



Managing Corporate Annual Reports

A SPEC Kit compiled by

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SURVEY



Executive Summary

Corporations don't exist. They are just legal fiction. I can see a General Motors building, or a General Motors employee building a car, but I can't see General Motors. It exists in the mind. The annual report has to breathe life into this abstraction by telling a story and showing pictures to make it real.

William Lutz, Rutgers University
(*Investor Relations Business* 1999)

Introduction

When *Dsn Retailing Today* featured Ames department store as the "turnaround of the decade" because of its meteoric growth from 103 to 450 stores, the magazine spent few words telling its corporate story. Rather, the 160-word article illustrated Ames' stunning decade through the covers of its annual reports to shareholders (Duff 2000).

Since the publication of the first annual report in 1832 by Baltimore Gas and Electric Company, annual reports traditionally have provided important disclosures about the financial health of public companies and, by including 10-K filing data, have satisfied the Securities Exchange Act of 1934 requirements. In the 1950s, however, Litton Industries hired a graphic designer and published a precedent setting concept report, "driven by its CEO's directive: 'Don't show our company as it is, show it as it will be'" (Pellet 1997).

What was once only a statutory disclosure of financial conditions has become arguably the single most important communications tool a public corporation has. By intertwining visual and narrative elements, annual reports have the potential to shape corporate ethos and attract the attention of analysts, investors, and potential employees. Individually, they tell the story of a company; together, as a collection, they illustrate the history of the corporation in the twentieth century.

For nearly as long as companies have published annual reports, libraries have collected them. Sani refers to them

as the "cornerstone of any library's business collection" (Sani 1991). Bernstein, in her 1986 survey of 500 academic business libraries, found that 75% (n=255) of responding libraries collected annual reports in print format (Bernstein 1986a) and describes them as "the most heavily used primary source material for information about company history, finances, employment opportunities, marketing, products and a view of the company's current and future plans" (Bernstein 1986b).

Bernstein's survey was the first and only study to describe the annual report collection practices of academic libraries. Her findings provide an important backdrop for current discussions about print annual reports. In her survey, 57% (n=191) of responding libraries purchased microfilm sets of domestic annual reports. Of those 191 libraries, 113 reported duplicating microfilm titles with print reports. The primary reason cited for such duplication was student and faculty demand for print. When asked whether theoretically they would discard print annual reports if they were able to acquire reports for all desired companies in microfilm, 45.4% of responding libraries indicated they would discard and 25% indicated they would not. Most libraries reported, however, that they would not discard print reports for local companies in any circumstance. In this theoretical situation, the primary reason given for discarding was lack of space. The primary reasons for not discarding print included patron distaste for microforms, loss of multicolored graphics, expense of microforms, and lack of sufficient numbers of readers or printers (Bernstein 1986a).

Will paper reports survive the age of digital technology? Although the theoretical debate wages in business literature, in reality, companies are still betting on their glossies. In a 1999 survey published by the National Investor Relations Institute (NIRI), 86% of responding corporations indicated that they plan to print annual reports indefinitely. In fact, U.S. corporations are spending significantly more designing and producing reports than

they did in 1996, with an average budget of \$209,600, and the price tag for some escalating into the millions (Rivel Research 1999).

Although the corporate world may not ponder the fate of print annual reports, libraries that collect them do. As Bernstein so aptly pointed out, “despite their many benefits, annual reports pose a range of problems for the librarian” (Bernstein 1986a). Acquiring, processing, and storing annual reports in print is a time consuming effort and requires substantial storage space for even modest collections. With competition from a growing array of sources that provide at least the text and data, if not the images of annual reports themselves, the question persists: Has technology alleviated the need to collect annual reports in their print format?

The purpose of the survey for this SPEC Kit was to assess the current print annual report collection practices of ARL libraries, describe the effects of electronic information on the perceived importance of these collections, and recommend best practices for preserving these significant historical documents.

Survey Results

The survey was distributed to the 121 ARL member institutions in March 2000. Eighty-six responses (71%) were received. Of these respondents, 55% (47) currently collect annual reports in their original print format.

Selection. The majority of responding libraries (64%) collect annual reports for between 300 and 500 companies. All of these collections include for-profit corporations and many of them include both local (72%) and international corporations (64%). Annual reports for foundations and nonprofit corporations are collected by only 32% of the respondents.

Only a few of the responding ARL libraries (26%) have formal, written selection policies for their annual report collections. While many libraries select companies by using published lists, such as Fortune (55%) and Forbes (15%), others base their collections on groups of companies, such as those traded on a particular stock exchange (17%) or those which compose a composite index (4%). Geographic proximity, i.e., local public companies identified in published lists, such as the California 100 or through coverage in local news media, was the criteria most frequently cited by 57% of responding libraries as determining collections.

