

The Effect of Company Age on Impression Management Practices

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ABSTRACT

Objective: In order to maintain a good image in front of investors and other stakeholders, companies carry out impression management. Various factors are considered to influence how impression management practices are carried out by companies. One of these factors is the age of the company. This study aims to explore how the age of the company affects the impression management practices carried out by the company. **Method:** This study is a quantitative study with a data processing method of regression analysis. The research sample was 100 non-financial companies with the oldest and youngest ages listed on the Indonesia Stock Exchange in 2023. Impression management practice data was taken from the board of directors' report in the company's annual report and processed using the content analysis method. **Results:** The results of the study indicate that the age of the company does not affect the impression management practices carried out by the company. **Novelty:** There has never been any research in Indonesia that uses company age as a factor influencing impression management practices.

INTRODUCTION

A long-lasting business is a successful business. This is a common view held by the business community, especially investors. Long-lasting here does not only mean surviving for decades, but can also be interpreted as surviving until it can be transferred to the next owner or his descendants [1]. To achieve this long-lasting goal, companies usually carry out two types of strategies: pivot and readjust [2]. The current trending readjust strategy is to build and adapt so that it can maintain a good corporate image. [3]. A good image is considered important now because it can make consumers loyal to using the products produced by the company, so that the company's financial performance can be maintained [4].

One of the media that is often used by a company to show that they have a good image is the annual report that they publish. Most companies use this annual report because the company's stakeholders (investors, potential investors, employees, consumers, etc.) consider the annual report as one of the "windows" that can be used to "peek" at how the company really "appears" [5]. Therefore, the company's management tries its best to use all the space in the annual report to state, both implicitly and explicitly, that the company is a good entity and is responsible to its stakeholders.

Many factors determine how a company presents its annual report. One factor that is considered influential is the age of a company. Age is one of the influential factors because the older the company, the more likely it is to present more things in their annual report [6]. Some of the reasons considered to be the background include: 1) the company has experience in presenting an attractive annual report, 2) the company has a sufficient

budget to conduct voluntary presentation, or 3) because of the increase in the company's goodwill value in the market. The statement above then raises the question: is it true that the age of the company influences their impression management practices in the annual report?

Impression Management Theory

The term impression management was first introduced by Goffman [7] in his book *The Presentation of Self in Everyday Life*. Using the metaphor of dramaturgy, Goffman [7] defined impression management as the way a person presents himself in front of an "audience". In the context of accounting, impression management theory is usually used in research on company annual reports that discuss the presentation of narrative information at discretion. The discretionary presentation referred to here is that the company will present information in a way that makes the company have a good image. Sometimes, the information presented will be distorted so that it does not show the actual condition of the company [8].

Company Age

Company age is defined as how many years the company has been established [9]. According to Ilaboya and Ohiokha [9], this definition is more appropriate because legally, a company is born when it is established, not when it enters the stock market. Ilaboya and Ohiokha's definition [9] is also more appropriate to the conditions of companies in Indonesia where not all old public companies in Indonesia immediately join the Indonesian stock exchange, such as Kimia Farma which was founded in 1817 and only listed on the IDX in 2001 [10] and Semen Padang which was founded in 1910 and only listed on the IDX in 1990 [11].

Company age was chosen as the independent variable of this study because age is considered as one of the factors that determine the level of company performance, such as innovation, financial performance, export strategy, survival ability, and growth. Comparison using age is also an interesting comparison because it can show the performance level of new and old companies or new and surviving companies [12].

Impression Management Practices in Corporate Annual Reports

The company's annual report is defined by the Financial Services Authority the Republic of Indonesia (Otoritas Jasa Keuangan Republik Indonesia) as a report on the accountability of the board of directors and board of commissioners in managing and supervising issuers or public companies within a period of one fiscal year to shareholders [13], [14], [15]. The annual report must include information regarding financial information such as a summary of important financial data and audited annual financial statements, reports of the board of directors and board of commissioners, management analysis and discussion, public company governance, and reports on the company's social and environmental responsibility. The variety of information presented in the annual report makes the public, including investors and other company stakeholders, use this report to better understand what the company has actually done. This trust makes the annual report considered a "window" to understand a company's performance.

