

# Substantive rationality of impression management: An analysis of corporate reports of JBS

## Racionalidade substantiva no gerenciamento de impressões: Uma análise dos relatórios corporativos da empresa JBS

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## Abstract

**Objective:** To investigate the substantive rationality inherent to the practice of impression management (IM).

**Originality/value:** Based on the taxonomy created by Merkl-Davies and Brennan (2011), it is analyzed: 1. the discussion under the sociological perspective; and 2. the actions of substantive rationality in the management of impressions that can manifest through actions of symbolic management. This study responds to the call of Merkl-Davies et al. (2011) by putting into practice an unconventional analytical model based on the use of the corporate reports (annual and sustainability) of the company JBS with special attention to the “Carne Fraca” [Weak Meat] Operation.

**Design/methodology/approach:** A content analysis of the accounting narratives of JBS’ corporate reports between 2015 and 2018 was carried out.

**Findings:** Accounting narratives suggest evidence of IM and substantive rationality. The preparers of the corporate reports used substantive rationality to legitimize the company’s actions, with the most significant manifestations of this practice in the 2017 report, the year of the “Carne Fraca” operation. The implications of this research lie in demonstrating evidence that guides companies regarding the use of accounting narratives to convince society of their actions as consistent with the structure of social rules and norms. Furthermore, we emphasize that the accounting narratives must be analyzed with caution since they can be elaborated under the influence of the manager’s opportunistic behavior.

**Keywords:** corporate communication, impression management, legitimacy, substantive rationality, symbolic management.

## Resumo

**Objetivo:** O objetivo deste estudo foi investigar a racionalidade substantiva inerente à prática do gerenciamento de impressões (GI).

**Originalidade/valor:** Com base na taxonomia criada por Merkl-Davies e Brennan (2011), analisam-se: 1. a discussão sob o eixo da perspectiva sociológica; e 2. as ações de racionalidade substantiva do GI que podem se manifestar a partir de ações de gestão simbólica. Nesse sentido, este estudo atende ao chamado de Merkl-Davies et al. (2011) ao colocar em prática um modelo pouco convencional de análise a partir da utilização dos relatórios corporativos (anual e de sustentabilidade) da empresa JBS com especial atenção à Operação “Carne Fraca”.

**Design/metodologia/abordagem:** Foi empreendida uma análise de conteúdo das narrativas contábeis dos relatórios corporativos da JBS entre o período de 2015 a 2018, à luz da estrutura conceitual de Merkl-Davies e Brennan.

**Resultados:** As narrativas contábeis sugerem indícios de GI e da racionalidade substantiva. A racionalidade substantiva foi utilizada pelos preparadores dos relatórios corporativos a fim de legitimar as ações da companhia, sendo as manifestações dessa prática mais significativas no relatório de 2017, ano do evento Operação “Carne Fraca”. As implicações desta pesquisa residem em demonstrar evidências que direcionam as empresas quanto ao uso de narrativas contábeis para convencer a sociedade de suas ações condizentes com a estrutura de regras e normas sociais. Ademais, destacamos que as narrativas contábeis devem ser analisadas com cautela, uma vez que podem ser elaboradas sob a égide do comportamento oportunista do gestor.

**Palavras-chave:** comunicação corporativa, gerenciamento de impressões, legitimidade, racionalidade substantiva, gestão simbólica

## INTRODUCTION

The disclosure of corporate information is motivated by the search for organizational legitimacy, building a positive image of the organization, and obtaining economic benefits (Cintra, 2011). In this sense, the effort by managers to legitimize their actions can have a significant impact on the content and form of corporate disclosure (Lindblom, 1994). In the context of accounting research, less regulated corporate reports are strategically selected by management to influence stakeholder perceptions (Brennan & Merkl-Davies, 2013). As a result, there is a possibility of impression [or image] management in corporate reports to cause a favorable reaction to shareholders, governments, and other individuals in relation to an entity or manager (Souza, 2013).

