles and interviews, and sell-side equity research reports. In addition, semi-structured interviews are conducted with key capital market participants to gain an in-depth understanding of how stakeholders interpret accounting information. These participants include investors, company investor relations representatives, and sell-side equity analysts. Taken together, the different sources of empirical material allow for triangulation across stakeholder perspectives and forms of communication. Finally, the research adopts the theoretical lens of sensemaking (Weick, 1995; Weick et al., 2005) to analyze the gathered data.

Using this methodological approach, the study makes two main contributions by suggesting that: i) interpretive outcomes of financial communication are constrained by accounting users' prior retained understandings and ii) private meetings matter not because they reveal new information, but because they shape how existing information is understood.

1.2. Conceptual Definitions and Delimitations

In this study, *accounting information* is defined broadly in order to capture the wider set of disclosures through which firms communicate financial and operational performance to capital market participants. Rather than limiting the concept to formal financial statements or isolated financial metrics, accounting information is understood to include both quantitative and qualitative elements of corporate reporting. This includes numerical financial data as well as accompanying narrative disclosures, such as CEO statements, management commentary, earnings conference calls, and related analyst communication. At the same time, the quarterly report itself constitutes the primary source of new accounting information and therefore serves as the central unit of analysis in the study. Supplementary communication channels, such as earnings calls and analyst commentary, are primarily treated as interpretive extensions of the formal disclosure process rather than independent sources of new accounting information, unless they introduce materially new information not previously communicated in the report itself. Consequently, the study focuses specifically on how capital market participants interpret and respond to the new accounting information in connection with quarterly reporting events.

The terms *interim report* and *quarterly report* are used interchangeably throughout the study. Under IFRS, IAS 34 governs the content of interim financial reporting and allows for condensed interim financial statements, meaning that first- and third-quarter reports may contain less extensive disclosures than semi-annual reports (IASB, 2001). However, in practice, most companies listed on the Stockholm Stock Exchange (OMX) publish comprehensive quarterly reports also for Q1 and Q3 periods. Consequently, the distinction between interim reports, quarterly reports and earnings announcements is not considered analytically significant within the context of this study.

Further delimitations and methodological considerations are discussed throughout the methodology chapter, as well as in the limitations and future research sections.

2. Literature Review

2.1. Previous Literature

2.1.1. Structure of the Previous Literature Section

This literature review is structured around the flow of accounting information in capital markets, drawing on the conceptualization of the "market for information" developed by Barker (1998). In line with this perspective, accounting information is understood as moving through a sequence of stages, from its creation and disclosure by firms to its interpretation and use by market participants. This structure represents an adaptation of Barker's (1998) model, organized to reflect how accounting information is presented by firms and subsequently processed and used by market participants (see *Figure 1*). Accordingly, the review is organized into two main parts: the presentation and communication of accounting information, which examines how firms determine what information to disclose and how it is framed and communicated, and the use of new accounting information, which considers how such information is processed within the market and incorporated into the decision-making of analysts and investors.

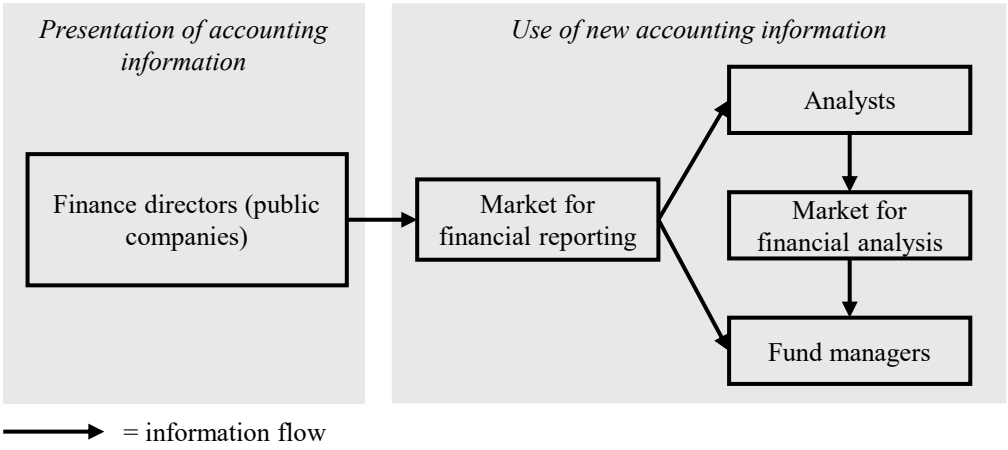


Figure 1. The flow of accounting information in capital markets, adapted from Barker (1998). The figure illustrates how accounting information is presented by firms and subsequently processed and used by market participants.

2.1.2. Presentation of Accounting Information

2.1.2.1. From Full Disclosure to Strategic Financial Communication: Why and When Firms Choose (Not) to Disclose

Classical disclosure theories, like the ones explained by Grossman (1981) and Milgrom (1981), establish the theoretical benchmark that voluntary corporate disclosure should converge to full revelation. They assumed disclosure to be costless and deemed capital-market participants to be fully rational. Hence, any attempt to withhold information induces the market to infer the

worst possible value of the undisclosed item, leading rational managers to disclose everything to avoid these negative inferences. These classical models created an important conceptual baseline, however, to a large extent, they describe an idealized environment rather than real corporate communication practice.

The assumption that disclosure is costless was challenged by Verrecchia (1983), who introduced the notion "proprietary disclosure costs". He explains that disclosing information can impose real economic costs on the firm (for example competitive or bargaining costs), which creates a trade-off between revealing and withholding information. Once disclosure becomes costly, full revelation no longer follows. Instead, managers optimally disclose only information above a threshold where market-valuation benefits outweigh proprietary costs. This theory predicts selective disclosure, where favorable news is communicated, while marginal, ambiguous, or strategically sensitive information may be withheld.

Moving from the more formal models to empirical corporate practice, Gibbins et al. (1990) demonstrates that disclosure is rarely a mechanical decision. Instead, firms engage in "disclosure management", a set of internally organized routines, policies, and judgements through which managers determine what to disclose, when, in what form, and through which channels. Their interviews with CFOs and controllers reveal two characteristics orientations:

- Ritualistic disclosure: following established templates, mandatory requirements, and standard phraseology, and;
- Opportunistic disclosure: more strategic communication aimed at shaping interpretations, emphasizing certain elements, or downplaying others.

This work brings forward a crucial insight: disclosure is shaped not only by economic incentives but also by organizational routines, communication strategies, and managerial intent.

The literature has also shown that firms may be incentivized to disclose unfavorable information earlier than predicted by proprietary-cost model. For instance, Skinner (1994) documents that litigation risk and capital-market discipline create pressures for early "bad-news pre-emption". This nuance illustrates that disclosure incentives are multidimensional: managers may strategically reveal certain negative items while withholding others, depending on the contextual costs and risks.

While economic models clarify why disclosures are selective, contemporary research follows disclosure into the arenas where it is performed and examines more interactive framing, which the next theme develops.

2.1.2.2. The IR Framing Apparatus: Arenas, Processes and Circumstances for Sensemaking

Research further elaborates the view of disclosures by considering the contexts in which they are performed: quarterly report releases and slide decks, earnings calls with Q&A sessions, as well as private one-to-one meetings and roadshows. Holland (1998) shows that public financial reporting is only one node in a broader disclosure system and that crucial interpretation works

occur in ongoing interactions with institutional investors. Holland (2005) further argues that companies tell a value creation story and use the financial report as a narrative device within that story, such that markets respond primarily to the interpretation of figures rather than to the figures alone. Furthermore, Barker (1998) finds that fund managers often prize "raw" information directly from companies and rate meetings with senior management as central to their information diet, underscoring these live arenas as primary sites where the value-creation narrative is enacted. Åhblom (2017) synthesizes these strands, reconstructing how IR orchestrates backstage planning (pre-consensus, targeting, Q&A scripting) and frontstage delivery (reports, calls, meetings) using three recurring framing elements to keep the narrative and its interpretation coherent (Audience, Anchoring and Cues). In this view, differences in how financial numbers are understood do not primarily stem from unequal access to information, but from how they are interpreted and framed in interaction.

Audience involves two levels of IR work: a consensus level and a situated level. At the consensus level, IR builds a pre-release consensus view, stress-checks likely pressure points, and after the release compares how forecasts shifted to assess how the message was received in the earnings call and early follow-ups (Åhblom, 2017). At the situated level, audience work concerns specific encounters. IR targets and profiles counterparties, such as investor type, investment style and holding history, and adjusts the depth and emphasis of the message in one-to-one meetings, group meetings and calls (Åhblom, 2017). This matters because meetings and direct interactions establish the interpretive context through which financial figures are later understood by the market, a point highlighted in earlier studies of company-capital market interaction (Barker, 1998; Holland, 1998; Roberts et al., 2006).

Anchoring ties reported figures to the value-creation narrative through explicit links like operational drivers, mix/volume/price and FX breakdowns, pipeline-to-revenue, backlog-to-deliveries, and connections to strategy and targets (Holland, 2005; Åhblom, 2017). Meetings also act as a "disciplinary mirror": in private encounters, management tests these links and trims or drops anchors that do not stick (Roberts et al., 2006). As a result, communication is shaped upstream; anchors that resonate are reused consistently across report, call, and meetings (Roberts et al., 2006; Åhblom, 2017). A central purpose of this anchoring work is to maintain interpretive alignment across time and disclosure channels, ensuring that different audiences encounter a stable and coherent reading of performance (Preda, 2009; Åhblom, 2017).

Cues are the observable carriers of a frame: reusable phrases, standard tables and graphs, and template slides designed to guide and stabilize interpretation across press releases, reports, decks, and calls. Åhblom (2017) details how IR teams fabricate such cues backstage and redeploy them frontstage to achieve recognizability and consistency over time. This complements narrative-disclosure findings (elaborated in the next section, *2.1.2.3 Narrative, Tone and Performativity: How Communicative Form Shapes Interpretation*) by emphasizing that not only verbal but also visual and structural cueing across communicative arenas sustains a portable interpretation. Preda (2009) reinforces this point by showing that financial markets rely on shared and socially stabilized representational devices that make financial information

observable and interpretable across situations. He argues that market participants depend on recurring representational forms to interpret financial information and coordinate action.

2.1.2.3. Narrative, Tone and Performativity: How Communicative Form Shapes Interpretation

Narrative and linguistic features of financial communication shape how accounting information is interpreted by capital market participants (Bassyouny et al., 2022; Åhblom, 2017). Rather than merely providing numbers, firms construct explanations and storylines that help audiences understand performance and evaluate uncertainty (Armitage & Marston, 2008; Holland, 2005; Åhblom, 2017). These narrative and linguistic choices operate across press releases, reports, presentations and earnings calls and form an important part of how meaning is created on the sender side (Holland, 1998; Holland, 2005).

A substantial body of research shows that corporate narratives are used to explain, contextualize and frame performance. Yuthas et al. (2002) find that firms anticipating both positive and negative earnings surprises adopt more transparent and sincerity-oriented narrative language, which the authors interpret as an effort to maintain credibility and legitimacy when results deviate from expectations. Aerts (1994; 2005) and Clatworthy and Jones (2003) show that firms use attributional framing and rhetorical emphasis to shift focus, justify outcomes and help readers make sense of complex or uncertain performance. Narrative disclosure research therefore positions corporate narratives not as neutral descriptions but as structured sense-making devices. In this context, Merkl-Davies and Brennan (2007; 2011; 2017; 2018) conceptualize corporate narratives as part of a broader system of external communication in which impression management may range from informative explanation to strategic self-presentation. Across this work, maintaining credibility and legitimacy emerges as a central function of narrative communication. Armitage and Marston (2008) complement this by showing that managers themselves view disclosure as a means to build credibility and sustain a trustworthy reputation with capital-market participants, rather than solely as information provision.

A second research stream examines how tone and linguistic construction influence the interpretation of financial results. Henry (2008) shows that earnings press releases combine informational and promotional elements, illustrating how firms can shape readers' interpretations through techniques such as selective emphasis, benchmarking, and textual placement, while also demonstrating empirically that linguistic tone influences investor reactions. Building on this, Nagengast (2025) demonstrates that firms also work actively with the explanatory framing of numerical results by using evaluative and causal language, including downtoners such as "mainly due to", to position weaker elements in a more interpretable and credible light and thereby steer the overall narrative of the announcement. This more general pattern is further reflected in the systematic literature review by Bassyouny et al. (2022), who show that tone functions as a systematic communicative device across disclosure channels, with measurable effects on market reactions and clear impression-management properties. Together, this research highlights that tone and

explanatory framing are not merely stylistic features but key mechanisms through which firms manage interpretation and communicate their stance toward uncertainty.

Disclosure also has a performative dimension. One of the clearest settings where this performative aspect becomes visible is the earnings call. Earnings calls are not merely vehicles for information delivery but interactive events in which management performs transparency and credibility. Brown et al. (2019) show that calls involve deliberate preparation and coordination, and they report that IR practitioners themselves describe earnings calls as involving "a degree of theatre", reflecting how talking points, speaker roles and anticipated questions are choreographed to present a coherent message. At the same time, Hirsto et al. (2023) emphasize that transparency during calls is not an inherent property of the information but something enacted in real time through interaction between managers and analysts, as they clarify issues, respond to challenges and negotiate meaning; transparency is therefore an interactional achievement rather than a fixed characteristic of the disclosure. These dynamics complement the framing apparatus outlined in *2.1.2.2. The IR Framing Apparatus: Arenas, Processes and Circumstances for Sensemaking*: anchors and cues prepared beforehand are performed, tested and sometimes modified during live exchanges, revealing how interpretive frames are both stabilized and contested in interaction. The interaction in calls and follow-up meetings also provides feedback on which narrative elements resonate or fail, feeding into an iterative process through which IR refines anchors, cues and explanations in subsequent reporting cycles (Brown et al., 2019; Roberts et al., 2006; Åhblom, 2017).

2.1.3. Use of New Accounting Information

2.1.3.1. The Processing of Accounting Information in Capital Markets

The previous section has shown how firms approach disclosure, both in terms of how much to disclose and how information is constructed, framed, and performed through various practices. This raises an important question concerning how such information later is received and incorporated by market participants. A fundamental theoretical benchmark for understanding this process is the Efficient Market Hypothesis (EMH), which posits that publicly available information is rapidly reflected in stock prices (Fama, 1970). Under this view, disclosure reduces information asymmetry and enables all market participants to access and process information on equal terms.

However, subsequent research has challenged this assumption, suggesting that the market may not be fully efficient in its processing of accounting information. While EMH distinguishes between strong, semi-strong, and weak forms of market efficiency (Fama, 1970), it does not explicitly account for differences in how market participants interpret and act upon information. As argued by Grossman and Stiglitz (1980), perfectly efficient markets are unlikely to exist, as costly information acquisition would otherwise not be incentivized.

Empirical evidence further questions the notion of uniform information processing. Studies have shown that even when information is publicly available, market participants may differ in their ability to interpret and act upon it. For instance, Foster (1979) documents that critical

analyses by more sophisticated actors led to significant stock price reactions, despite the underlying information already being publicly disclosed. This suggests that the value of accounting information is not solely determined by its availability, but also by the ability of actors to interpret and contextualize it. Consequently, certain actors may possess what can be described as "superior knowledge", not due to exclusive access to information, but due to enhanced capabilities in processing and understanding it.