The assumption that the annual report is a "window" makes management use the annual report to shape the company's image. Like a shop window, the annual report is used by company management to display the image that the company wants to have in the public eye. This behavior is then called the practice of corporate impression management using the annual report.

Relationship between Company Age and Impression Management Practices in Company Annual Reports

Age is considered an interesting factor to influence the impression management practices carried out by companies. According to Aggarwal [6], the older a company is, the more things management wants to present in the company's annual report. This behavior can be caused by several things, including, 1) the company has experience in presenting an attractive annual report, 2) the company has a sufficient budget to carry out voluntary presentation, or 3) because of the increase in the company's goodwill value in the market.

Research on the influence of age on impression management practices has never been conducted. Therefore, this study intends to explore the influence of company age on impression management practices carried out by the company. Annual reports were chosen as a source of data on impression management practices because of the assumption that company management often uses annual reports as a medium for carrying out impression management by the company.

RESEARCH METHOD

This study will use quantitative research methods. The population of this study is public companies in Indonesia that publish annual reports in 2023. The research sample used is 100 companies with the following selection requirements:

1. Listed on the Indonesia Stock Exchange in 2023.
2. A non-financial company.
3. Published the company's annual report in 2023.
4. 50 companies are non-financial companies with the oldest age and the remaining 50 companies are non-financial companies with the youngest age.

The dependent variable of this study is the impression management practices carried out by the companies used as research samples. The data collection method used is content analysis on the annual reports of sample companies, especially on the board of directors' reports. The data collection steps will use research of Wang et al [1] as a reference. To obtain data on impression management, the board of directors' reports from all sample companies will be measured from the following aspects:

1. Length of the board of directors' report.
2. Percentage of words and sentences referring to the company's financial performance during one fiscal year.
3. Percentage of words and sentences referring to future developments.

For the length item of the board of directors' report, it will be measured using the number of words and sentences used. While for other items, it will use a comparison

between the number of words and sentences used to express the indicator and the number of sentences in the board of directors' report.

The independent variable in this study is the age of the company. To measure it, the researcher will calculate how many years the sample company has been established until 2024.

RESULTS AND DISCUSSION

Results

This section is divided into two parts. The first part will discuss the results of research that uses words as the unit of measurement of impression management practices in annual reports. While the second part will discuss the results of research that uses sentences as the unit of measurement of impression management practices in annual reports. In each part will present the results of research and discussion of the results of the research. The following will present the results of research and discussion for the first part.

The following will present the results of the classical assumption test from the first part which uses words as a measuring tool for corporate impression management.

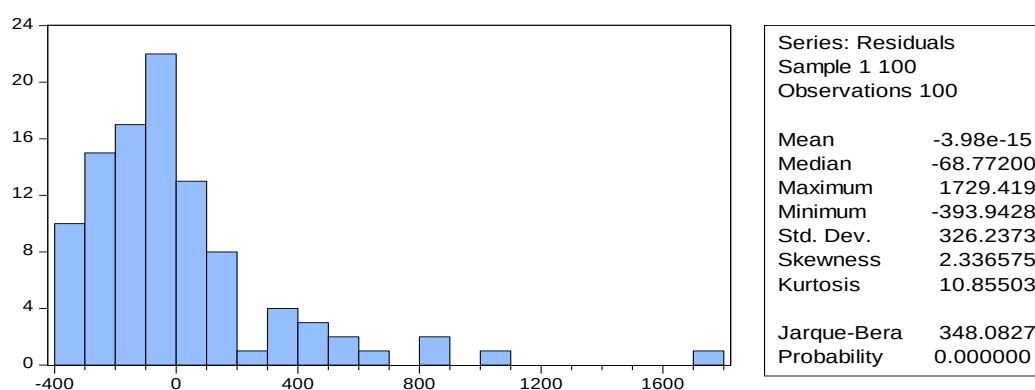


Figure 1. Results of the word count normality test.