The preparation of corporate reports takes place in a social context, which is influenced by social norms and rules (Merkl-Davies & Brennan, 2007, 2011). At this juncture, impression management (IM) occurs when management chooses what information to display in corporate reports to create socially desirable images or identities (Godfrey et al., 2003). Whether for issues related to legitimacy, reputation, status, marketing, or economic factors (Souza, 2013), organizations that face events or strong social pressures may decide to use various IM strategies to positively influence their image in society (Elsbach & Sutton, 1992).

Decisions based on the best possible strategies to achieve certain results are considered rational (Tomer, 2008). Given the influence of social norms and rules to achieve social legitimacy, substantive rationality is applied by managers to choose IM strategies (Merkl-Davies & Brennan, 2011). This is because substantive rationality does not purposely use rational calculation, but it admits egalitarianism, hedonism, utilitarianism, ethics, the social position for establishing a fact (Weber, 2019). In turn, in the context of corporate narrative reporting, substantive rationality mainly addresses social and environmental issues such as fair trade, workplace equality, and pollution (Merkl-Davies & Brennan, 2011).

The focus of this research is the use of accounting narratives for the practice of IM to achieve and/or maintain the entity's social legitimacy. In this perspective, the motivations and actions of modern organizations are no longer exclusively related to factors involving the measurement or distortion of data that affect the economic and financial performance of organizations and become related to factors or values that transcend economic advantages. Accounting narratives can reflect a strategic action of organizations aimed at disseminating intrinsic values, such as aesthetic and moral

ethics (Brennan & Merkl-Davies, 2013; Fernandes & Ponchirolli, 2011). Given these arguments, the following issue was presented:

- How is the substantive rationality inherent to impression management evidenced in JBS's corporate reports due to the occurrence of the "Carne Fraca" Operation?

To investigate the substantive rationality inherent to the practice of IM in JBS's corporate reports, this study is a response to the work of Merkl-Davies et al. (2011) by putting into practice an unconventional model of analysis based on the use of corporate reports (annual and sustainability) of the company JBS between 2015 and 2018. Theoretically, we contributed by adapting the integrated IM structure advocated by Merkl-Davies and Brennan (2011), incorporating a practical analysis model to support the substantive rationality of IM. We emphasize that accounting narratives must be carefully analyzed since they can be elaborated through the support of the manager's opportunistic behavior, that is, from a verbal position that strengthens and reframes facts, events, and actions.

For these reasons, we believe that this study has practical implications by demonstrating evidence that guides companies in using accounting narratives to convince society of their actions consistent with the structure of social rules and standards. Furthermore, we demonstrate the need to verify and understand the process around the communication and transparency of financial and non-financial information since these can be offered according to the organizations' objectives.

## THEORETICAL FRAMEWORK

To find a theoretical basis capable of generating a reflection on the practice of IM in JBS's corporate reports, this section contextualizes corporate communication and disclosure of corporate information, as well as the relationship of organizational legitimacy with IM and substantive rationality.

### Communication and disclosure of corporate information

Corporate communication actions can enhance the interpretive character involved in the relationship between organizations and society. Among the strategies, the highlights are: corporate advertising, media relations,

financial communications, employee relations, community relations and corporate philanthropy, government relations, and crisis communications (Argenti, 1996; Mendonça & Amantino-de-Andrade, 2003). Accounting and sustainability reports are also used to promote communication between the organization and the general public (Penteado, 2013). Furthermore, we emphasize that the means of communication take numerical formats, written narratives, graphs, tables, photographs, cartoons, (Cooper, 2013), formal and informal narratives, web pages, oral reports, video presentations (Davison, 2011).