In a similar vein, the relationship between disclosure and information asymmetry appears more complex than traditionally assumed. While early theoretical work suggests that increased disclosure and reporting frequency reduce asymmetry by providing equal access to information (e.g., Diamond, 1985; Healy & Palepu, 2001; Lundholm, 1991), later research argues that this effect may be conditional. When investors differ in their ability to process information, more frequent disclosures may instead benefit more sophisticated actors, who are better equipped to acquire and exploit information in anticipation of such disclosures (Fu et al., 2012; Kim & Verrecchia, 1994; Verrecchia, 2001). In this sense, increased disclosure does not necessarily lead to a more level informational playing field, but may instead reinforce existing differences between actors.

Taken together, this stream of literature suggests that the use of accounting information cannot be understood as a purely mechanical process in which publicly available information is uniformly incorporated into prices. Rather, the interpretation and use of such information depend on the capabilities and practices of different actors within the market. This raises important questions regarding the role of specialized intermediaries, such as financial analysts, in interpreting and disseminating accounting information, as well as how end users ultimately incorporate this information into investment decisions.

2.1.3.2. Analysts as Interpreters of Accounting Information

Building on the previous discussion, which highlighted that accounting information is not uniformly interpreted across market participants, financial analysts emerge as central actors in the processing of such information. As intermediaries between firms and investors, analysts are involved in collecting, interpreting, and communicating information in ways that shape how accounting numbers are understood and used in capital markets (Barker, 1998; Imam & Spence, 2016; Spence et al., 2019).

A key aspect of analysts' work concerns the timely provision of information. Research suggests that analysts place significant importance on information that is released frequently and can affect short-term expectations, such as interim reports and preliminary earnings announcements (Barker, 1998; Bence et al., 1995; Campbell & Slack, 2008). This reflects their role in providing clients with relevant updates within a short time frame, as analysts' work is largely centered around responding to newly released accounting information and translating it into market-relevant insights. While prior research positions analysts as intermediaries contributing to the interpretation and use of accounting information, Graaf (2023) suggests that the value created through this role is primarily short-term in nature, as analysts' work is largely organized around interpreting new information in relation to existing expectations, rather than

developing longer-term investment insight. In this context, there is also evidence that analysts' outputs can have a direct impact on market prices. Womack (1996), for instance, shows that analyst recommendations are associated with significant immediate stock price reactions, even in the absence of new public information, suggesting that analysts influence markets by shaping how newly available information is interpreted.

Beyond timeliness, analysts play an important role in filtering and selecting information. Given the volume and complexity of available financial and non-financial data, analysts engage in scanning, filtering, and prioritizing information to identify what is most useful for their clients (Barker, 1998). Through this process, they reduce information overload and transform raw accounting data into more structured and accessible forms. Building on this perspective, Fogarty and Rogers (2005) argue that analysts' outputs should not be understood as purely technical representations of firm performance, but as socially embedded constructions shaped by institutional pressures and relationships. Beunza and Garud (2007) add another important dimension by showing how analysts operate under "Knightian uncertainty", where decisions concern an inherently unknowable future. They argue that, because of the high level of uncertainty in the profession and in capital markets, analysts construct narratives or frames that organize meaning, guide interpretation, and enable decision-making. These frames are socially shaped and become particularly important since calculations alone are insufficient. In line with this view, Graaf (2023) shows that analysts do not merely transmit publicly available information. Instead, they actively interpret and frame information in relation to their existing expectations and prior assumptions. As a result, the same underlying information may be interpreted differently depending on the frame applied, and may therefore be reflected differently in analysts' outputs.

Building on the discussion of how analysts process and interpret information, it is also important to consider how this information is subsequently incorporated into valuation practices. Imam et al. (2008) find that sophisticated valuation techniques, such as discounted cash flow (DCF) models, are widely used within the analyst profession. However, they also show that simpler methods remain prevalent, partly due to the complexity and heterogeneity of certain industries. Similarly, Demirakos et al. (2004; 2010) highlight that industry-specific characteristics and contextual factors often lead analysts to prefer simpler valuation methods or to rely on a combination of multiple approaches. However, this model-based perspective is nuanced by Graaf (2023), who argues that valuation models should not be understood as the sole basis for analysts' assessments. Instead, such models function as analytical devices that help organize and structure analysis, while still requiring interpretation and judgement. This becomes particularly evident when new information challenges, or "overflows", existing analytical frameworks, requiring analysts to reassess their assumptions and adapt their analyses accordingly (Graaf, 2023).

Beyond these more technical aspects, analysts' interpretive work is also often described as taking place in interactive settings. Meetings and interactions with company management are highlighted as important arenas for information exchange and understanding (Barker et al., 2012; Imam & Spence, 2016; Spence et al., 2019). Brown et al. (2015) show that private

communication with management constitutes one of the most important inputs to analysts' forecasts and recommendations, often valued even more highly than analysts' own primary research and publicly available financial information. However, this view is not uncontested, Graaf (2023) finds that private meetings may be of limited importance for analysts, and instead points to public earnings calls as key settings in which analysts obtain explanations and deepen their understanding of reported figures. These calls also serve as arenas where analysts can demonstrate their expertise and engage in interpretive dialogue with management.

Taken together, this literature highlights that financial analysts play a central role in the information environment, not merely by transmitting information, but by actively shaping how it is interpreted and used. In doing so, their role extends beyond the production of forecasts and recommendations, as their interpretations and outputs also serve as important inputs for investors' own assessments and decision-making processes (Barker, 1998; Hellman, 2000; Spence et al., 2019). Imam and Spence (2016) argue that the primary value of sell-side analysts does not lie in their stock recommendations or forecasting accuracy, but rather in the rich contextual information, industry knowledge, and interpretive insights they provide to buy-side analysts and fund managers.

2.1.3.3. Investors and the Use of Accounting Information in Decision-Making

While financial analysts play a central role in interpreting and communicating accounting information, the ultimate use of such information occurs in the investment decisions made by investors. Early accounting and capital market research largely viewed the release of financial reports as information events directly associated with market reactions and investor actions (e.g., Ball & Brown, 1968; Beaver, 1968; Lev & Ohlson, 1982). However, in contrast to this, Hellman (1996; 2000) finds that investor behavior is a more dynamic process that cannot be explained solely by accounting and financial information. Instead, it is described as an ongoing process that involves multiple judgments and qualitative aspects. Similarly, Barker (2012) finds that fund managers regard private meetings with company management as among the most important sources of information. Investor behavior may therefore also involve non-rational dimensions. Taffler et al. (2017) argue that the inherent uncertainty of fund management generates anxiety, which managers cope with through various defense mechanisms, leading them to both rely on and at times override calculative models.

Returning to Hellman (2000), investment decisions are conceptualized as the outcome of interactions between three interrelated dimensions: fundamental opinions, market premises, and investor context. Fundamental opinions reflect investors' assessments of firms and their expected performance, market premises refer to observable conditions in the market such as price movements and the behavior of other investors, and investor context captures the organizational and institutional constraints within which decisions are made. Rather than operating independently, these dimensions interact to determine how and when investment decisions are taken.

More specifically, fundamental opinions refer to investors' own assessments of the fundamental conditions of an investment object, including expectations about future

performance and evaluations of firm value (Hellman, 2000). These assessments are formed through the integration of multiple types of information and analytical processes, rather than being derived from a single source. A central input in this process is formal financial information. Prior research shows that investors assign considerable importance to financial reports, particularly annual reports, when forming their assessments of firms (Bence et al., 1995).

To transform this information into an overall assessment of firm value, investors engage in analytical work, often supported by valuation frameworks and analytical tools. These tools help structure the analysis and are used as part of assessing firms' future performance (Imam et al., 2008). At the same time, Coleman (2015) suggests that the use of such tools is partly driven by expectations from clients, even though their contribution to actual investment decision-making appears to be limited. Both Coleman (2015) and Hellman (2000) further show that these models do not in themselves determine investors' assessments. Rather, they support a judgement-based evaluation process in which assumptions, inputs, and outcomes are critically assessed.

In addition to formal disclosures and analytical tools, investors also draw on qualitative and interaction-based sources of information. According to Hellman (2000), these qualitative inputs complement financial and quantitative analysis and together contribute to the formation of investors' fundamental opinions. Direct contact with company management, such as meetings and interviews, provides qualitative insights that complement publicly available financial information and influence how investors interpret firm performance and prospects (Barker, 2012; Coleman, 2015; Hellman, 2000). Barker (2012) further investigated the reasons why these meetings are deemed as important as they are, focusing on the paradox that they are important, even though they do not provide any private information. He concluded the reasons to be: that fund managers overestimate the usage of these; and that the fact that those meetings take place can be used to rationalize fees from customers; that theory is too narrow since useful information does not always equal price-sensitive information.

Furthermore, Hellman (2000) shows that fundamental opinions do not automatically translate into investment decisions, as their impact is mediated by market premises. These refer to observable market conditions such as share price movements, trading volumes, and the actions of other investors. Such factors can both initiate and interrupt investment decisions, implying that even well-founded valuation assessments may have limited or delayed influence on actual investment actions. Consistent with this, Coleman (2015) finds that investors often place considerable emphasis on price movements and pre-defined decision rules, such as selling when a stock reaches its estimated fair value, rather than reacting directly to new accounting information. This suggests that market-based signals and existing expectations play a central role in shaping when and how accounting information is acted upon.

In addition to fundamental opinions and market premises, investment decisions are also shaped by the investor context (Hellman, 2000). This refers to the organizational and institutional setting within which decisions are made, including factors such as portfolio strategies, legal and regulatory constraints, financial conditions, and internal organizational structures. These contextual factors can limit the set of feasible investment alternatives, create funding pressures

related to capital inflows and outflows, and impose risk and mandate constraints. Consequently, they may either reinforce or weaken the influence of fundamental opinions on investment behavior. In this sense, accounting information is incorporated into decision-making processes that reflect not only analytical assessments of firm value, but also the practical constraints and objectives faced by institutional investors.

2.2. Knowledge Gap

Even though prior research has generated important insights into how accounting information is communicated and used in capital markets, several limitations remain. Existing research has often focused either on how firms prepare, frame, and communicate accounting information, including the role of investor relations and corporate disclosure practices (e.g., Holland, 1998; Åhblom, 2017), or on how analysts and investors interpret and use such information (e.g., Barker, 1998; Imam & Spence, 2016; Spence et al., 2019). As a result, prior research provides valuable insights into both communication practices and accounting users' interpretations, but offers more limited understanding of how the same reporting event unfolds throughout the broader communication and interpretation process between firms and market actors.

Furthermore, existing research has also largely focused on specific actor groups in isolation, such as analysts, investors, or firms, rather than examining how different market participants simultaneously engage with the same release of new accounting information. Consequently, there remains limited understanding of how the same accounting information may be interpreted differently across market actors operating within a shared information environment, and how such interpretations develop throughout the reporting process.

Beyond the quarterly report itself, prior research has highlighted the importance of various communication arenas surrounding financial disclosures, such as earnings calls, analyst meetings, and private interactions between firms and market actors (e.g. Barker et al., 2012; Graaf, 2023; Spence et al., 2019). These arenas have been described as important contexts through which accounting information is discussed, interpreted, and contextualized beyond the disclosure itself. At the same time, the literature provides somewhat differing assessments regarding the relative importance and function of such interactions. While several studies emphasize the importance of private meetings and direct interactions with management (e.g. Barker et al., 2012; Imam & Spence, 2016; Spence et al., 2019), other research has questioned the significance of such meetings and instead highlighted the role of more public communication arenas, such as earnings calls (Graaf, 2023). Consequently, there remains scope for further understanding of how different communication arenas surrounding financial disclosures are perceived and used by market actors, and how they contribute to broader interpretive processes surrounding new accounting information.

To address these limitations, this study adopts a qualitative case study approach focused on a specific quarterly reporting event. By examining how multiple market actors engage with the same release of accounting information across interconnected communication settings, the study seeks to provide a more integrated understanding of how accounting information is

interpreted and used in practice. To analyze these processes, the study adopts the sensemaking perspective as its theoretical lens.

2.3. Theoretical Framework

2.3.1. Sensemaking

Sensemaking refers to the process through which individuals interpret and assign meaning to situations, particularly when they are uncertain, ambiguous or open to multiple interpretations (Weick, 1995). Maitlis and Christianson (2014) further explain this by suggesting that sensemaking is triggered when individuals' expectations are disrupted by events that are in some way significant to them. Rather than assuming that information carries an objective and self-evident meaning, the sensemaking perspective emphasizes that meaning is actively constructed by actors as they seek to understand what is happening and how to respond. Accordingly, information does not speak for itself; instead, actors extract cues from changes in their environment and interpret them in light of prior experiences, expectations, and existing cognitive frames (Weick et al., 2005).

An important distinction in sensemaking theory, as outlined by Weick (1995), is between sensemaking and interpretation. While interpretation typically refers to assigning meaning to something already given, sensemaking concerns the prior process through which that "something" is constructed. He further argues that sensemaking involves "*the ways people generate what they interpret*" (p. 13). This implies that actors do not merely interpret information, but actively shape what is attended to, how situations are defined, and which cues are extracted from the environment. Sensemaking may involve both conscious and subconscious processes.

A central insight in sensemaking theory is that meaning construction becomes particularly salient in contexts characterized by ambiguity. When events are complex or difficult to evaluate, actors cannot rely solely on formal data or established analytical models. Instead, they engage in an interpretive process aimed at constructing a plausible understanding of the situation, where plausibility rather than objective accuracy becomes the primary criterion for meaning (Weick, 1995). Another important aspect is that sensemaking is retrospective in nature, as actors construct meaning by looking back at events and attempting to explain outcomes in a coherent way (Weick, 1995). This process is not purely individual but unfolds in interaction with others, as interpretations are formed, negotiated, and revised in social contexts (Maitlis & Christianson, 2014; Maitlis, 2005). In this process, actors rely on extracted cues, i.e., specific elements of information that are selected and used as a basis for interpretation (Weick et al., 2005).