Figure 1 above shows the results of the normality test of the impression management measuring instrument using the number of words. The results of the normality test indicate that the data tested is normal data. This is because the Jarque-Bera value is 348.0827; greater than alpha 0.05.

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	2420.700	2.251462	NA
X	0.781264	2.251462	1.000000

Figure 2. Results of the word count multicollinearity test.

Figure 2 above shows the multicollinearity results of the impression management measurement tool using the number of words. The results of the multicollinearity test

indicate that the data tested do not show any indication of multicollinearity. This is because the VIF value of variable X is 1.000000; less than 10. A VIF value below 10 indicates that the data tested has passed the multicollinearity test.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	214.1169	36.48030	5.869384	0.0000
X	0.088321	0.655370	0.134765	0.8931

Figure 3. Results of the heteroscedasticity test for word count.

Figure 3 above shows the heteroscedasticity results of the impression management measuring instrument using the number of words. The results of the heteroscedasticity test indicate that the data tested do not show any indication of heteroscedasticity. This is because the results of the Glejser heteroscedasticity test show that the probability value of the X variable is 0.8931; greater than alpha 0.05.

F-statistic	0.626747	Prob. F(2,96)	0.5365
Obs*R-squared	1.288893	Prob. Chi-Square(2)	0.5250

Figure 4. Word count autocorrelation test results.

Figure 4. above shows the autocorrelation results of the impression management measurement tool using the number of words. The results of the autocorrelation test show that the data tested do not show any indication of autocorrelation. This is because the results of the Breusch-Godfrey Serial Correlation LM Test show that the Chi-Square (2) prob. value is 0.5250; greater than alpha 0.05. Based on the tables of the results of the previous classical assumption tests, it can be concluded that the data tested has passed the classical assumption test.

The next section will discuss the results of the regression test of the influence of company age on the company's impression management practices. Impression management practices will be measured using the number of words with the provisions explained in the method section. The following will present the results of the regression test.

Dependent Variable: Y1
Method: Least Squares
Date: 03/03/25 Time: 01:31
Sample: 1 100
Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	360.3519	49.20061	7.324134	0.0000
X	0.453931	0.883891	0.513559	0.6087

R-squared	0.002684	Mean dependent var	379.1900
Adjusted R-squared	-0.007493	S.D. dependent var	326.6760
S.E. of regression	327.8975	Akaike info criterion	14.44308
Sum squared resid	10536645	Schwarz criterion	14.49518
Log likelihood	-720.1538	Hannan-Quinn criter.	14.46416
F-statistic	0.263743	Durbin-Watson stat	1.969475
Prob(F-statistic)	0.608716		

Figure 5. Word count regression test results.

Figure 5 above shows the probability value of X of 0.6087; greater than alpha 0.05. This means that the age of the company does not affect the practice of impression management with the number of words as its proxy.

The following section will discuss the results of the classical assumption test and the results of the regression test using the number of sentences as a measuring tool for impression management practices. The following will present the results of the classical assumption test of impression management practices with the measuring tool being sentences.

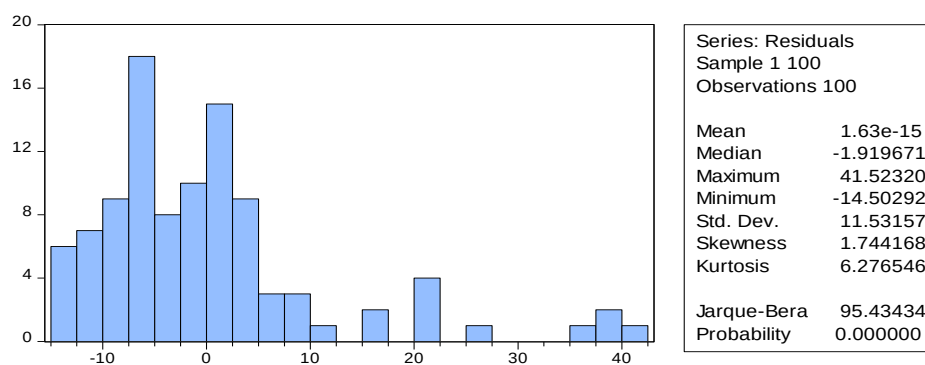


Figure 6. Results of sentence count normality test.