According to Merkl-Davies and Brennan (2017), accounting communication presented from corporate narrative documents can occur for three reasons: communicating with external parties clearly and transparently; to shape the messages according to their agenda, or to mislead the audience. Silva (2016) warns about manipulating information presented in company statements to create an impression that does not correspond to their real economic and financial situation. Thus, the possibility of maintaining the organizational image through data manipulation may suggest a framework of administrative IM. Therefore, questions naturally arise regarding the reliability of the information presented in the companies' corporate reports since, according to Lindblom (1994), managers' search for legitimizing their actions which generates a significant impact on the content and form of corporate disclosure.

This situation has caused a permanent concern by regulatory bodies with the quality of disseminating information evidenced by organizations (Cardoso et al., 2014). Moreover, Baraibar-Diez and Sotorrío (2018) highlight the importance of transparency in the process of disclosing corporate information. In the past, authors like Azzone et al. (1997) have argued that it is essential for all corporate reports to present relevance, reliability, understandability, and comparability since these are the four pillars on which any report must be based to guarantee the credibility of the document.

Therefore, stakeholders must be aware of the content that companies have been reporting in their corporate reports to verify if the information disclosed matches the productive practice of the organization or if they are the cover-up of a socially responsible company (Costa et al., 2018). According to Mendonça and Amantino-de-Andrade (2003), the existence of biased reasons to encourage managers to disclose their economic, social, and environmental information can favor the practice of organizational IM.

## Corporate legitimacy

The legitimacy of an organization is based on the idea that there is a kind of social contract between the entities and the society in which they operate, representing a set of implicit or explicit expectations of its members regarding how they should operate (Pereira, Bruni et al., 2010). Therefore, organizations adhere to aspects that positively affect the perception of the intended public, promoting the favorable maintenance of their image through the management of behaviors, communication, brand, and values (Vance & Ângelo, 2007).

The possibility of conflicts or inconsistencies between the image intended by the organization and the image perceived by stakeholders may place legitimacy and consequently corporate image as aspects inherent to the practice of IM for the process of maintaining organizational legitimacy (Mendonça & Helal, 2017).

The diversity of elements for maintaining corporate legitimacy allows the organization to manage the risk associated with its organizational image through different aspects, including economic (accounting and market signals) and social (compliance with norms and rules). Thus, a path to be followed is related to institutional signs that indicate they are in accordance with social norms and beliefs. They signal rational actions that inspire credibility, quality, trust, safety, and responsibility (Fombrun & Shanley, 1990; Vance & Ângelo, 2007). According to Dowling (2001), the corporate image is defined by human values of honesty and responsibility. Thus, it is only successful when there is an alignment between the stakeholder values and those intended by the organization.

IM resides in the disclosure of financial, social, and environmental information related to the organization's business sector and actions that signal the minimization of inequalities of interests, that indicate the evolution of practices based on transparency, credibility, quality, trust, responsibility, creation of company value, legitimacy and status (Fombrun & Shanley, 1990; Cardoso et al., 2014). This represents the disclosure of information and practices that can influence stakeholders to make rational decisions regarding the company, alleviating uncertainty, improving efficiency, as well as contributing to its development and survival (Baraibar-Diez & Sotorrío, 2018).

The insertion of rational actions in the corporate environment may suggest IM from Substantive Rationality. According to Merkl-Davies and Brennan (2011), IM's substantive rationality is present in situations that indicate

divergences between the portrayed values and the actual values to suggest a threat to organizational legitimacy and commitment to corporate image.

## Conceptual framework by Merkl-Davies and Brennan

By analyzing previous studies, Merkl-Davies and Brennan (2011) developed a conceptual framework for IM. The structure was developed by supporting the concepts of rationality and motivation and aims to conceptualize IM and observe it under the axis of four perspectives: 1. economic, 2. psychological/behavioral, 3. sociological, and 4. critical.