The concept of sensemaking is therefore of high relevance in the context of accounting and capital markets, and is particularly applicable in relation to quarterly report releases, which constitute the empirical focus of this study. As earlier described, and as supported by literature (Beattie, 2014), capital markets are associated with a large amount of information and involve a high level of complexity and ambiguity. This is especially evident in the context of report

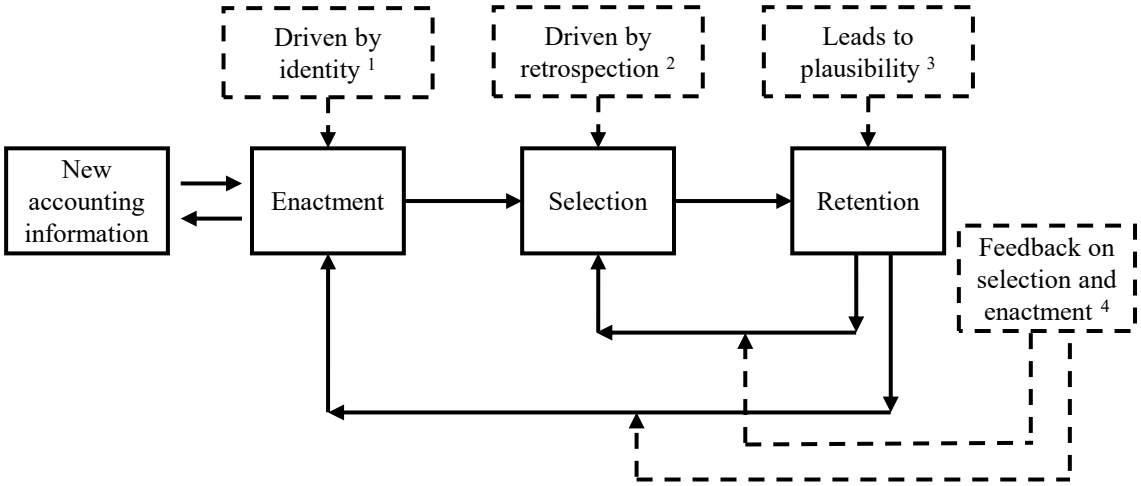
releases, where new accounting information is introduced under conditions of uncertainty and open to multiple interpretations.

Applying the perspective of sensemaking in the context of this study directs attention to how different actors, such as firms, analysts, and investors, may construct different understandings of the same accounting information. Rather than focusing on the informational content of disclosures, this study therefore examines how such information is interpreted, contextualized, and made meaningful in practice.

Closely related to the concept of sensemaking is the notion of sensegiving. While sensemaking focuses on how actors construct meaning from information, sensegiving emphasizes how such meaning construction may be influenced by others through communication and interaction (Gioia & Chittipeddi, 1991). In this regard, sensegiving highlights the role of actors who attempt to shape how information is understood, for example by emphasizing certain cues or framing events in particular ways. Gioia and Chittipeddi (1991) further argue that sensemaking is incomplete without sensegiving, as meaning is often constructed in interaction between multiple actors. However, the extent to which actors can actively "give" meaning to others has also been debated in later years (Sandberg & Tsaoukas, 2015; Vaara & Whittle, 2022). In particular, *sense* is argued as something that cannot be passed out, but instead both the "givers" and the "makers" are involved in sensemaking, and that the two can therefore not be separated (Sandberg & Tsaoukas, 2015).

In this study, while acknowledging the relevance of sensegiving, the primary analytical focus remains on sensemaking. Rather than treating sensegiving as a distinct process, the study adopts a perspective in which communication and interaction between actors are understood as integral to the sensemaking process itself. From this viewpoint, the actions of information senders, such as firms communicating accounting information, are seen as shaping the conditions under which sensemaking takes place, rather than determining how meaning is ultimately constructed by recipients. Accordingly, sensemaking is conceptualized as an interactive process in which meaning emerges through the interplay between actors, rather than being unilaterally transmitted from sender to receiver.

2.3.2. Chosen Analytical Concept



Note: [1]Identity refers to the individual actor's understanding of who they are, shaped by prior experiences and social interaction.
[2]Actors construct meaning in the present by interpreting events through previous experiences and past actions., i.e. the retrospection drives the extraction of present cues.
[3]Retention involves identifying consistencies and maintaining a plausible (not necessarily accurate) story over time.
[4]Retained stories affect both the enactment and selection phase, and may reinforce or diminish future processes.

Figure 2. Conceptual illustration of the analytical concept. Developed by the authors, adapted from Weick et al. (2005) and Cristofaro (2022).

To address the research question of how different stakeholders in capital markets make sense of new accounting information, this study adopts sensemaking as its theoretical perspective, operationalized through a process model adapted from Weick et al. (2005) (Figure 2). This model enables an analysis of how information is not only used in a functional sense, but also how information is interpreted and made meaningful by different actors. In this model, sensemaking is conceptualized as an ongoing and recursive process consisting of enactment, selection, and retention, through which actors construct, interpret, and stabilize meaning in relation to their environment (Weick et al., 2005). For the purposes of this study, this framework is referred to as the ESR model (Enactment-Selection-Retention).

In the context of this study, the model is adapted to understand the role of accounting information as well as the interaction between multiple actors in capital markets. Specifically, the first component of the model, originally termed "Ecological change" (Weick et al., 2005), is reconceptualized as *New accounting information*. This adaptation reflects the empirical setting of the study, where the release of new accounting information constitutes the primary trigger for sensemaking processes. In the context of this study, the new accounting information, thus reflects the release of the quarterly report.

The next component in the model represents *Enactment*, which constitutes the initial stage in the sensemaking process. This is explained as the stage where actors engage with new

accounting information by selectively attending to, extracting, and framing cues from an ongoing flow of information. Enactment thus involves not only the collection of information, but also its initial structuring and categorization (Weick et al., 2005).

In the context of this study, enactment refers to how market participants initially engage with the quarterly report immediately following its release. This includes which financial metrics, disclosures, or qualitative statements they attend to, as well as what they perceive as salient or unexpected. Empirically, enactment is captured through descriptions of what is "looked at first", what "stands out", and which aspects of the report are prioritized in the initial review. This stage is to a large extent shaped by individuals' prior experiences, professional norms, and expectations regarding what constitutes relevant information in capital markets. Enactment can therefore be understood as a process of noticing and bracketing, where certain elements of the report are extracted from the broader information environment and rendered meaningful for further interpretation. Importantly, enactment should not be understood as a one-off event, but as an ongoing and iterative process, where new information continuously reshapes how the situation is enacted (Weick et al., 2005). As an illustrative example in this empirical setting, analysts are expected to produce a rapid "flash comment" shortly after the report release, requiring them to quickly identify and prioritize key information. Such situations exemplify how enactment involves the extraction and initial structuring of cues from the report.

The subsequent component in the model refers to *Selection*. Following the initial enactment phase, where relevant cues have been noticed and framed, selection involves the process through which actors reduce the number of possible interpretations and arrive at a plausible understanding of the situation, aiming to construct an interpretation that confirms preconceptions (Weick et al., 2005). While enactment shapes which cues are attended to, selection concerns how these cues are interpreted and given meaning.

This phase is influenced by actors' mental models and prior experiences, which guide how the extracted cues are interpreted and combined into a coherent narrative. Importantly, selection is not concerned with identifying a single objectively correct interpretation. Rather, it is driven by plausibility, where actors construct a narrative that is sufficiently coherent and credible to support ongoing action (Weick et al., 2005). As such, the interpretations developed during this phase remain tentative and subject to revision as new information becomes available. Following the example of the analyst producing a rapid "flash comment" described in the enactment stage, the selection phase can be understood as the subsequent process during which the initially identified cues are further analyzed and interpreted. In the context of this study, this may occur throughout the day of the report release, where analysts engage more deeply with the information through activities such as earnings calls, meetings with company representatives, and discussions with other market participants. These interactions allow for the refinement of initial interpretations and the development of a more coherent and plausible understanding of the reported information.

The final component of the model is *Retention*. In this stage, some of the plausible interpretations developed during the selection phase become stabilized and retained (Weick et al., 2005). Through this process, certain understandings gain increased solidity and begin to

shape how similar situations are interpreted in the future. Retention thus provides feedback to earlier stages of the sensemaking process, as retained interpretations become embedded in actors' identities, experiences, and interpretive frameworks. As a result, these retained meanings influence how subsequent processes of enactment and selection are carried out when new information is encountered. In this sense, retention can be understood as creating a form of organizational memory, through which prior sensemaking becomes a resource for future sensemaking, reinforcing the ongoing and recursive nature of the process (Weick et al., 2005).

In the context of this study, retention refers to how initially tentative interpretations gradually become more stable over time. Returning to the example, following the selection phase, certain explanations come to be regarded as sufficiently convincing and are subsequently incorporated into analysts' understanding of the firm. This process does not occur instantaneously, but unfolds over time, ranging from later the same day to several weeks after the report release, as analysts reflect on the information and further refine their views.

3. Methodology

3.1. Scientific Approach

3.1.1. Research Strategy and Design

As with much research within the social sciences, this study adopts the assumption that organizational practices, accounting information, and their associated meanings are socially constructed rather than objectively given (Chua, 1986; Gioia et al., 2012; Hines, 1988). An interpretive research design is therefore adopted, as the study seeks to understand how different capital market participants make sense of and construct meaning around new accounting information in connection with a quarterly reporting event. In line with this perspective, the study focuses on how meanings and interpretations are constructed and negotiated among actors within a specific social and organizational context. Accounting information and market events are therefore not assumed to carry fixed meanings, but may be interpreted differently depending on actors' experiences, expectations, and contextual understanding (Mees-Buss et al., 2022). The study has adopted, what is usually referred to as a, constructivist orientation, where meaning is understood as socially constructed through interaction and interpretation rather than objectively given (Bryman & Bell, 2017). This also implies that the researchers' own interpretations form part of the analytical process, since researchers can be considered to be active participants in constructing meaning (Mees-Buss et al., 2022).

The research strategy adopted in this study resembles what is commonly described as an abductive approach within management and business research (Dubois & Gadde, 2002; Timmermans & Tavory, 2012). In the context of this study, this refers to an iterative process involving continuous movement between empirical observations, prior literature, and theoretical interpretation, allowing these elements to inform and refine one another throughout the research process. The study initially started with a broad research interest related to quarterly reporting, accounting information, and capital market communication. As the literature review progressed, sensemaking emerged as a particularly relevant theoretical perspective for understanding how different market participants interpret and respond to new accounting information. Consequently, both the theoretical framing and the research question were gradually refined throughout the research process, ultimately resulting in the following research question:

How do different stakeholders in the capital market make sense of new accounting information?

To address the research question, a qualitative research approach was adopted, consistent with the interpretive orientation of the study and its focus on how accounting information is interpreted by different actors. Given the socially constructed and context-dependent nature of the phenomenon, an in-depth examination of the reporting event and its surrounding interactions was considered essential (Alvesson & Sköldberg, 2017). The study was conducted as a single-case study centered around a quarterly reporting event. Case studies are particularly

suitable for examining processes and "how" questions within real-life contexts (Yin, 2014), and the approach aligns with the iterative and context-sensitive characteristics often associated with abductive reasoning (Alvesson & Sköldberg, 2017).

While single-case studies are often criticized for limited statistical generalizability, such criticism has been widely debated within qualitative research methodology. Flyvbjerg (2006) argues that the value of case studies should not primarily be assessed through their ability to produce statistical generalizations, but through their capacity to generate context-dependent and practically relevant insights. Similarly, Ruddin (2006) highlights that case studies may contribute to broader analytical and theoretical understanding despite limited statistical generalizability. In line with Yin's (2014) distinction between statistical and analytical generalization, the ambition of this study is rather analytical generalization through contextually grounded insights into how different capital market participants make sense of new accounting information in practice.

In this context, the single-case design is viewed as a methodological strength rather than merely a limitation. By closely examining one reporting event and its surrounding interactions, the study captures interpretive processes, communicative dynamics, and evolving market understandings as they unfold over time. This enables a level of contextual and processual insight that would have been difficult to achieve through broader research designs less focused on evolving interactions and interpretations over time.

3.1.2. Case and Event Framing

The empirical setting of this study consists of a single case study centered around the release of a quarterly report by a company listed on the Stockholm Stock Exchange (OMX). To preserve anonymity, the company is hereafter referred to as "Alpha Corp". The company's earnings releases tend to generate active market discussion, interpretive uncertainty, and notable stock market reactions, making the case suitable for examining how sensemaking unfolds in response to new accounting information. The selected case further enables the study to follow how interpretations evolve across multiple actors and communication arenas surrounding the same reporting event. A more detailed description of the case company is presented in *Section 4.1. Case Company Overview*.

Given the study's focus on how actors make sense of new accounting information, the earnings release functions as a suitable focal event for examining sensemaking processes as they unfold over time. To facilitate this perspective, the study is structured around three temporal phases of the reporting event: two weeks prior to the release, the reporting day itself, and two weeks following the event. This temporal framing enables the study to examine how expectations are formed prior to the release, how interpretations emerge and interact during the reporting day, and how these interpretations are subsequently reinforced, revised, or challenged in the post-announcement period. Such a perspective is central to sensemaking research, which emphasizes how meaning is continuously constructed and reconstructed through new information and social interaction.

3.2. Data Collection

To address the purpose of the study, a broad range of empirical material related to the selected reporting event was collected. While the quarterly report and its associated presentations constituted the focal event, understanding how different capital market participants made sense of new accounting information required material capturing multiple actors, communication arenas, and stages of the reporting event. Consequently, the study includes documentary material such as equity research reports, business news articles, company communication, earnings call material, and intraday market data, as well as interviews with key market participants. Combining these sources enabled triangulation across actors, communication arenas, and forms of empirical material.

3.2.1. Documentary Data

The documentary material constituted a central part of the empirical foundation of the study. The quarterly report and its associated presentations served as the starting point of the analysis, after which a broad set of published material related to the reporting event was collected within the defined temporal phases. This included company disclosures, earnings call material, analyst reports, business news articles, webcasts, and written management commentary related to the reporting event. In addition, a descriptive examination of intraday stock price movements and trading volumes was conducted in order to identify periods of heightened market activity during the reporting day. To provide contextual understanding of the reporting event, selected material from the preceding quarter and interim investor updates was also included in the analysis. To further preserve the anonymity of the case company, selected numerical values originating from company disclosures and financial reports have been adjusted through the application of an undisclosed scaling factor. This procedure does not affect relative relationships, analytical interpretations, or the conclusions of the study. Table 1 presents an overview of the documentary material included in the study.

Data Type	**Source**	**# of Actors**	**Total # of Items**	**Average Length per Item**	**Description**
Analyst Reports	Analysts	11	28	12 pp.	Equity research reports
News articles	Media	5	36	3 pp.	Business press coverage
Webcasts	Media	2	3	5 min.	Live-streamed interviews
Company Disclosures	Alpha Corp	1	1	31 pp.	Quarterly report
Company Disclosures	Alpha Corp	1	3	45 pp.	Presentations + Transcript

Table 1. Overview of documentary data included in the empirical material of the study**.**

3.2.2. Interview Data

To complement the documentary material, interviews were conducted with key stakeholders involved in or affected by the reporting event. In total, 15 interviews were conducted, including

interviews with Alpha Corp's Head of Investor Relations, three equity analysts, and three institutional investors. These participants were interviewed in two separate rounds corresponding to the first and third temporal phases, resulting in 14 interviews across the reporting period. In addition, one contextual interview was conducted with the company's founder and chairman of the board in order to provide broader background understanding of the company and its communication practices. A detailed overview of the interviewees is presented in *Appendix 8.2. Detailed List of Interviewees.*

The selection of interview participants was guided by the flow of accounting information outlined in Barker's (1998) model of capital market communication, which also served as a foundational structure in the literature review. To capture the sender-side of the reporting process, interviews were conducted with Alpha Corp's Head of Investor Relations, given the role's central responsibility for quarterly reporting and external market communication.