Other selection criteria described in the survey are much less formal and include companies from new and emerging industries, those which regularly recruit on campus, those in which students and faculty have expressed interest, and those with particularly high name recognition or newsworthiness.

Acquisition. Most libraries (60%) reported that the maintenance of the annual report collection is greater than “a small commitment.” Seventy-four percent of respondents acquire reports through locally maintained mailing lists. Several respondents no longer request annual reports at all, but simply receive those they had traditionally requested from former mailing lists. A few libraries indicated that they also regularly receive donations. In fact, one institution is given a collection of annual reports from the stock portfolio of a local college every year.

Only 11% of responding libraries utilize an annual report ordering service, such as the Public Register’s Annual Report Service (PRARS). With only a couple of exceptions, most libraries rated their satisfaction with these services as very high. Notably, on this item, several respondents failed to differentiate between services that deliver print annual reports via the mail and vendors of online annual reports. At least three respondents expressed a high degree of dissatisfaction with online vendors of annual reports and recommended this topic as an area for further study.

Library support staff (77%) and student assistants (45%) are most likely to be involved in the labor of maintaining annual reports collections, although many libraries indicated that the work is a cooperative venture involving multiple staffing levels.

Management. Most responding libraries (58%) provide some type of finding mechanism for their collections. Twenty-six percent enter reports into online catalogs, but many of those libraries noted that annual reports are cataloged with brief records only. Eight percent reported that they currently catalog reports in electronic databases or on paper; however, a majority of those libraries indicated that they plan to move lists to a web-accessible format in the near future. Forty-three percent of responding libraries do not catalog their annual reports at all.

Most annual reports are not circulated (68%), and usage statistics are not collected in an overwhelming

majority (83%) of cases. Collections are stored in filing cabinets 59% of the time and security stripped or targeted in about half of the responding institutions, with only the most popular reports secured at several libraries.

The historical depth of collections varies widely among responding libraries. The most common retention period is 2–5 years (38%). Twenty-five percent of respondents reported that retention policies vary by company. A predominant pattern is that reports for most companies are retained a specified number of years, while the reports of local companies are retained indefinitely. Ten libraries (21%) reported retaining all types indefinitely.

Evaluation. When asked to rate the importance of print annual reports to their business collections, 19 libraries (40%) rated them as very important or important. Three libraries (6%) indicated that annual reports are not very important, and 25 libraries (53%) fell somewhere in between. Libraries who identified their collections as very important or important were asked in a follow-up query to describe why they believed the collections are valuable. Answers revolved around three central themes, in order of frequency: convenience and ease of use, archival value, and impact of visual elements.

Nearly all respondents mentioned the convenience of print annual reports to the user. The phrase “quick and easy access” was used repeatedly. One respondent noted that annual reports are lengthy documents, and printing them is an expensive proposition for libraries and users. Another librarian stated that limited availability of computer work stations and printers contributes to the desirability of print reports as well, just as librarians voiced concern about limited microform reader/printers in the 1980s (Bernstein 1986a).

The historical value of annual reports was the second most frequently cited reason for maintaining print collections, particularly for local companies, which are less likely to be included in commercially produced databases. One librarian also described the involvement of business faculty in building the annual report collection and noted the possible political repercussions of its elimination. Several respondents suggested that if an organization or commercial vendor were willing to archive print reports and make them available, either via interlibrary loan or as digitized images, they would be happy to donate their collections. In other words, they are more concerned for the preservation of the collections,

than about having immediate local access to them.

The “informational value of the physical layout and visual affect of reports” was cited by three libraries as an important aspect of print collections. Annual reports in their original format are just “more fun to use,” according to one respondent. Another librarian mentioned that the annual reports in print format convey the purpose and content of an annual report to foreign business students better than their electronic counterparts.

Two institutions mentioned plans to digitize historical reports. One library has already digitized part of its collection, while the other has just begun planning to do so (see representative documentation for details). In the comments section of this survey, four additional libraries reported that they have seriously considered digitizing as an option for historical reports. Funding is the barrier most often cited. One respondent indicated that selected historical reports are microfilmed as funding becomes available.

Responding institutions subscribe to a wide variety of sources for financial filings. In fact, the vast majority subscribe to multiple products. Primark’s Disclosure (87%), Lexis-Nexis’s Academic Universe (75%) and Mergent’s (formerly Moody’s) products (66%) are clearly the most widely purchased sources of financial data, followed by a distant fourth, SEC File on Microfilm (formerly Q-File) (34%.) These resources offer a varied mixture of full-text filings, such as the 10-K, the electronic text of the annual report, and/or the scanned images of the original glossies. Although this survey did not attempt to distinguish among these types, many respondents did differentiate among them in their “other” answers. From those responses, there is clearly a demand for products, such as Laser Disclosure, that provide scanned images rather than just the electronic text.