### Rationality

The concept of rationality presupposes that human beings analyze facts based on their beliefs and motivations. Successively, in economic rationality, it is inferred that from the observation of a series of alternatives, the individual can act in favor of their self-interest and choose the course they consider ideal for achieving a certain objective and maximizing its usefulness. However, by extracting from the real world and not taking into account the influence of internal and external factors – such as memory and time constraints, beliefs about oneself and others, and social rules and norms –, the concept of economic rationality is not adequate to understand and describe how managers and investors act when providing and disclosing information in corporate reports (Merkl-Davies & Brennan, 2011).

Nonetheless, Merkl-Davies and Brennan (2011) cite limited rationality as a concept more suited to reality, as it considers that the actions of economic agents and the environment in which they act change over time (March & Simon, 1966). Furthermore, we assume that economic agents have limitations in their ability to obtain and process information because of the complexity of the environment in which they are inserted (Melo & Fucidji, 2016). It is worth noting that both concepts are classified as types of instrumental rationality, which involve the application of a calculated action, based on the analysis of a series of options, to choose the best possible means to achieve the established goals (Muzzio, 2014), thus excluding the affective components in the decision-making process (Merkl-Davies & Brennan, 2011).

Contrary to this type of reason, substantive rationality is built on the premise that decision-making always takes place in a social context and, therefore, is influenced by social norms and rules (Oliveira &



Takahashi, 2014). In this sense, decisions are motivated by self-fulfillment, understanding, ethical judgment, authenticity, and political values. However, Fernandes and Ponchirolli (2011) demonstrate that the choice of rationality depends on the motivation of the action. Thus, different rationales can be added to strategic planning in the organizational environment.

## Motivation

In the context of corporate reports, actions of substantive rationality can manifest themselves due to fraud, work accidents, incidents involving safety and health of products, positioning and conduct in the face of social and environmental issues and corporate scandals, or episodes that are at odds with social rules and norms (Merkl-Davies & Brennan, 2011).

In this sense, the disclosure of discretionary corporate information can be a strategy for (re)establishing organizational legitimacy due to contradictions between external values [society] and organizational values. Managers can be invited to become involved in IM to ensure that investors respond positively to the content of corporate reports. It is believed that there is a concern to maintain or re-establish the investors' motivation in the financial support to the entities.

Therefore, IM can be carried out to justify certain decisions and avoid criticism or interference from external bodies. When organizations use IM to present themselves in tune with the values of the social environment in which they exist, this is referred to as symbolic management (Merkl-Davies & Brennan, 2011).

Symbolic management presents itself as a way for organizations to be in tune with the values of the social environment to respond to stakeholder concerns related to substantive rationality. Therefore, it is understood that symbolic management is a standardized response that involves politically correct discourse and actions, highlighting: 1. socially acceptable goals, which generate compliance with social rules and norms and are characteristics of legitimacy; 2. ceremonial compliance, which refers to the adoption of specific practices considered adequate for rational management, even not generating improvements for organizational practices; 3. the separation of negative events from the organization's image when they are in risky situations, referring to the guarantee of their legitimacy; and 4. the redefinition of means as ends, which manifests itself in situations where there is a need to reformulate the meaning of their ends or means to gain the trust of their

audiences and guarantee their organizational legitimacy (Merkl-Davies & Brennan, 2011).

## Taxonomy by Merkl-Davies and Brennan

The classifications offered by Merkl-Davies and Brennan (2011) for IM are based on four different perspectives, which can influence the rationality underlying the behavior of managers and organizational audiences and the motivation to provide discretionary corporate narrative disclosures.

In the first perspective, based on economics, IM takes place by selecting information about the entity's performance, which is presented in the organization's narrative documents. This selection is carried out by isolating certain elements capable of influencing investors' decisions who believe in the credibility of their sources (Merkl-Davies & Brennan, 2011). By getting involved in preparing impartial reports as a response to incentives within the scope of their reputation and remuneration, managers enter into a functionalist and utilitarian reasoning process (Pereira, Lobler et al., 2010).