On the user-side, Barker (1998) identifies sell-side equity analysts and fund managers as central interpretive actors within capital markets. Consequently, interviews were conducted with sell-side equity analysts (hereafter "analysts") and institutional investors (hereafter "investors" or "fund managers"). Institutional investors were selected as representatives of fund managers, as they constitute the dominant ownership category within modern capital markets (OECD 2019; OECD, 2025). More specifically, the study focused on long-term equity investors with substantial ownership positions in the case company, as such actors are likely to possess extensive familiarity with the company, its communication practices, and its reporting history. The interviewed investors belonged to some of the company's largest shareholders (Capital IQ, n.d.a), suggesting a high degree of engagement with the company and its quarterly reporting process. Consequently, other market participants, such as retail investors and hedge funds, are considered outside the scope of the study.

Prior to the interviews, interview guides were developed to ensure that relevant themes related to the research question were consistently addressed across participants. The interview with Alpha Corp's Head of Investor Relations was conducted first in order to establish a stronger contextual understanding of the case company and the reporting process prior to the remaining interviews. This interview also functioned as a pilot interview, allowing certain questions and themes to be tested and refined before subsequent interviews were conducted (Yin, 2010). Separate interview guides were thereafter developed for analysts and investors, respectively. While largely similar in structure, the guides were adjusted to reflect both the different professional roles of the participants and the temporal phase of the reporting event, resulting in separate versions for the interviews conducted before and after the earnings release. The interviews followed a semi-structured format, allowing interviewees to elaborate freely on relevant topics and experiences while still maintaining a consistent thematic structure across interviews (Edmonson & McManus, 2007; Merriam, 1994; Saunders et al., 2009). An example of the interview guides used in the study is presented in *Appendix 8.1. Interview Guide.*

All interviews were conducted jointly by the researchers, where one researcher primarily led the discussion while the other focused on note-taking and follow-up questions. These roles alternated between interviews to reduce potential interviewer effects and balance researcher

influence on the data collection process (Pezalla et al., 2012). Interviews were transcribed in close connection to the interview sessions, based on interview notes and supported by transcription software. In addition, reflective discussions were conducted between the researchers after the interviews in order to capture early analytical observations and contextual impressions while still fresh in memory (Bazeley, 2013). Almost all interviews were conducted physically at the interviewees' offices and most lasted between 45 minutes and one hour. All interviews were conducted in Swedish, and quotations have subsequently been translated into English by the authors. To preserve anonymity, all interviewees were assigned pseudonyms and sensitive information was redacted. Table 2 presents an overview of the interview data collection, while a more detailed description of the interviewees is provided in *Appendix 8.2. Detailed List of Interviewees*.

Data Type	Source	# of Actors	Total # of Items	Description
Interviews	Analysts	3	6	Semi-structured interviews
Interviews	Investors	3	6	Semi-structured interviews
Interviews	Investor Relations	1	2	Semi-structured interviews
Interviews	Founder & Chairman	1	1	Semi-structured interview
Management commentary	Alpha Corp (CEO)	1	1	Written correspondence with the CEO

Table 2. Overview of interview data included in the empirical material of the study.

3.3. Data Analysis

As a first step in the qualitative data analysis, the gathered empirical material was coded. The interview transcripts were coded after all interviews had been conducted and transcribed. Thereafter, the remaining empirical material, including analyst reports and news articles, was also coded. The coding process involved dividing the material into smaller text fragments that were categorized into preliminary codes, which later formed the basis for broader analytical themes (Braun & Clarke, 2006).

Following the initial coding process, the empirical material was analyzed using a thematic analysis approach. More specifically, the study draws inspiration from what Bryman and Bell (2017) describe as a *framework* approach. In line with this approach, the empirical material was organized into a thematic matrix containing an index of themes and categories. Further, to capture how interpretations evolved over time, the thematic matrix was also structured around the three temporal phases of the reporting event: the pre-announcement period, the reporting day itself, and the post-announcement period.

The matrix was constructed in a spreadsheet program, where interview transcripts and other documentary material were systematically organized according to the identified themes. Each interview transcript and document was reviewed repeatedly, and relevant extracts were

assigned to their respective thematic categories. In line with Ryan and Bernard (2003), the themes were continuously refined and interpreted as the analysis progressed in relation to similarities, differences, prior literature, and the study's theoretical framework, particularly the adopted sensemaking perspective and the ESR model developed by Weick et al. (2005). Themes developed throughout the analysis included, for instance, credibility issues, anticipated market reactions, and the framing of information. These themes subsequently guided the analytical interpretation of the empirical material. An excerpt of the thematic matrix developed using the framework approach is presented in *Appendix 8.3. Thematic Analysis Framework.*

Furthermore, in line with the recommendations of Ritchie et al. (2003), timestamps indicating where extracts appeared in the interview transcripts were included in the matrix in order to facilitate traceability and readability. To reduce the risk of misrepresenting interviewees, only direct quotations were included within the thematic matrix.

In addition to the thematic analysis, a descriptive examination of intraday stock price movements and trading volumes was conducted in relation to the reporting event. The analysis focused on periods of heightened volatility and trading activity connected to specific communication events, such as management presentations, analyst questions, and statements made during the earnings call. The purpose was not to establish statistical causality, but rather to support the qualitative interpretation of how market participants interpreted and responded to new accounting information throughout the reporting event.

3.4. Quality Considerations

3.4.1. Trustworthiness and Transparency

In interpretive qualitative research, reliability is generally understood less in terms of exact replicability and more in terms of trustworthiness and transparency in the research process (Ahrens & Chapman, 2006). Such an understanding is particularly relevant in the context of this study, which examines a specific reporting event that cannot be meaningfully replicated, while also focusing on interpretations that continuously evolve through interaction and new information over time.

To enhance transparency and trustworthiness, the data collection and analysis procedures have been described in detail throughout the methodology chapter. Furthermore, multiple empirical sources were combined, including interviews, analyst reports, company material, earnings call transcripts, news articles, and intraday stock market data. The use of multiple data sources enabled recurring observations and interpretive patterns to be examined across different actors and forms of material (Silverman, 2013).

Both researchers were involved throughout the data collection and analysis process. Interviews were conducted jointly, and interpretations and emerging themes were continuously discussed and refined collaboratively in order to strengthen the consistency and credibility of the analysis. At the same time, complete objectivity is neither assumed nor considered achievable within

interpretive research, as interpretations are inevitably shaped by the researchers' theoretical orientation and analytical judgments (Chua, 1986; Ahrens & Chapman, 2006).

3.4.2. Credibility, Authenticity and Plausibility

Rather than evaluating validity primarily through objective verification, interpretive qualitative research often emphasizes credibility, authenticity, and plausibility as central quality considerations (Ahrens & Chapman, 2006). In this study, authenticity was pursued by seeking to capture how different capital market participants interpreted and made sense of new accounting information during the reporting event. This was facilitated through extensive use of quotations and detailed descriptions intended to preserve the contextual and interpretive dimensions of participants' reasoning (Chua, 1986).

Credibility was further strengthened by the interview approach adopted in the study. As the interviews concerned professional practices and market interpretations, interviewees may partly have framed their responses in ways perceived as professionally legitimate or analytically coherent. To reduce this risk, follow-up questions and requests for concrete examples were continuously used throughout the interviews in order to move discussions closer to actual practices and situations rather than generalized opinions (Kreiner & Mouritsen, 2005). In addition, interview transcripts were shared with interviewees after the interviews, allowing participants to verify quotations and clarify potential misunderstandings (Merriam, 1994).

The study further sought to strengthen credibility and plausibility through the inclusion of multiple empirical perspectives, including investor relations representatives, analysts, institutional investors, analyst reports, earnings calls, company material, and observed market reactions. This enabled interpretations to be explored across different actors, communication arenas, and stages of the reporting event, thereby identifying both recurring interpretive patterns and contrasting perspectives (Silverman, 2013). Through detailed descriptions of the empirical setting, analytical process, and interpretive context, the study also seeks to support analytical transferability to similar research settings and contexts (Lincoln & Guba, 1985).

4. Empirical Analysis

4.1. Case Company Overview

The case company ("Alpha Corp") is a publicly traded company listed on the Stockholm Stock Exchange. With a market capitalization exceeding 10,000 MSEK, it is included in the OMX Stockholm Large Cap index (Capital IQ, n.d.b). The company sells products and services that are used in specialized and technically demanding environments. To develop these products, the company performs extensive research and development. Alpha Corp sells a limited number of high-value products, which results in complex and often lengthy sales cycles (Alpha Corp Website, n.d.). The complexity of the company's products and the length of its sales cycles frequently result in transaction delays. Consequently, transaction delays can cause revenue recognition to shift into subsequent quarters. In an interview with the Chairman of the Board, she acknowledged that this timing inconsistency has been a significant issue for the firm. This challenge was intensified by the previous management's practice of issuing quarterly guidance, which proved difficult to maintain given the unpredictable nature of the company's sales completions.

Alpha Corp is active in several markets globally, with Europe, the U.S., and China representing a large share of its business. The company has one main competitor (hereafter "Beta Corp"), the Chairman confirms that their market is often described as a duopoly. Historically, Beta Corp has been more successful, particularly in more established high margin markets such as the U.S. (Alpha Corp Annual Report, 2025). Alpha Corp released a new product in 2024, which has been rolled out in Europe. The new product is described as driving better margins and has recently been approved for the U.S. market (Alpha Corp Annual Report, 2025).

Historically, Alpha Corp has experienced a relatively high level of short interest. Over the past years, the company has undergone several changes in top management, including multiple CEO transitions (Bank Article; 2026). During this period, Alpha Corp has struggled to meet both its financial targets and market expectations. This has been accompanied by weak stock performance, with the company significantly underperforming relative to the Stockholm Stock Exchange.

In addition, concerns have been raised regarding the company's transparency and execution. As a result of continued underperformance and declining market confidence, the board recently initiated a change in direction and appointed a new CEO (Alpha Corp Press Release, 2025). The new CEO was recruited externally, in contrast to previous appointments, indicating a shift in strategic direction. Despite these changes, the level of short interest has remained elevated. As explained by the Alpha Corp IR representative:

> The thing is, we've been pretty bad at delivering on our promises. That's also one of the reasons our former CEO had to step down a year ago. We haven't been able to deliver on our promises. [...] As a result, our credibility in the market is pretty low. (IR representative, interview)

The most recent interim report, prior to the quarter analyzed in this study, was the first under the new CEO. Considerable attention was directed towards the new CEO and the changes being implemented. During her first quarter, several significant measures were introduced. The order book was substantially impaired, and a new strategic plan was announced, including organizational changes and future cost reductions. The new CEO and the announced initiatives were generally positively received by media (Business News Article, 2025; Business News Article, 2025, Business News Article, 2025). The CEO also emphasized dissatisfaction with the company's historical performance. As stated during the latest earnings conference call:

> Alpha Corp is not performing at full potential. […] we then defined four key priorities, of which we are today disclosing the first one. We call it simplify, empower, speed. And it's really about a new operating model. I've seen certain comments saying, 'Oh, it's a cost-saving exercise'. It's not. It's a new operating model. (Alpha Corp CEO, latest earnings conference call)

The four key priorities that were introduced included, among others, the implementation of a new operating model. This initiative was projected to reduce annual expenditures by at least 1345 MSEK, with its full impact expected to materialize during the subsequent fiscal year. The CEO also noted that the program encompassed broader organizational transformations, including a significant decentralization of the corporate structure. The remaining three priorities, focusing on innovation, expansion in key markets, and COGS reduction, were introduced later during an investor update. It was also noted that Alpha Corp's financial targets of a 40% gross margin and a 14% EBIT margin remained unchanged (Alpha Corp, Investor Update, 2026).

Overall, leading up to the interim report examined in this study, Alpha Corp can be described as being in a transitional phase, characterized by a recent change in leadership and the implementation of a new strategic direction. From the day before the release of last quarter until the day before the report release of this study the stock has risen 29%.

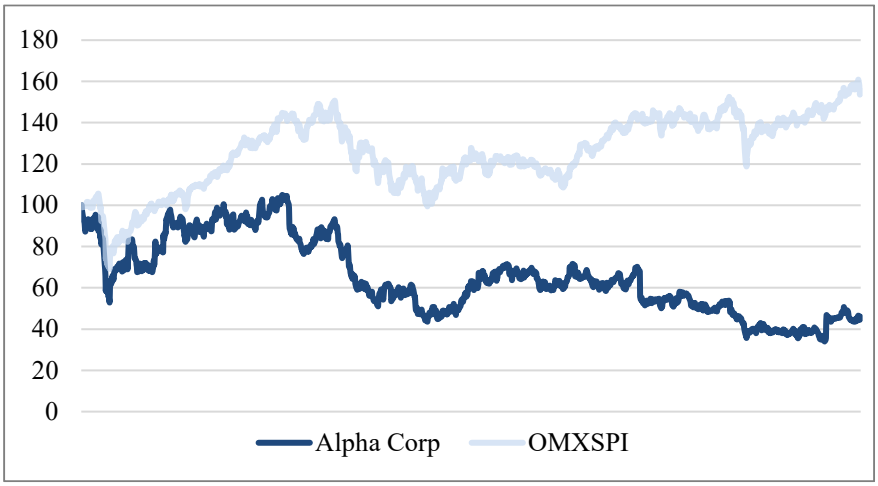


Figure 3. Evolution of Alpha Corp's share price and benchmark index [OMXSPI] (both indexed to 100 in January 2020) from January 2nd 2020 until the reporting date of the analyzed quarter (data retrieved from LSEG Workspace).

4.2. Prior to the Earnings Announcement

4.2.1. Empirical Material

4.2.1.1. Credibility Challenges

As outlined in the *Case Company Overview* section, Alpha Corp has had a history of underdelivering on its financial targets. The interviewees described a pattern in which the company set ambitious goals and communicated strong expectations, but subsequently failed to meet them. This was consistently highlighted as a key area where improvement was both necessary and expected going forward.

> One of the most important aspects is that they actually deliver on what they say they will do. If they present a plan or a target, stating that this is what will be achieved by a certain date, they need to follow through. It is easy to promise a lot, but if those promises are not fulfilled, it ultimately undermines credibility. (Fund Manager 3, interview)

The IR representative at Alpha Corp confirmed this perception of weak delivery and highlighted execution as a core issue that needed to be addressed going forward:

> We have no credibility in the market. We have not delivered on what we have communicated in the past. This has led many short-sellers to start looking at the stock historically. [...] For us, it is now, and going forward, all about execution, execution, execution […] We need to walk the talk and truly demonstrate that we can deliver. (IR representative, interview)

Another topic linked to the low level of market trust concerned what the interviewees described as weak governance practices and, at times, potentially misleading of the market. A central issue in this regard related to the handling of the order book and revenue recognition. Fund Manager 3 expressed dissatisfaction with how the company had historically managed its order book, arguing that the criteria for including orders had been overly liberal and emphasizing the need for a more prudent approach going forward. Fund Manager 2 shared this view and suggested that the negative perception could persist into the current quarter, illustrating this concern as follows:

> They sign a new customer somewhere in a developing market, but the customer has neither built the hospital nor the bunker, and may not even have the necessary staff in place, yet it is still recorded as an order. That is how it has been. (Fund Manager 2, interview)

She further elaborated on the critique related to the conversion of orders into revenue:

> Alpha Corp has a volatile business across quarters. One issue that has been criticized is when orders are actually recognized as revenue […] There may also have been attempts to be somewhat too clever in managing and optimizing quarters. As a result, the market has reacted by saying: we do not trust this. (Fund Manager 2, interview)

In addition, the capitalization of R&D expenditures was frequently raised as a concern. Interviewees described this practice as historically overly aggressive and not fully reflective of the underlying economic reality. Analyst 2 had scrutinized the company's R&D capitalization for an extended period. She noted that during a certain period, approximately 70 percent of EBIT consisted of what she referred to as "accounting EBIT", which arose as a result of capitalization, a practice that had been subject to substantial criticism.