Figure 6 above shows the results of the normality test of the impression management measuring instrument using the number of sentences. The results of the normality test indicate that the data tested is normal data. This is because the Jarque-Bera value is 95.43434; greater than alpha 0.05.

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	3.024479	2.251462	NA
X	0.000976	2.251462	1.000000

Figure 7. Results of the sentence count multicollinearity test.

Figure 7 above shows the multicollinearity results of the impression management measuring instrument using the number of sentences. The results of the multicollinearity test indicate that the data tested do not show any indication of multicollinearity. This is because the VIF value of variable X is 1.000000; less than 10. A VIF value below 10 indicates that the data tested has passed the multicollinearity test.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.633368	1.257035	6.868039	0.0000
X	-0.017625	0.022583	-0.780448	0.4370

Figure 8. Results of the sentence count heteroscedasticity test.

Figure 8 above shows the heteroscedasticity results of the impression management measuring instrument using the number of sentences. The results of the heteroscedasticity test indicate that the data tested do not show any indication of heteroscedasticity. This is because the results of the Glejser heteroscedasticity test show that the probability value of the X variable is 0.4370; greater than alpha 0.05.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.517405	Prob. F(2,96)	0.5977
Obs*R-squared	1.066431	Prob. Chi-Square(2)	0.5867

Figure 9. Sentence count autocorrelation test results.

Figure 9 above shows the autocorrelation results of the impression management measuring instrument using the number of sentences. The results of the autocorrelation test indicate that the data tested do not show any indication of autocorrelation. This is because the results of the Breusch-Godfrey Serial Correlation LM Test show that the Chi-Square (2) prob. value is 0.5867; greater than alpha 0.05. Based on the previous tables of classical assumption test results, it can be concluded that the data tested has passed the classical assumption test.

Dependent Variable: Y2				
Method: Least Squares				
Date: 03/03/25 Time: 01:52				
Sample: 1 100				
Included observations: 100				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.85873	1.739103	7.968898	0.0000
X	0.008705	0.031243	0.278628	0.7811
R-squared	0.000792	Mean dependent var	14.22000	
Adjusted R-squared	-0.009404	S.D. dependent var	11.53614	
S.E. of regression	11.59025	Akaike info criterion	7.758004	
Sum squared resid	13164.73	Schwarz criterion	7.810107	
Log likelihood	-385.9002	Hannan-Quinn criter.	7.779091	
F-statistic	0.077634	Durbin-Watson stat	1.839699	
Prob(F-statistic)	0.781117			

Figure 10. Results of sentence count regression test.

Figure 10 above shows the probability value of X of 0.7811; greater than alpha 0.05. This means that the age of the company does not affect the practice of impression management with the number of sentences as its proxy.

Discussion

Based on the explanation in the previous section, it can be concluded that age does not affect the company's impression management practices, whether measured using word count or sentence count. The reason is because there is no significant difference in the number of sentences or words intended as impression management practices carried out by companies that have been established for a long time or have just been established, based on the research data available.

CONCLUSION

Fundamental Finding : Based on the results of the regression test that has been conducted, it can be concluded that the age of the company does not affect the impression management practices carried out by the company, both those that have been established for a long time and those that have just been established. The reason is because there is no significant difference in the number of sentences or words intended as impression management practices by the company. **Implication :** Based on the research results, it can be concluded that the age of the company is not one of the factors that influences the impression management practices carried out by the company. The research results can be a guideline for not using the age of the company as one of the independent variables in research on impression management practices. **Limitation :** This study only used 100 companies from all types of industries as research samples. Therefore, the conclusions of the study may not be used to generalize the actual conditions in the field. **Future Research :** Increasing the number of company samples is highly recommended as an effort to obtain more convincing conclusions regarding whether company age is a factor that influences impression management practices.

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