The psychological perspective is based on the premise that, depending on the context, managers tend to take responsibility for successful actions and results and distance themselves from this responsibility when faced with unfavorable actions and outcomes (Merkl-Davies et al., 2011). At this juncture, IM arises when managers blame external factors (those that are beyond their control) due to the poor performance of the entity and attribute the good performance of the organization to the strategies adopted by them (Oliveira et al., 2016).

From a sociological perspective, corporate narratives are designed to respond to stakeholder concerns and as a means of demonstrating organizational legitimacy (Merkl-Davies & Brennan, 2011). For example, IM arises when the company's understanding, values, or ethics contradict those of society and makes the manager adopt substantive rationality and symbolic management (Merkl-Davies & Brennan, 2011). Symbolic management is a practice that brings the idea of compliance with social rules to guarantee the organization a certain reputation and organizational legitimacy (Merkl-Davies & Brennan, 2011; Theiss, 2019).

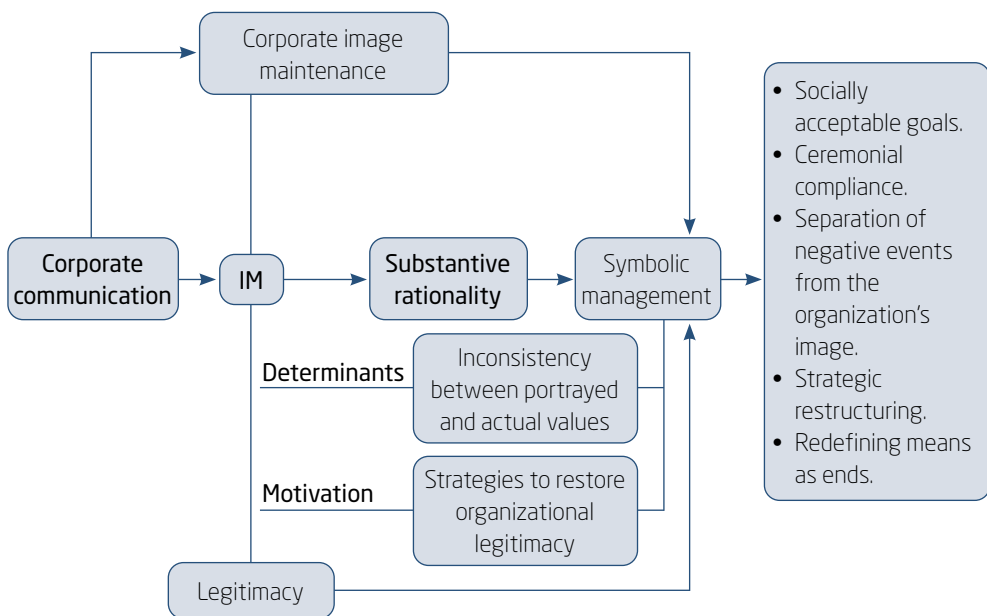
Finally, the critical perspective is concerned with power, in the sense of keeping it or gaining it. Thus, the success of IM lies in the manager's ability to influence the perception of stakeholders. The public is convinced of the social legitimacy of a given organization (Merkl-Davies & Brennan, 2011). When experiencing financial scandals and going through moments of crisis,

the interested parties are convinced that they are in isolated and exceptional situations (Brennan & Merkl-Davies, 2013).

Based on the taxonomy created by Merkl-Davies and Brennan (2011), this research focuses on: 1. the discussion under the axis of the sociological perspective; and 2. the substantive rationality actions of IM that can manifest through symbolic management actions. Considering that these actions aim to guarantee the organization’s legitimacy (Merkl-Davies & Brennan, 2011), we present in Figure 1 a summary of the explanatory theoretical model used to develop this research.

**Figure 1**

***Model of the organizational legitimization process through impression management in the light of substantive rationality***



*Source:* Adapted from Mendonça and Amantino-de-Andrade (2003), Mendonça and Helal (2017), and Merkl-Davies and Brennan (2011).