The factors discussed above, including weak delivery on financial targets, concerns regarding accounting practices and disclosures, and aggressive capitalization of R&D, were highlighted by the interviewees as potential explanations for the high level of short interest in the stock. Fund Manager 1 further noted that the combination of clearly defined financial targets and repeated underperformance created an attractive setup for short sellers, which the company themselves also acknowledged. Analyst 2 supported this view, emphasizing that the company had historically exhibited characteristics that made it particularly susceptible to short-selling activity.

The company further acknowledged the concerns raised by the market and described ongoing efforts to address them. For instance, it had revised its approach to guiding on order intake in order to reduce speculation related to the timing of orders across quarters. One of the initial actions taken under the new management included a substantial impairment of the order book, signaling a more conservative and transparent approach going forward. The IR representative further emphasized the importance of transparency in the company's communication with the market. At the same time, she acknowledged that there was an inherent trade-off between transparency and the protection of commercially sensitive information:

> Transparency is important, but you cannot be so transparent that it undermines the conditions for the business […] Transparency, yes, but never at the expense of the business. (IR representative, interview)

Despite weak historical stock performance and the previously discussed concerns regarding management credibility, all interviewed investors identified significant upside potential in the stock, while noting that it has not generated substantial returns so far. The investors have nevertheless maintained their positions in Alpha Corp over an extended period. The investment case was consistently described as a turnaround, and none of the investors indicated any intention to divest in the near term. This positive perception also appeared aligned with broader market assessments describing the company's stock as undervalued (Business News Article, 2026). In addition, two of the interviewed analysts maintained a buy recommendation on the company's stock, while the third analyst represented the only divergent view, holding a neutral recommendation.

4.2.1.2. Market Expectations Ahead of the Earnings Announcement

The IR representative at Alpha Corp identified three key areas of focus ahead of the upcoming quarterly report. First, the company had recently launched a new product approved for sale in the U.S. Given its higher margins, its commercial trajectory was considered particularly relevant, and market participants were expected to monitor forward-looking statements regarding demand and traction. Second, attention was directed toward developments in China, where competition from domestic firms had intensified and an ongoing anti-corruption campaign had significantly affected the market environment, negatively impacting Alpha Corp's sales in the region. Third, the report was expected to include updates on the company's new operating model, with progress in its implementation representing a further point of interest due to its anticipated cost-saving effects. This view was confirmed by the interviewees as well as in the pre-view reports published, where many highlighted the newly launched product and the progress of cost-saving initiatives as key areas of focus. Several further noted

that the company had struggled to maintain market share in the U.S., making developments in this region especially critical.

Furthermore, some interviewees explained that the delivery of financial results was not expected to be the primary focus in the current quarter, but rather in subsequent reporting periods. Instead, the emphasis in the current quarter was expected to be more qualitative, with market participants focusing on management communication and overall impressions, particularly signals suggesting a positive future trajectory. Analyst 1 further emphasized that the report was not expected to be fundamentally decisive for the stock's performance, stating that it was not a "*make-it-or-break-it quarter*". It was also highlighted that there were high expectations placed on the new CEO, as Fund Manager 1 expressed:

> There is a lot of hope being placed in her, the new management team. That she can lead the improvement journey that we expect and believe she is capable of delivering. (Fund Manager 1, interview)

However, the interviewees also identified several areas where they actually would like to see some improvements in key financial metrics. These included organic growth, observable growth in order intake, and a stabilization of the historically declining gross and EBIT margins. Fund Manager 3 further emphasized the importance of these metrics as potential turning points for the investment case:

> If they can move toward a 40 percent gross margin and a 14 percent EBIT margin, then this could genuinely become a strong investment for us. (Fund Manager 3, interview)

Additionally, the capitalization of R&D had been a recurring concern, and many interviewees also highlighted earnings quality as a key metric. Analyst 2 had also developed a more elaborate discussion of this issue in her preview and explained that it was something she continued to monitor. This was influenced not only by the extent of R&D capitalization, but also by factors such as capital tie-up and discrepancies between reported earnings and cash flow. At the same time, several interviewees pointed to factors likely to negatively affect the quarterly results, particularly foreign exchange effects and tariffs.

Furthermore, the general perception among the interviewees was that downside risk in the stock was relatively limited, largely due to low expectations embedded in the market following a prolonged period of disappointing delivery. However, with regard to the expected share price reaction on the reporting day, all interviewees stated that they anticipated a significant market response to the earnings announcement, largely independent of the reported figures and disclosed information. This expectation was grounded in the stock's historical tendency to exhibit substantial volatility on reporting days.

> If I think the stock should decline by around 3 percent in this case, I know it will never move by less than 10 percent, in either direction. It is almost like a turbo effect. [...] The stock consistently moves more than what would be theoretically motivated. (Analyst 1, interview)

While there was broad agreement regarding the stock's volatility, the interviewees offered differing explanations for its underlying causes. However, a recurring factor highlighted across interviews was the high level of short-selling activity in the stock.

Analyst 1 noted that price movements in the period leading up to the earnings announcement could influence the subsequent market reaction on the reporting day. Along similar lines, both Fund Manager 1 and Fund Manager 3 highlighted that these pre-announcement dynamics could create trading opportunities, and further argued that the pronounced volatility on reporting days could provide opportunities to adjust their positions. In contrast, Fund Manager 2 emphasized that they rarely engaged in such short-term adjustments:

> For us, the quarterly report is not really an event. The real event is meeting the company, building our understanding, and updating our information. The report itself is not something where we would typically take action on. (Fund Manager 2, interview)

4.2.1.3. Information Processing and Market Practices

The IR representative described an important aspect of her role as Head of Investor Relations as shaping and communicating a coherent equity story, grounded in the company's strategic direction and market expectations: "*What we are ultimately trying to create is an equity story, based on the strategy we have in place*". She further argued that the quarterly reporting event constitutes a critical setting for conveying this narrative. In addition, she emphasized the importance of a structured and consistent approach to market communication. For instance, she highlighted the need for continuity in how information is presented, such as avoiding the introduction of new graphs or performance metrics within the same fiscal year. Another aspect discussed in relation to financial communication concerned the choice between verbal and written communication, as certain matters were considered better suited to be addressed verbally in order to reduce the risk of misinterpretation.

The interviewed investors explained that a substantial part of their preparation ahead of earnings announcements relied on sell-side analyst output. Fund Manager 1 noted that analysts were used both to understand prevailing market expectations and to obtain more detailed insights into specific accounting issues. In this context, Analyst 3 emphasized the importance of providing analysis with longer-lasting relevance and differentiated insights, rather than merely acting as a short-term news intermediary. Similarly, Analyst 1 explained that clients did not primarily seek numerical forecasts, but rather the underlying reasoning behind them:

> They do not necessarily need a detailed explanation of how we arrive at a specific EBIT margin. What they want to understand is the reasoning behind it. Why should the company gain market share? Why do we believe margins will improve? What actions are being taken? Are there cost savings? Can they raise prices? It is the underlying rationale that matters, not just whether the number is 15 percent. (Analyst 1, interview)

Analyst 2, however, described a more critical aspect of this insight-driven focus. Specifically, she argued that analysts are expected to consistently deliver novel or "revolutionary" insights following each earnings report, even when the company's underlying fundamentals have not changed significantly.

The analysts also described the time-sensitive nature of their work around earnings announcements, emphasizing the need to form an immediate view on the morning of the release and to produce a so-called flash comment. They further acknowledged that their work is largely shaped by the need to align new information with previously communicated views. Analyst 1

explained that when new information is released, analysts tend to focus on details that support their existing models and investment thesis. She also reflected, somewhat ironically, on how analysts discuss among themselves how to interpret and present new information:

> How are you going to spin this one? I know that analysts at [anonymized firm] will likely take a negative angle, and we joke about it. How do you present this? Is there something positive to highlight? It is part of the game. You try to find your own angle, even though it is not always clear what is ultimately right or wrong. But you have to. (Fund Manager 2, interview)

Analyst 3 supported this view, explaining that having a clearly defined perspective prior to the earnings announcement helps structure the interpretation of incoming information:

> I try to have, if possible, a very clear view before the report regarding what I consider most important, which data points I want to see, and what I do not want to see. That gives you something to anchor to when the report is released and the market reactions follow. Otherwise, it is very easy to become uncertain, for example if you have a negative view and something unexpectedly positive occurs [...] Having that prior framework makes it easier to process new information, as well as changes in price movements, sentiment, or noise. (Analyst 3, interview)

Fund Manager 1 reflected on the role of analysts, noting that excessive reliance on analyst perspectives may influence one's own judgment and create uncertainty around independently formed views. She therefore emphasized the importance of having a clear stance prior to engaging in analyst discussions. Along similar lines, all investors reasoned that the interpretation of new information, including earnings reports, is shaped by prior beliefs and existing positions, making it important to form an initial view beforehand rather than becoming overly influenced by external interpretations. At the same time, they acknowledged that this may introduce biases in the interpretation process. For instance, when holding a long position, there is a natural tendency to interpret incoming information more favorably. They further described long-term investors as inherently optimistic, which may at times lead to overconfidence or reduced sensitivity to negative signals. Consequently, they emphasized the importance of maintaining a critical stance toward new information, particularly qualitative statements. Fund Manager 1 illustrated this in relation to management communication, noting that CEOs may express messages that investors "*want to hear*", while questioning whether such statements will ultimately materialize in practice. As Fund Manager 1 puts it, "*the bullshit filter is always on*". All interviewees further indicated that they, to varying degrees, sought to identify underlying strategies and signals in communication practices.

Returning to the analysts, they further explained that another key aspect of their preparation concerns the upcoming earnings call, which typically takes place later the same day. All analysts noted that they generally aim to ask at least one question, both to gather additional information and to increase their visibility, as a key objective is to position themselves as a primary point of contact for investors. In addition, the analysts described how the questions posed during the call are often aligned with their existing analytical narratives.

> You often ask questions where you more or less anticipate the answer, as they help support your thesis. (Analyst 1, interview)

One of the analysts further highlighted that an additional layer of strategic behavior could be present in this context, as analysts may at times deliberately refrain from asking certain questions in order to avoid revealing information they prefer not to share with competitors:

> Some questions are asked because they are clearly important and you want to demonstrate that you are on top of things. In other cases, you may hold back certain questions, as you do not want to share too much with the others. (Analyst 3, interview)

The analysts also emphasized that the questions raised during earnings calls can have a direct impact on share price movements:

> People ask questions, and depending on the answers, it can trigger price movements. For example, if there is no explicit margin target and someone asks whether margins are expected to improve, a positive response can lead to a sharp increase in the stock price. Conversely, if the response is more cautious, the stock may decline. (Analyst 1, interview)

A recurring theme throughout the interviews concerned the role and value of private meetings with company management. All interviewed investors and analysts stated that they planned to engage in such meetings for the analyzed quarter. Fund Manager 1 noted that interactions between management and analysts had historically operated close to the boundary of disclosing new information, a view supported by the analysts, who further argued that such interactions are now more restrictive. The IR representative emphasized the importance of not disclosing new or price-sensitive information in such settings, while Analyst 1 noted that these meetings could still provide meaningful value.

> They never provide information that they are not allowed to share. You cannot ask directly whether they will meet their targets and expect a confidential answer. That is not how it works. But you can still ask questions in a way that helps you understand the general direction the company is moving in. (Analyst 1, interview)

This view was shared by all the fund managers. Fund Manager 2 further elaborated on the value of private meetings, highlighting the benefits of gaining insights into the company's expected future trajectory:

> In that sense, we may have had a lead of perhaps six months. It is not that we have received any insider information, but we have still gained a better understanding of where the company is heading. (Fund Manager 2, interview)

4.2.2. Synthesis of Empirical Findings from "Prior to the Earnings Announcement"

It is evident that the actors in this study approached the quarterly reporting event with pre-existing expectations and analytical narratives concerning both the company and the upcoming report. From a sensemaking perspective, these expectations resemble retained stories that structure how actors make sense of subsequently disclosed accounting information. The empirical findings further indicate that these retained stories shape which information becomes salient once the quarterly report is released, influencing which aspects of the disclosure analysts and investors attend to. More broadly, the findings align with prior research on framing and interpretation under uncertainty (Beunza & Garud, 2007; Graaf, 2023). Through the theoretical lens of sensemaking, this behavior can be understood as retained stories shaping how informational cues are enacted by different actors.

Additionally, the analysts describe that they are incentivized to produce differentiated and "revolutionary" interpretations despite limited underlying fundamental change. This competitive pressure appears to influence the enactment process by shaping how analysts construct and enact interpretive cues from accounting information. This is consistent with Imam and Spence's (2016) description of the competitive dynamics of analyst work. In line with Graaf (2023) and Brown et al. (2019), earnings calls also appear to function as performative arenas in which analysts seek visibility, strategically frame questions, and reinforce existing analytical narratives. At the same time, this study partly contradicts Graaf's (2023) findings by suggesting that analysts may also strategically withhold questions to avoid revealing valuable analytical insights or interpretive advantages to competitors.

Finally, the empirical findings indicate that financial communication is viewed as a strategic disclosure process rather than as neutral information provision, consistent with prior research on disclosure management (Gibbins et al., 1990; Verrecchia, 1983). The emphasis on maintaining a consistent equity story, stable communication practices, realistic expectations, and credibility further aligns with IR research (Armitage & Marston, 2008; Holland, 1998; Preda, 2009; Åhblom, 2017). From a sensemaking perspective, Alpha Corp's communication practices can therefore be understood as attempts to shape how accounting users enact new accounting information.

4.3. The Earnings Announcement Day

4.3.1. Empirical Material

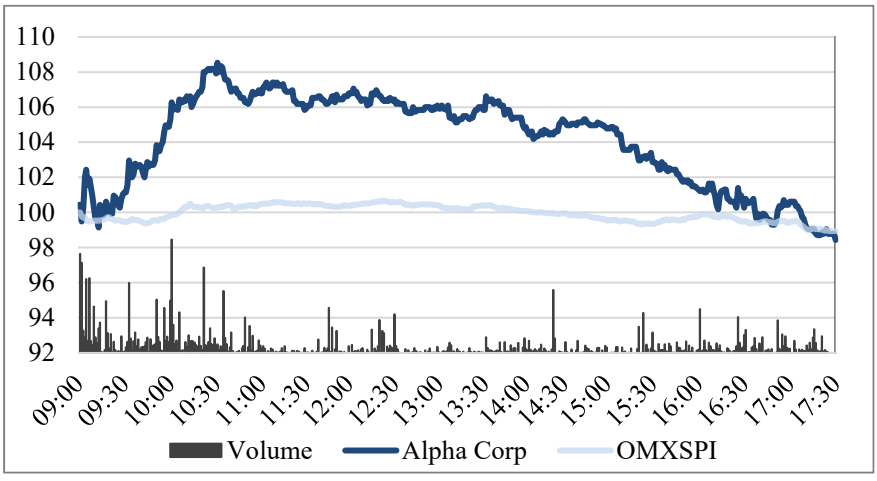


Figure 4. Evolution of Alpha Corp's share price and benchmark index [OMXSPI] (both indexed to 100 at market open), together with trading volume of Alpha Corp, on the reporting date (data retrieved from LSEG Workspace).