Thirty-eight percent of responding libraries indicated that they are currently considering the elimination or significant reduction of their print annual report collections. Another 21% of respondents have deliberated and decided to reduce rather than eliminate them. Is the wide and varied availability of electronic financial information a factor in these deliberations? Eighty-two percent reported that it is. An almost equal number of libraries reported that the availability of annual reports on the World Wide Web was also a relevant factor in their decision. Labor and costs of maintaining collections (61%),

lack of storage space (43%), and declining usage (36%) are also factors cited by respondents.

Interestingly, a full 40% of responding libraries reported that they do not plan to eliminate or reduce their collections. Reasons cited for maintaining print collections echo those previously discussed, such as convenience and the need for archives.

Of the 86 libraries responding to this survey, 39 (45%) do not currently collect annual reports in print. Of these libraries, 13 (33%) formerly collected print annual reports, but ceased to do so in the past decade. Several of these libraries noted that although they have stopped actively collecting reports, they have not eliminated what they already held.

Libraries that ceased collecting annual reports throughout the 1990s were asked to identify the factors that most influenced their decisions. These 13 respondents were given the same list of items as libraries that are currently considering reducing or eliminating their collections. Although there are some similarities, the predominant concerns of libraries five to ten years ago were different from those of today. For example, the “availability of online databases” was already a significant factor in the 1990s. However, labor and the costs of maintaining collections was an equally prominent factor, cited by 48%. The availability of reports on microfilm was also noted by many of the respondents in the “other” section as a significant consideration in the 1990s.

“Availability of annual reports on the web” was cited by significantly fewer institutions (30%), than those rethinking their collections today (79%), presumably due to the phenomenal growth of reports on the web in the last few years. The perception that the “collection is not highly used” did not play as important a role for institutions in the 1990s (13%), as it does currently (36%). Space constraints were also cited by slightly fewer respondents who ceased collecting reports in the 1990s (26%), than by those who cite it now (43%), although several respondents from both groups mentioned facilities remodeling as the impetus for change.

What do the librarians who have eliminated their collections think about their decision in retrospect? When asked to evaluate the statement “eliminating the print annual report collection has decreased our ability to serve patrons with our business collection,” 11 of 13 (85%) indicated they disagreed or strongly disagreed. All 13

respondents indicated they would repeat the decision to cease collecting annual reports, if they had to make that decision again.

Conclusion and Recommendations

The availability of current online financial data is indeed abundant. Providers of digitized annual reports are fewer in number, but growing slowly. Technology, however, has failed to address some concerns about the availability of these reports, and, in fact, as with other types of resources, has created new problems of its own. Three pivotal challenges remain regarding the fate of print annual report collections: How will libraries preserve the valuable reports of the past 150 years that do not exist in machine-readable format; how will they also preserve the corporate “stories” told through the interplay of visual and narrative content—content that cannot always be satisfactorily replicated online; and, finally, as increasing numbers of companies make their current annual reports freely available on the web, can libraries rely on profit-driven companies to maintain collections that may not generate high revenue in the future?

Many ARL libraries in this survey have substantial collections of historical annual reports. If these collections are not preserved, a vital source of corporate history will be lost. Projects such as the Lippincott/SCETI digital archive and the University of Alabama/ Academy of Accounting Historians project provide models for cooperative programs that both preserve annual reports and alleviate the burden of institutional-level collections. Collecting, archiving, and digitizing reports in a systematic and centralized manner, like the Center for Research Libraries has preserved international dissertations, could provide ideal protection of and access to annual report collections. Special consideration should be given in this proposed model to ARL libraries’ strong local collections that are not likely to be duplicated anywhere.

As long as annual report design and production is big business, marketing, public relations, and graphic design students will need to examine paper copies of reports in order to learn what makes them effective. Bernstein recommended in 1986 that libraries weary of maintaining vast annual report collections should consider retaining a representative sample of outstanding or award-winning reports. Smaller collections at the local level can still show

the best of what these reports can do.

Finally, libraries and commercial vendors of annual reports should work together to solve problems of ownership, archives, and product delivery. Annual report databases must remain both financially beneficial for providers and affordable and satisfactory for libraries. Further study should be undertaken to assess libraries' needs in this area and make recommendations for improved products and services. Commercial vendors have heretofore played a vital role in building electronic annual report collections and are potentially key players in confronting the challenges of annual reports well into the future.

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