In Figure 1, the path of IM practice can be seen, from motivation to action, in conducting organizational strategies in scenarios whose organizational legitimacy and corporate image seem to be threatened. Suchman (1995) states that when organizations are in risk situations to guarantee their legitimacy, they seek to treat the negative event they were associated with as an isolated event. They can use regulatory or strategic restructuring accounts (Merkl-Davies & Brennan, 2011).

In this process, organizations need to identify inconsistencies between portrayed and actual values so that organizational practices or strategies are improved or rethought. In addition, it is essential that positive aspects are inserted into the organizational routine, and negative aspects are disassociated from the corporate image (Merkl-Davies & Brennan, 2011). Therefore, it is necessary to align the expectations of the stakeholders and the organization so that possible criticism is diverted from the corporate image and to prevent the maintenance of organizational legitimacy from being harmed.

The possibility of conflicts or inconsistencies between the image intended by the organization and the image perceived by stakeholders may place legitimacy and corporate reputation as aspects inherent to the practice of IM (Mendonça & Helal, 2017).

## METHODOLOGICAL PROCEDURES

This research aims to investigate the substantive rationality inherent in the practice of IM in JBS SA corporate reports. An investigation process with a qualitative approach was carried out. These results were interpreted with the assumptions of legitimacy linked to the effects of the operation “Carne fraca.”

JBS is a Brazilian multinational company founded in 1953. It is currently a global leader in the food industry, with more than 275,000 customers in 190 countries (JBS, 2019). In 2017, JBS S.A was accused of tampering with its meat in domestic and foreign markets. The fraud consisted of selling spoiled meat by changing the expiration date and appearance of the product through the use of chemicals.

Content analysis was used to examine the corporate reports released by JBS. This technique allows qualitative results guided by the presence or absence of a content characteristic or a set of them in selected fragments in certain messages (Bardin, 2016; Seramim & Walter, 2017). In this case, messages were obtained through documents, where speeches were presented between the company and other interested parties.

It is further highlighted that the procedures of this research were divided into three stages. The first stage, pre-analysis, is the phase of choosing the research corpus. At this stage, the information extracted from corporate reports was submitted to the analytical reports (annual and sustainability reports) of JBS, available on the company’s website, from four different periods: 2015 and 2016 (years prior to the analyzed event) 2017 (the year the event occurred), and 2018 (one year after the event).

The information from corporate reports allowed obtaining a general description of the company and its position concerning the “Carne Fraca” Operation, considering the communication strategies used to influence the perception of stakeholders, was selected from the sections: “Administration messages”, “Brands”, “Management”, “Operations, highlights of the year”, “Ethics and integrity”, “Food quality and safety”, and “Sustainability”. The discourses identified in corporate reports are understood as rationalities since situations like the “Carne Fraca” Operation are a trigger for organizational actors to get involved in IM (Merkl-Davies et al., 2011).

The second stage of the research involved the exploration of the material, which occurred through the identification of substantive rationality indicators of IM in the corporate reports of JBS. This process occurred through identifying intrinsic traces, characteristics, or subtleties inherent to the codification of the substantive rationality of the IM. The meaning, instead of the form, was prioritized. This was done by identifying changes in the discourse and actions promoted by JBS to respond to stakeholder concerns about the “Carne Fraca” Operation. The observation of the content was done through the indicators of substantive rationality highlighted in the taxonomy created by Merkl-Davies and Brennan (2011): socially acceptable goals; ceremonial conformity; the separation of negative events from the organization’s image; and the redefinition of means as ends.

The third and final step was the treatment of the data obtained and the process of inference and interpretation of these. Considering that companies linked to situations involving scandal, fraud, environmental disasters, and other negative events may be conditioned to the practice of IM due to a possible compromise of their image in the eyes of their stakeholders (Merkl-Davies & Brennan, 2011). This research focused on investigating corporate narratives published before and after the “Carne Fraca” Operation event.