The share price closed at SEK 154.54 on the day before the reporting date and at SEK 152.12 on the reporting date, corresponding to a decline of 1.6 percent. However, this movement should be interpreted in light of the fact that the reporting date was also the ex-dividend date, meaning that the share traded without the right to the SEK 3.23 dividend. Adjusted for the

dividend, the price movement instead reflects a positive change of approximately 0.5 percent. During the trading day, the share reached a high of SEK 168.26 and a low of SEK 147.95. Total trading volume amounted to 3.2 million shares.

The key elements of the report are presented through the interpretations and emphasis of different market participants and are described throughout this section, which follows the chronological sequence of events on the reporting day.

4.3.1.1. Before Market Opening

The quarterly report was released at 07:30, and within minutes major business news outlets released commentary articles on the reported figures. These articles were largely descriptive, primarily reiterating key information from the report, including line items such as EBIT and sales, and noting that Alpha Corp's figures were broadly in line with analyst consensus. However, a notable distinction lies in how the articles were framed through their headlines. For example, one article stated "*Alpha Corp reports results in line with expectations*" while another adopted a more negative angle: "*Alpha Corp reports a decline in revenue and order intake*".

In live interviews with two major financial news outlets, the CEO characterized the period as a "*solid quarter*", driven, among other factors, by improved gross margins from recent product launches. She also outlined several key themes from the report, which are discussed in more detail later in this section. A central theme in both interviews was the shift of the operative model. The CEO emphasized the company's efforts to address historical inefficiencies, noting that the impact of these changes had already started to materialize and was expected to become more significant in the following quarter.

Furthermore, the main points highlighted in the analysts' flash comments were broadly aligned and centred on the key messages communicated by the company. These included sales performance, order intake (including the book-to-bill ratio), margins, progress in the cost-saving programme, and the geographical distribution across regions. However, differences emerged in how this information was framed. For instance, one analyst with a sell recommendation titled the commentary "*Q3 okay, questions remain on China gearing*", whereas another analyst with a buy recommendation emphasised "*Solid order intake driven by U.S./China*". Divergence was also evident in the interpretation of order intake. Several analysts, primarily those with buy or hold recommendations, highlighted its strength, closely aligning with the company's own communication. In contrast, others adopted a more cautious stance, pointing to potential challenges in converting orders into revenue. As one analyst noted:

> The results highlight a continued disconnect between strong order intake and revenue conversion: while the book-to-bill ratio was a healthy 1.17, organic sales growth was only 2%. (Anonymized Analyst, flash comment)

A similar pattern appeared in the overall characterisation of the quarterly results. Some analysts described the quarter as "*uninspiring*", whereas others referred to the results as "*solid*". Another notable aspect was that Analyst 2 discussed the cost-saving programme in greater detail and highlighted its potential to have an impact earlier than expected.

Analysts' views on expected share price reactions were relatively aligned, irrespective of recommendation. Most expected the report to be received broadly in line with expectations, implying a flat to slightly positive share price reaction. However, analysts with sell or underweight recommendations consistently emphasized risks related to competition from Beta Comp, execution, and market share development in the U.S. and China.

4.3.1.2. Market Opening and Earnings Call

When the stock exchange opened, the earnings conference call commenced simultaneously. The share opened at SEK 154.54, and the first minutes of trading were characterized by high activity, with approximately 100,000 shares traded within the first two minutes. Despite this elevated volume, the price remained largely flat.

Between 09:02 and 09:05, the share price increased from SEK 153.73 to SEK 158.31 (+3%). During this interval, the CEO provided a general overview of the quarter, again describing it as a "*solid quarter*" while emphasizing that the company was not yet performing at its perceived long-term potential. Particular emphasis was placed on the need for a clear strategy, decisive execution, and stronger operational delivery. The CEO then outlined the key takeaways from the quarter, including an improved book-to-bill ratio compared to the same quarter in the previous fiscal year. Strong order and revenue growth in China were highlighted, with expectations that the market would soon recover to pre-anti-corruption campaign levels. In the U.S., solid year-to-date order intake was emphasized despite weaker sales, while Europe continued to show positive momentum, partly driven by earlier product launches translating into orders.

From a financial perspective, the CEO reported organic growth of 2 percent, a gross margin of 38.3 percent, and an adjusted EBIT margin of 11.9 percent. She further noted that EBIT and cash EBIT are expected to converge in the coming year. During this period, up until approximately 09:07, the share price remained broadly unchanged.

Between 09:07 and 09:13, the CEO discussed order intake in greater detail, reiterating that while sales in the U.S. had declined, incoming orders remained strong, although cautioned that "*we have a lot of work ahead of us*". In Asia, order intake was strong in China but weaker in other parts of the region. The EMEA region continued to demonstrate solid momentum, while potential risks related to the Middle East were described as not material. The company's four key priorities were also reiterated. During this segment, the share price declined to SEK 153.20 by 09:13, compared to the opening price of SEK 154.54. From 09:13 until the end of management's presentation, the share price exhibited volatility but followed an overall upward trend. This coincided with discussions regarding improvements in cost of goods sold and updates on the restructuring programme. The management presentation concluded at 09:25, with the first 25 minutes marked by particularly high activity and approximately 410 thousand shares traded. The Q&A session was then initiated.

The questions raised during the Q&A session primarily focused on recurring themes, including order intake in China and the U.S., the competitive landscape, the market response to the new product, cost reduction initiatives, and clarifications of items presented during management's

presentation. Notably, all analysts interviewed in this study participated in the earnings conference call and posed at least one question. In addition to these recurring themes, several questions stood out as particularly noteworthy. At 09:33, Analyst 2 posed a clarification question regarding whether the cost-saving programme would have an impact in the following quarter. The CEO responded that "*it will have a significant impact in Q4*". Following this exchange, the share price increased from SEK 156.29 to SEK 159.11 (+2%), accompanied by relatively high trading volume of approximately 44,000 shares. A further notable question was raised at 09:40, when an analyst sought clarification regarding potential double counting of orders in connection with upgrades to the newly launched product:

> And just to clarify, so when you upgrade, I don't know, from [old product] to [new product]. What's the impact on the order backlog? Do you recognize the whole order, the price uplift? How does that work? (Anonymized Analyst, earnings conference call)

At 09:44, a question was raised regarding the conversion between cash EBIT and reported EBIT, to which the CEO responded:

> I personally like to keep things simple. So within Alpha Corp, we look at gross R&D spend. And why not then take the next step in the simplification and match capitalization with amortization. [...] we are committed to improving the quality of earnings, and I think this is an important part of it. (Alpha Corp CEO, earnings conference call)

During the Q&A session, up until 10:00, the share price continued its upward trajectory following the steep increase observed at 09:33. By this point, approximately 800,000 shares had been traded during the call. In the two minutes immediately following the conclusion of the earnings call, an additional 123,000 shares were traded.

4.3.1.3. Post-Earnings Call and Intraday Developments

Following the earnings call, the share price continued to rise, reaching an intraday high of SEK 168.13 at 10:29. Thereafter, the share entered a gradual but volatile downward trend. Trading activity remained elevated, with approximately 70,000 shares traded between 10:35 and 10:40. Later in the trading day, at 14:22, approximately 40,000 shares were traded, indicating another instance of increased trading activity.

During the evening, or prior to the market opening the following day, the full analyst reports were released. These largely reiterated the themes from the earlier flash comments, including sales growth, order intake, traction across different markets, and the cost-saving programme, although in more detail. One notable difference was that all reports discussed the cost-saving programme and expected its impact to materialize earlier than previously anticipated, whereas only one analyst had highlighted this potential in the flash comment. The reports also included updates to estimates, although most changes were limited. Two analysts raised their target prices, while the remaining analysts maintained unchanged targets.

The IR representative explained that all analysts covering Alpha Corp were allocated a reserved timeslot to ask management questions, typically related to modelling assumptions. The interviewees also described active communication between investors and analysts during the

reporting day. Furthermore, Fund Managers 2 and 3 did not adjust their positions during the reporting day, whereas Fund Manager 1 made some adjustments.

The day following the reporting day, Alpha Corp's stock price surged by 10%. Trading was characterized by a steady upward trend and high liquidity, with nearly 3 million shares traded.

4.3.2. Synthesis of Empirical Findings from "The Earnings Announcement Day"

The empirics presented in this section illustrates a considerable degree of interpretive heterogeneity, as market actors frequently derived different interpretations despite using the same information. This appeared to be related to differences in previously retained expectations and interpretive frames, aligning with the reasoning of Graaf (2023) as well as Beunza and Garud (2007).

Furthermore, the empirics suggest that actors' initial enactments shaped subsequent interpretive focus throughout the reporting day. Analysts tended to return to issues they had already enacted in their flash comments during the earnings conference call, while actors holding more negative views of the company generally appeared to raise more critical questions. From a sensemaking perspective, this suggests that retained understandings influenced not only initial interpretations, but also which issues actors continued to attend to throughout the reporting process.

In addition, the findings suggest that communication activities surrounding the report functioned as important interpretive arenas where market actors refined and reassessed their understanding of the released information. This supports prior research describing earnings calls and related interactions as social arenas where meaning is negotiated through interaction rather than derived solely from the report itself (Brown et al., 2019; Hirsto et al., 2023; Åhblom, 2017). At the same time, the material suggests that the influence of these arenas on interpretation depended on how information resonated with actors' prior understandings and analytical narratives. For example, the notable stock price reaction following management's clarification of the cost-saving programme may suggest that such interactions helped refine and stabilize market interpretations by enabling actors to reassess previously formed understandings.

4.4. Following the Earnings Announcement

4.4.1. Empirical Material

4.4.1.1. Reflections on the Quarterly Report and Initial Market Reaction

In line with expectations expressed prior to the reporting day, both analysts and investors largely agreed that the report was not primarily about the numerical outcomes, but rather qualitative signals regarding the company's future trajectory. As Analyst 2 described: "*The key is the broader pattern, in terms of the direction the company is moving*". This view was echoed by all the fund managers who expressed a generally positive impression of the report and perceived the underlying business as moving in the right direction. However, the interviewees

expressed a degree of uncertainty regarding both the content of the report and the expected initial market reaction. Although, they generally anticipated a modest positive reaction. As Analyst 1 noted:

> It was not entirely clear. But if I had to guess, I expected it to increase somewhat. I would never have expected a 10 percent move […] But it certainly should not have declined. (Analyst 1, interview)

Although the interviewees emphasized that the report was not primarily about the numerical outcomes, both analysts and investors highlighted several positive aspects of the reported figures and disclosures. These included improvements in gross and EBIT margins, as well as the book-to-bill ratio. Alpha Corp's strong presence in Europe and China was also highlighted, alongside more positive signals from the US market, particularly regarding incoming orders. In addition, the restructuring programme was viewed positively, with indications that its effects could materialize earlier than initially anticipated. At the same time, Analyst 1 remarked that the report "*had something for everyone*", suggesting that it contained elements supporting both positive and negative interpretations.

She further explained that interpretations of the report tended to be shaped by prior views of the stock, effectively allowing actors to construct their own "truth", a view that was also shared by the other analysts. As an example, she noted that Alpha Corp had missed earnings expectations by a small margin, but that if she had held a sell recommendation on the stock, she would likely have framed the result very differently:

> I would simply have said: 'Another miss on earnings, piece of shit.' (Analyst 1, interview)

Across the interviews, restructuring costs emerged as a key point of interest for both investors and analysts. Analyst 2 pointed to one figure from the report as particularly informative, noting that "*around 1120 million out of the anticipated 1210–1350 million has already been realized*", which to her "*signals that the process is moving quite quickly*". She further emphasized this when discussing her key takeaway from the earnings call.

> My interpretation was that the CEO delivered a strong presentation which, to summarize it briefly, gave confidence that the cost savings will materialize, and likely sooner than previously expected. (Analyst 2, interview)

This view was further reinforced by the IR representative, who even argued that the CEO's comments regarding the cost-saving program were what triggered the surge in the share price on the reporting day:

> When she said, 'It will have a significant impact in Q4,' that was what drove the increase in the share price. (IR representative, interview)

4.4.1.2. Stock Price Volatility and Market Reactions

Consistent with the previously discussed history of volatility, the interviewees also observed substantial stock price volatility during this reporting period. The IR representative noted that the market reactions appeared somewhat unusual and difficult to fully rationalize. Similarly, the other interviewees shared the view that the magnitude of the price movements was not entirely justified by the underlying information disclosed. At the same time, several potential

explanations for the volatility were discussed. Some interviewees pointed to external macroeconomic conditions, such as geopolitical uncertainty, as possible contributing factors, while others proposed more company-specific interpretations. Nevertheless, the most frequently cited explanation concerned the relatively high level of short interest in the stock.

Analyst 1, in particular, argued that the observed price development during the day could be attributed to a short squeeze. She also noted: "*The price reaction became somewhat excessive. The extent of the increase was perhaps not fully justified*". Analyst 2 also supported the view that a short squeeze was a plausible explanation for the initial surge in the share price. She described receiving calls from short sellers on the morning of the announcement, who were actively attempting to identify negative aspects of the report: "*They were really trying to grasp at anything they could find to argue that the report was negative*". At the same time, Analyst 2 suggested that while the reported figures contained no major surprises, the market reaction may instead have been driven by the communication during the earnings call.

Furthermore, Analyst 3 distinguished between what she referred to as the initial and subsequent market reactions. According to her, the initial price movement is often driven by more superficial interpretations of the report, whereas a secondary reaction reflects a deeper analysis of the underlying fundamentals, such as margins and more detailed financial metrics. Fund Manager 3 expressed a similar view, suggesting that the delayed stock reaction during the day may have reflected the market having more time to process the report.

4.4.1.3. Qualitative Signals and Management Communication

The IR representative emphasized the role of the CEO, noting that her communication style was both convincing and confidence-inspiring. At the same time, she highlighted that certain aspects of communication are inherently difficult to control:

> You can script someone as much as you want, but their tone and who they are as a person will still come through. (IR representative, interview)

Similar perceptions were shared consistently across the interviews, particularly regarding the CEO's tone and communication style. Analyst 2 even described the new CEO as "*one of the best CEO recruitments made in recent years*". Fund Manager 1 further elaborated on her communication skills:

> She is very effective in how she presents the company. It is not necessarily that she is saying entirely new things, but rather that she communicates them in a more convincing way. (Fund Manager 1, interview)

Beyond CEO-specific aspects, the interviewees also discussed broader qualitative characteristics of the company. Several noted that the increased emphasis on transparency, as observed in previous periods, appeared to persist during this quarter. However, despite these efforts, several interviewees emphasized that the company's credibility remained low. Analyst 1 referred to a question raised during the earnings call, in which an analyst asked whether the company was double-counting orders, thereby implicitly suggesting the possibility of irregular accounting practices. She compared the situation to one in sports journalism:

> It is like asking the Norwegian ski team after winning the Olympic gold: 'How much have you doped yourselves?', as if that were the only explanation for their performance. (Analyst 1, interview)

With regard to credibility, the capitalization of R&D remained a central issue. Fund Manager 1 noted that the numbers had become "cleaner," with improvements in earnings quality reflected in a closer alignment between cash flow and EBIT. This was also emphasized in the company's communication through the introduction of a new slide in the presentation deck, referred to as the Cash-EBIT graph. Notably, this was somewhat inconsistent with the company's stated approach of maintaining a stable presentation format throughout the fiscal year, a deviation acknowledged by the IR representative. However, the reception of this additional disclosure varied among the interviewees. Analyst 1 reacted critically to the inclusion of the new slide: "*What is this slide supposed to show?*". In contrast, Analyst 2 viewed the communication more positively, arguing that changes to the presentation format can be justified, provided that the company remains consistent going forward. Furthermore, she emphasized that increased transparency regarding earnings quality was a positive development, as this was considered a critical issue for the company's credibility.

Regarding the earnings call more broadly, Fund Manager 3 explained that the questions posed were often highly detailed, making them difficult to fully grasp for individuals who are not deeply specialized in the company or sector. She further argued that this may partly reflect analysts' desire to showcase their expertise. From the analysts' perspective, Analyst 1 emphasized that the objective of participating in these calls, both generally and in this specific case, is to either identify new insights or gain additional substance in relation to the communicated information.

4.4.1.4. Private Meetings and Informal Information Channels

Fund Manager 2 reflected on the importance of this particular report and concluded that it did not significantly alter her overall view of the company. Instead, she emphasized that the most valuable insights were obtained through subsequent private meetings with management:

> To be honest, there is nothing in the report itself that changes how I view the company. I do not make any adjustments based on the report. It is rather these softer factors, such as investor meetings and informal interactions, that matter. What is discussed in those settings is largely about the future and the company's position going forward. The report provides a good overview of what they aim to do, but it does not offer the same level of detail that I have gained from speaking directly with management. (Fund Manager 2, interview)

Overall, most interviewees agreed that private meetings with management were valuable. The IR representative also emphasized the importance of private meetings, particularly as a means of providing clarification and reducing the risk of misunderstandings. One topic that was highlighted as frequently discussed in these settings was the cost-saving program. Fund Manager 3 noted that, while this had already been addressed in the report, the private meetings suggested that the potential for further cost savings might be greater than initially communicated. According to the interviewees, such interactions provided indications that there could be additional efficiencies to be realized beyond what was formally disclosed. Analyst 2 further elaborated:

> I would say that I took away more from the smaller meeting I had with them the following day. You get a better sense of things, and it is always easier when you are in the same room. You can engage more directly in the discussion and have greater freedom to ask your own questions, compared to a standard Q&A setting. (Analyst 2, interview)

She further emphasized that such interactions are valuable not only for gaining direct insights from management, but also for observing how other analysts interpret the company. This allows for a better understanding of the prevailing focus areas in the market, as well as which issues are perceived as most important.

4.4.2. Synthesis of Empirical Findings from "Post-Announcement Information"

The material presented in this section suggests that market participants continuously reassessed and contextualized the released accounting information following the report release. From a sensemaking perspective, this suggests that actors first enacted the released information and then gradually refined their interpretations through subsequent selection processes. This became evident in discussions regarding initial and later market reactions, where the initial response was described as driven by quicker and more simplified interpretations, while later reactions appeared to involve a deeper evaluation of underlying figures, explanations, and market developments.

The empirics also illustrate how actors, in hindsight, constructed plausible explanations for the substantial stock price volatility following the report release. Interestingly, several interviewees pointed to a short squeeze as the most reasonable explanation for the price movements, despite not having verified this in detail. Viewed through the lens of sensemaking, this reflects the notion of plausible explanation, where actors settle on explanations that appear sufficiently reasonable to make sense of uncertain events rather than seeking complete certainty.

Furthermore, the findings highlight the continued importance of communicative interaction and recurring reporting updates in shaping market interpretations after the report release. In line with prior IR research, management's credibility, tone, and communicative ability appeared central to how market participants interpreted the information (Bassyouny et al., 2022; Brown et al., 2019). At the same time, the material suggests that the reception of organizational communication depended on actors' prior retained understandings.

In addition, the findings suggest that communication activities and private meetings functioned as important interpretive arenas where actors refined, clarified, and evaluated previously formed understandings in greater detail. From a sensemaking perspective, this appeared closely related to the selection process, where actors used interactional arenas to deepen and reassess their interpretations of the released information. This supports prior research describing earnings calls and private interactions as important social arenas for interpretation and meaning construction (Barker et al., 1998; Brown et al., 2012; Holland, 2005; Spence et al., 2019), while somewhat contrasting Graaf's (2023) more cautious assessment of the importance of private meetings.

5. Discussion

5.1. Overview of the Analytical Discussion

In this discussion section, the empirical findings are discussed and analyzed in relation to previous research through the theoretical lens of sensemaking, more specifically the ESR model, which explains how actors interpret ambiguity through processes of enactment, selection, and retention. First, the discussion examines the limited ability of investor relations activities and financial communication to control or shape accounting users' interpretations of new accounting information. Thereafter, the discussion addresses why information stemming from private meetings is perceived as important, despite such meetings not involving the disclosure of price-sensitive information.

5.2. The Limits of IR Influence Across Communication Arenas

The first finding of this study suggests that IR functions have limited ability to influence how users interpret disclosed information. While prior research has highlighted how IR functions actively employ communication practices such as narratives, anchoring, and cues to support coherent interpretation across communication arenas (Holland, 1998; Åhblom, 2017), this finding suggests that the interpretive influence of such efforts may be more limited than previously implied. Although prior research has acknowledged the role of expectations and prior understandings (Åhblom, 2017), this finding further suggests that actors' retained interpretive structures appeared to shape interpretation to such an extent that communicative efforts from firms often had limited influence on actors' reception of disclosed information. This pattern was evident not only in the initial enactment of disclosures, but also throughout the broader interpretive trajectory unfolding across subsequent communication arenas. Communicative efforts therefore appeared constrained by already established interpretive landscapes, where prior retained understandings shaped both how disclosures were initially received and how subsequent discussions and narratives evolved.

Prior research describes financial communication as a highly strategic activity through which companies attempt to shape how accounting users interpret presented information (Armitage & Marston, 2008; Holland, 2005; Åhblom, 2017). Rather than functioning as neutral information transmission, financial communication involves narrative construction, framing, anchoring of specific datapoints, and the highlighting of selected cues (Merkl-Davies & Brennan, 2007; Åhblom, 2017). Companies may also use rhetorical and linguistic strategies to emphasize certain aspects of performance while downplaying others (Bassyouny et al., 2022; Henry, 2008; Nagengast, 2025). The IR representative of Alpha Corp similarly described how the quarterly report was strategically constructed with such considerations in mind. However, despite these communicative efforts and strategic attempts to guide interpretation, this finding suggests that interpretations remained fragmented across actors. Rather than primarily reflecting the intended framing of the disclosure, interpretations appeared strongly shaped by

previously retained interpretive frames, expectations, and analytical narratives. Hence, the finding challenges the notion within prior research that companies are able to meaningfully shape market actors' interpretations through strategic communicative tactics.

As mentioned, this finding suggests that the initial enactment of the quarterly report was strongly shaped by previously retained stories and expectations, rather than by disclosed information alone, which was also evident empirically. In relation to analysts, this aligns with the explanations offered by Beunza and Garud (2007) as well as Graaf (2023), both emphasizing how interpretation is influenced by existing analytical frames. This pattern became particularly evident in the analysts' initial enactment of the quarterly report. The analysts' flash comments differed substantially, with some describing the quarter as "*solid*" while others viewed it as "*uninspiring*", illustrating heterogeneous enactment across actors despite access to largely shared information environments. Differences also emerged in the interpretation of the same data point, for instance related to the increased book-to-bill ratio. While some analysts interpreted this as an indication of stronger future revenue development, another actor instead linked the figure to Alpha Corp's historical discrepancy between order intake and revenue conversion. Importantly, this interpretation reflected concerns previously expressed by the same analyst regarding Alpha Corp's historical execution difficulties and recurring challenges in converting orders into revenues. The finding therefore supports prior research emphasizing the role of frames and expectations, while suggesting through a sensemaking perspective that previously retained understandings shape enacted cues.

Furthermore, as a nuance to these studies, heterogeneous enactment of the quarterly report was not only observed among analysts, but also among other actors surrounding the report. This became evident in the news articles covering the release, which framed the report in markedly different ways, suggesting that fragmented enactment was a broader phenomenon rather than something isolated to analysts alone. Similar differences were also observed among investors, who did not appear to approach the report in a fully neutral manner. Investors described how they generally preferred entering the report with an already established standpoint in order to filter noise and avoid becoming overly influenced by external interpretations. In addition, several actors described approaching management communication with skepticism, actively looking for embellishments and attempts to frame performance favorably. These observations further suggest that, despite the IR function's efforts to guide and frame interpretation through the quarterly report, disclosures entered an already established interpretive landscape in which actors' retained expectations and understandings strongly shaped subsequent interpretation. As a consequence, interpretations frequently differed substantially across actors, suggesting that prior retained structures not only influenced whether information became salient, but also contributed to heterogeneous interpretive outcomes.

Relatedly, this contribution also extends the work of Åhblom (2017) by illustrating how communicative practices and strategic efforts aimed at shaping interpretation are received in practice. The empirical material contained several examples where communication strategies appeared closely aligned with theoretical descriptions of anchoring. The IR representative described how recurring themes and strategic messages were intentionally emphasized over

time in order to support continuity and interpretive alignment. On one hand, some communicative efforts appeared to gain traction. The four key priorities had been repeatedly emphasized over time and appeared to receive considerable attention among market actors, suggesting that recurring communication may contribute to making certain themes salient. On the other hand, this pattern was not uncontested. In relation to Cash EBIT metric (which relates to the earnings quality), which had also been discussed repeatedly and further highlighted through a newly introduced slide in the quarterly presentation, responses appeared substantially more limited.

Interestingly, the only actor who explicitly highlighted this information as an important takeaway was an analyst who had already devoted considerable attention to earnings quality issues and capitalization practices in her own analyses. While no causal conclusions can be drawn, this observation may, when viewed through the ESR framework, indicate that the enactment of organizational cues depends partly on whether they resonate with already retained interpretive structures. Rather than suggesting a uniform effect of communicative practices, the findings indicate that similar anchoring efforts may still generate substantially different responses across actors. Consequently, the findings suggest that communication practices such as anchoring may operate within already established interpretive landscapes rather than directly shaping interpretation from the outset. Although repeated communication may potentially contribute to influencing future retained understandings over time, the findings indicate that the reception of such efforts remains difficult to control and strongly conditioned by actors' existing interpretive structures.

Importantly, these retained structures did not appear confined to actors' initial interpretations, but also shaped subsequent interactional arenas. Questions raised during the earnings call largely revolved around themes and concerns that had already emerged prior to the report release and had also become evident in actors' initial enactments. Thus, interaction did not appear to create entirely new narratives, but rather reflected and further developed concerns and cues that had already been enacted. This pattern was also evident in relation to the previously mentioned example of the increased book-to-bill ratio. One analyst interpreted the stronger order intake through concerns previously expressed regarding historical discrepancies between orders and realized revenues and therefore raised a question concerning possible revenue recognition issues. Importantly, this question did not emerge independently from the interaction itself, but appeared rooted in concerns that had already shaped the actor's prior enactment of the report.

Similar patterns were described in relation to other meetings and interactional settings. Actors explained that such situations primarily functioned as opportunities to refine existing understandings and explore issues already considered important within their current analytical narratives. These forms of interaction were therefore described as highly valuable partly because they enabled actors to ask questions and gain deeper understanding regarding issues they already considered relevant. This further suggests that interactional arenas were often shaped by actors' prior understandings and retained interests rather than introducing entirely new interpretive directions. In this regard, some actors also described earnings calls as more

limited interactional arenas, since substantial attention was often devoted to issues raised by other participants and therefore not necessarily aligned with their own analytical interests. As one analyst explained, such discussions were often listened to only "with one ear".

It should be noted, however, that despite the selective attention of market actors, these arenas still appeared, to some extent, to provide opportunities for management to clarify, legitimate, and refine interpretations through further discussion. This became visible in relation to the restructuring programme, where management elaborated on the implications of restructuring progress during the earnings call. Although no substantial new information was introduced, this discussion coincided with a notable stock market reaction and increased subsequent attention among market participants. While causal conclusions cannot be drawn, this may suggest that interactional arenas still provide opportunities for firms to influence interpretation through further clarification and discussion.

In this regard, the finding provides partial support for Åhblom (2017), suggesting that interactional arenas may allow management to influence interpretation to some extent. However, while such arenas may provide opportunities for firms to clarify and influence interpretation, the findings suggest that IR's broader ability to shape interpretive outcomes remained constrained by actors' prior retained understandings, as the themes discussed largely reflected issues already considered salient by market actors.

5.3. Informational Value Beyond Informational Novelty

The second finding suggests that the value of private meetings does not primarily stem from the provision of new or price-sensitive information, but rather from how actors integrate informational cues into broader interpretive processes. Consequently, this finding offers a nuanced explanation for why private meetings may be perceived as valuable despite not providing price-sensitive information, thereby extending prior discussions by Barker et al. (2012) and Imam and Spence (2016). Prior research has extensively examined the role of such meetings within capital markets (Barker, 1998; Barker et al., 2012; Holland, 1998, 2005; Imam & Spence, 2016; Spence et al., 2019). However, less attention has been directed toward explaining how and why information that does not provide new price-sensitive content may nevertheless be perceived as valuable by market actors. Addressing this gap, the finding suggests that informational value does not primarily stem from informational novelty, but from how actors integrate informational cues into broader interpretive processes. From a sensemaking perspective, this implies that previously retained understandings shape how new cues are enacted and selected, meaning that informational value is relational and shaped by prior interpretive processes rather than residing within the informational cue itself.

The finding broadly supports prior research emphasizing the importance of private meetings for both analysts and investors (Barker et al., 1998; Brown et al., 2012; Holland, 2005; Spence et al., 2019), while to some extent contrasting with Graaf's (2023) more cautious assessment of their significance. This was also strongly reflected in the empirical material, where private meetings were repeatedly described as highly important. One participant even explained that

the quarterly report itself was not considered the "*real event*"; rather, the meeting with the company was. Barker et al. (2012), as well as Imam and Spence (2016), attempted to explain why private meetings may be perceived as valuable despite not providing private or price-sensitive information. Barker et al. (2012) proposed several possible explanations, including that conventional theory may have adopted an overly narrow understanding of informational value by equating useful information with price-sensitive information, while overlooking how softer and more contextual forms of information may support interpretation. Imam and Spence (2016) extended this line of reasoning by suggesting that fund managers may value contextual understanding more highly than precise forecasts and recommendations. However, the findings of this study extend these perspectives by suggesting that such usefulness is not simply a property of contextual or soft information itself. Rather, informational value emerges when cues from private interactions interact with actors' prior enactment and retention processes. What actors bring into the meeting shapes what they notice, how they interpret available cues, and whether the information becomes actionable, confirmatory, or largely irrelevant.

The empirical material illustrates this particularly clearly in relation to Alpha Corp's ongoing turnaround process. During private meetings, the CEO stated that the company had historically not been operated efficiently. While the statement itself was not informationally novel, it nevertheless became meaningful in different ways depending on the actors' retained interpretive frameworks. One analyst interpreted the statement positively, linking it to the ongoing cost-saving programme and viewing it as an indication that further efficiencies could be realized. This interpretation was reinforced by prior perceptions of the CEO as credible, as well as by recent indications that the restructuring programme was progressing faster than expected. Another actor, drawing on previous experiences of unsuccessful cost-saving initiatives within the company, adopted a more cautious interpretation and chose not to incorporate the statement into valuation assumptions. A third actor primarily interpreted the statement as confirmation of historical inefficiencies, rather than as information with substantial implications for future expectations. This illustrates a central aspect of the finding: the usefulness of information did not reside in the statement itself. Rather, the same informational cue became valuable, marginal, or largely uninformative depending on actors' prior retention structures and ongoing investment narratives.

From a sensemaking perspective, private meetings therefore appear to function less as arenas for informational disclosure and more as arenas where previously retained interpretive structures shape how new cues are evaluated and incorporated. They allow actors to evaluate whether new cues reinforce, challenge, or refine previously retained interpretations. In this sense, information may become valuable even when it is neither novel nor price-sensitive, because its usefulness is constituted through actors' ability to place it within a broader temporal and interpretive context. This finding therefore suggests that informational value in capital markets cannot be understood solely in terms of informational novelty or disclosure content. Rather, informational value must also be understood in relation to the interpretive processes through which market actors integrate informational cues into broader retained understandings, thereby providing a more nuanced explanation of the arguments advanced by Barker et al. (2012) and Imam and Spence (2016).

6. Conclusion

6.1. Addressing the Research Question

Within the context of quarterly reporting as a central communicative and interpretive event in capital markets, this thesis has examined how different market participants interpret and understand new accounting information disclosed in connection with such an event. Drawing on the concept of sensemaking (Weick, 2005), the purpose of this thesis has been to answer the following research question:

How do different stakeholders in the capital market make sense of new accounting information?

The analysis suggests that accounting users make sense of new accounting information through interpretive and social processes. Accounting information does not carry fixed or inherent meaning; instead, actors continuously make sense of accounting information over time. Accounting information is therefore repeatedly reassessed and contextualized as part of an evolving interpretive process. Viewed through the lens of sensemaking, this process can be understood through the enactment-selection-retention model.

Further, across the empirical material, the analysis suggests a considerable degree of interpretive heterogeneity, as market actors frequently derived different interpretations from the same accounting information and communicative events, despite operating within largely shared information environments. These differences appear to be shaped not by differential access to information, but by differences in how actors enact, select, and retain meaning through pre-existing interpretive structures.

Building on this broader observation of interpretive heterogeneity, this study makes two main contributions by suggesting that: i) interpretive outcomes of financial communication are constrained by accounting users' prior retained understandings and ii) private meetings matter not because they reveal new information, but because they shape how existing information is understood.

The first contribution concerns the role and influence of financial communication in shaping how accounting information is interpreted. Prior research has emphasized how firms actively employ communication practices such as framing, narratives, and anchoring in order to support coherent interpretation across communication arenas (Holland, 2005; Åhblom, 2017). However, this study suggests that the interpretive influence of such efforts may be more limited than previously implied. The findings indicate that actors' prior retained understandings strongly shape how information is interpreted, not only during the initial reception of disclosures, but throughout subsequent communication arenas. Consequently, financial communication practices appeared to operate within already established interpretive landscapes, suggesting that firms' ability to shape interpretations is inherently constrained.

The second contribution concerns private meetings and why they are considered important. The notion that private meetings are important for fund managers is not new, but has been identified in prior research (Barker, 1998; Barker et al., 2012; Holland, 1998, 2005; Imam & Spence, 2016; Spence et al., 2019). However, this study provides an explanation to why these meetings are important. The findings suggest that their importance is not primarily linked to informational novelty or privileged access to new information. Instead, information from these meetings is integrated into the actor's broader interpretive context, which can reinforce, challenge, or refine previously retained interpretations.

6.2. Practical Contributions

The findings carry practical implications for investor relations practitioners and actors involved in financial communication. Since market actors' interpretations appeared strongly shaped by prior expectations and established analytical narratives, the findings suggest that financial communication efforts may have more limited influence on interpretation than often assumed. Consequently, this may carry implications for how firms approach and structure their communication with capital market participants.

A second practical contribution relates to the tendency of accounting users to interpret new information in ways that confirm prior assumptions. This behavior resembles a form of confirmation bias, and an important implication is that increased awareness of this tendency may help market participants mitigate its effects (Soprano et al., 2024). By recognizing that interpretations are not neutral but shaped by prior beliefs, actors in the capital market may be able to make more reflective and balanced assessments of new information.

6.3. Limitations

One contextual limitation of this study relates to the timing of the reporting event, which took place during a period marked by heightened macroeconomic and geopolitical uncertainty. Several interview participants described the broader market environment as unusually volatile, suggesting that external factors beyond the company-specific disclosures may have partially influenced both market reactions and the interpretive processes surrounding the event.

Another analytical limitation of this study is its primary focus on cognitive and interpretive processes, while giving less attention to structural and institutional influences. As noted by Hellman (2000), in an investor context, actions are not driven solely by fundamental evaluations but are also shaped by market conditions and contextual factors. A similar dynamic may apply to the interpretation of new accounting information, where sensemaking processes may be influenced by organizational rules, procedures, external pressures, and industry norms. As these factors have not been the primary focus of this study, there is a risk of placing disproportionate emphasis on individual sensemaking processes.

It should also be acknowledged that sensemaking as a theoretical perspective is inherently interpretive and process-oriented, rather than based on clearly defined or universally agreed

analytical constructs (Maitlis & Christianson, 2014). Consequently, the application of sensemaking within this study relies on interpretive judgments regarding how actors appear to construct, negotiate, and revise meanings in response to new accounting information. While this interpretive flexibility constitutes a central strength of the perspective, it also implies that alternative interpretations of the empirical material may be possible.

Furthermore, although parts of the theoretical foundation originate from early work, these contributions remain widely recognized and influential within the field. Many of the theories and studies referenced in this thesis have been extensively cited and continue to serve as important conceptual foundations for contemporary research. To address potential limitations associated with relying on long-established contributions, foundational perspectives have been complemented with more recent research in order to demonstrate their continued relevance and applicability.

6.4. Suggestions for Future Research

A key finding of this study is that prior beliefs, knowledge, and established narratives appear to have a significant influence on subsequent sensemaking. As this study examines a single reporting event, it captures these dynamics within a limited temporal scope. Future research could adopt a longitudinal design by examining multiple reporting periods, which would enable a deeper understanding of how sensemaking processes evolve over time and whether interpretations change as new information emerges. This is particularly relevant given that the case company has recently undergone a strategic shift and a change in management, making it valuable to study how these developments influence sensemaking over time. In addition, conducting similar studies across multiple case companies would provide further insights into the extent to which sensemaking processes are context dependent.

Additionally, the process behind the selection of interviewees and the underlying rationale are explained in section *3.2.2. Interviews.* However, the findings suggest that additional stakeholders may also play an important role in the sensemaking of new accounting information. In particular, short sellers appeared to influence sensemaking processes in this case, both through their market activity and through their potential impact on other market participants. Future research could therefore broaden the scope of analysis to include a wider range of stakeholders in order to develop a more comprehensive understanding of how sensemaking processes surrounding accounting information are shaped.

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8. Appendices

8.1. Interview Guide

Below follows an example of an interview guide used in the study. This particular guide was used for interviews with analysts conducted prior to the earnings announcement.

Role description:

- What does your role as an analyst generally entail, and what does it involve specifically in relation to Alpha Corp?

Prior to the quarterly report:

- Regarding Alpha Corp's upcoming quarterly report, what do your tasks and preparations look like ahead of the earnings release?
    - Preferably concretely – what methods do you use?
    - Which sources do you rely on the most in your preparations? (e.g., meetings with Alpha Corp, market reports, quantitative figures, articles, etc.)
- Do you already have an idea of how you expect the report and/or communication to look?
    - What do you expect will be addressed in the report (and what may be emphasized or downplayed)?
    - What would surprise you the most if it appeared in Alpha Corp's report?
    - Do you have any expectations regarding what management will communicate or emphasize?
    - What do you think the market reaction will be following the earnings release?
    - We noted that you wrote XXX in your previous report. What are your thoughts on that now, and how do you think the company will deliver in relation to it?
    - Is there any issue you feel particularly concerned about or especially interested in, such as a specific market, margin targets, or something similar?
- Do you plan to attend the analyst conference call, and if so, how will you prepare for it?
    - Are there any questions you already know that you would like answered (either in the report itself or during the conference call)?

During the quarterly report:

- What does the process look like on the day of the earnings release? Please describe concretely what your day looks like and what you do in practice.
    - How do you structure your work around earnings releases?
    - What do you do, and in what order?
    - What is the first thing you look at when the report is released?
    - What is the first thing you "deep dive" into?
    - What determines whether you initially assess the report as "good" or "bad"?

    - Are there any financial statements that are particularly interesting? (Both generally, but especially in relation to this specific report.)
    - Are there any key metrics or figures that are particularly important? (Both generally, but especially in relation to this specific report.)
- Returning to XXX, which we discussed during your preparations, how will you examine that issue more closely?
- Accounting figures in the case of Alpha Corp:
    - In the case of Alpha Corp, which accounting figures are the most important to focus on?
    - Are there any additional figures that are particularly relevant or unique to the company?
    - How do you view one-off items?
    - Are there any figures that may seem less obvious but are still particularly important, such as inventory levels or similar?
    - Is there anything in Alpha Corp's business model that stands out in relation to your analysis of the company?
- How much emphasis do you place on quantitative measures compared to qualitative information?
- Are there situations where the communication surrounding the report affects how the figures are interpreted?
    - Do you perceive that companies sometimes use qualitative communication to influence how financial performance is interpreted?
- In previous Alpha Corp earnings releases, have you experienced situations where your interpretation of the accounting information changed after the conference call?
    - More generally, how significant would you say conference calls are?
    - What do you gain from listening to the conference call beyond what is communicated in the report?
    - Are there situations where the report itself is insufficient for you to form an opinion? Do conference calls and similar meetings fulfill this need?

After the quarterly report:

- What does your work related to Alpha Corp coverage look like after the report has been released and during the period leading up to the next report?
- Do you have meetings or conversations with investors after the report, and continuously throughout the period leading up to the next earnings release?
    - What is the purpose of these meetings?
    - What is typically discussed, and what tends to require the most explanation?

Analyst report:

- Does the quarterly report play a major role in the case of Alpha Corp when preparing your analyst report?
    - What parts of the quarterly report do you use when writing your analyst report?

- Do you distribute initial comments, call investors, etc., before your full analysis is released?

Feedback and learning:

- If your initial opinion or interpretation of the report differs from the market's reaction to it, does that affect your own view of the report? If so, how?
  - Sometimes companies report strong financial results, yet the market reaction is negative. How do you reflect on such situations?
- Where do you believe you, as an analyst, create value?
  - Do you believe the most important aspect of your coverage is setting an accurate target price, or do you think much of your value is created through qualitative insights or through contributing to a broader market consensus?

Additional questions:

- How important would you say quarterly reports are compared to other information events during the year?
- What are your general views on quarterly reporting?
- Would your work change if companies were not required to report quarterly, and if so, how?
- What do you think would happen if quarterly reporting became voluntary?
- What do you believe explains the relatively high short interest in Alpha Corp?

8.2. Detailed List of Interviewees

Pseudonym	Role	Experience	Phase	Length	Interview type
Analyst 1	Equity Research Analyst	25 + years	1	1:02:26	Face-to-Face
Analyst 1	Equity Research Analyst	25 + years	3	1:05:18	Face-to-Face
Analyst 2	Equity Research Analyst	3 + years	1	1:04:14	Face-to-Face
Analyst 2	Equity Research Analyst	3 + years	3	49:14	Face-to-Face
Analyst 3	Equity Research Analyst	20 + years	1	25:24	Virtual Meeting
Analyst 3	Equity Research Analyst	20 + years	3	1:05:24	Face-to-Face
Fund Manager 1	Portfolio Manager	10 + years	1	1:01:10	Virtual Meeting
Fund Manager 1	Portfolio Manager	10 + years	3	53:52	Virtual Meeting
Fund Manager 2	Head of Equities	25 + years	1	50:02	Face-to-Face
Fund Manager 2	Head of Equities	25 + years	3	57:34	Face-to-Face
Fund Manager 3	Portfolio Manager	15 + years	1	39:41	Face-to-Face
Fund Manager 3	Portfolio Manager	15 + years	3	48:50	Face-to-Face
IR Representative	VP Head of Investor Relations	25 + years	1	48:50	Face-to-Face

IR Representative	VP Head of Investor Relations	25 + years	3	55:46	Face-to-Face
Founder & Chairman of Board	Founder & Chairman of Board	50 + years	N/A	1:13:06	Face-to-Face
CEO	Alpha Corp CEO	25+ years	N/A	N/A*	Written interview*

* *Note:* Personal communication conducted via email correspondence.

8.3. Thematic Analysis Framework

Below follows an example excerpt from the thematic analysis matrix used for the empirical data.

	Analyst 1	Analyst 2	Analyst 3	Fund Manager 1	…
Credibility Issues					
Anticipated Market Reactions		[5:08] They've been reporting pretty poor results for several quarters. Yet despite that, the stock has been on the rise over the past six months.			
Framing of Information				[27:56]: I'm a big believer in transparency, that's where you have to start.	
Earnings Calls					
…					

8.4. Use of AI tools

ChatGPT was used as a supportive tool during parts of the research and writing process. This primarily included language refinement, proofreading assistance, and support in improving academic clarity. In addition, the transcription tool Klang AI was used to support the transcription of interviews.

The use of AI-based tools primarily contributed to increased efficiency in transcription and iterative refinement of the written text. However, the authors remained aware of potential risks associated with generative AI, including inaccurate formulations, hallucinations, oversimplification of theoretical concepts, and reduced analytical precision. To mitigate these risks, all AI-assisted output was critically reviewed and verified against original sources, empirical material, and the authors' own interpretations throughout the research process. All analytical conclusions, coding decisions, theoretical interpretations, and final formulations were ultimately developed by the authors.

The experience further provided insights into how AI-based tools may support efficiency and language refinement in qualitative research, while still requiring substantial human judgment, contextual understanding, and critical evaluation throughout the analytical process.