## FINDINGS

Based on the content analysis of JBS’s corporate reports, Table 1 shows the substantive rationality indicators of IM identified before (2015-2016) and after (2018) the “Carne Fraca” Operation.

**Table 1**

***Analysis of corporate reports through the substantive rationality inherent in the practice of impression management, before and after the “Carne Fraca” Operation***

Substantive Rationality Indicators	Before the “Carne Fraca” Operation	After the “Carne Fraca” Operation
1. Socially acceptable goals	<ul style="list-style-type: none"> <li>Consolidate JBS as one of the leading global food companies, with valuable brands and products.</li> </ul>	<ul style="list-style-type: none"> <li>Becoming a profitable company, but more importantly, a transmitter of values to society.</li> </ul>
2. Ceremonial Compliance	<ul style="list-style-type: none"> <li>Reprint of the JBS Ethical Conduct Manual.</li> <li>Maintenance of several channels with customers and consumers from websites, profiles on social networks, specific e-mails, and toll-free lines for telephone service.</li> <li>Use of the “Complaints’ Channel”.</li> </ul>	<ul style="list-style-type: none"> <li>Creation of the reporting channel JBS Ethics Line.</li> <li>Creation of a global board.</li> <li>Creation of the “Q for Quality” Campaign – Seara.</li> <li>Creation of Control policies on specific topics.</li> <li>Gift and entertainment policy review.</li> <li>Launch of the seal of the supply chain – Friboi.</li> </ul>
3. Separation of negative events	<ul style="list-style-type: none"> <li>Global Leadership Certifications in New Business segments.</li> <li>Institutional acknowledgments.</li> <li>Presentation of investment in innovation, factories, and leadership processes.</li> <li>Presentation of positive profitability margins to investors.</li> </ul>	<ul style="list-style-type: none"> <li>Replacement of the company’s Global CEO.</li> <li>New governance structure.</li> <li>Global compliance board/board of directors/advisory committees.</li> <li>Implementation of good transparency practices and corruption prevention.</li> <li>British Retail Consortium (BRC) type certifications.</li> </ul>
4. Strategic restructuring	<ul style="list-style-type: none"> <li>Set of policies designed to help manage conduct business.</li> <li>Creation in 2015 of the corporate compliance department.</li> <li>The Corporate Governance structure is supported by two main instances: the board of directors and the executive board.</li> </ul>	<ul style="list-style-type: none"> <li>Restructuring of the compliance area.</li> <li>Creation of the “Always Do It Right” program.</li> <li>Adoption of related party transactions policy.</li> <li>Establishment of ethics committees.</li> <li>Creation of two new advisory committees to the board: related parties and governance.</li> <li>Improving third-party reputational analysis (due diligence).</li> <li>Creation of the global food safety and quality assurance board.</li> </ul>

(continue)

**Table 1 (conclusion)**

*Analysis of corporate reports through the substantive rationality inherent in the practice of impression management, before and after the “Carne Fraca” Operation*

Substantive Rationality Indicators	Before the “Carne Fraca” Operation	After the “Carne Fraca” Operation
5. Redefining means as ends	<ul style="list-style-type: none"> <li>Positioning on three fronts: the portfolio of brands and products, segments, and markets.</li> </ul>	<ul style="list-style-type: none"> <li>Formation of three strategic areas, subordinated to the global operations presidency: food quality and safety, center of excellence and innovation and global sourcing.</li> </ul>

Source: Elaborated by the authors.

Table 1 shows some of the main changes incorporated into the routine of JBS in the post-“Carne Fraca” Operation period. We found changes in strategies, especially those related to transparency and commitment to the values passed on to its stakeholders, which may suggest an attempt by the company to distance itself from the negative effects of the “Carne Fraca” Operation.

**Socially acceptable goals**

The first characteristic of symbolic management analyzed the defense of socially acceptable goals. In this context, the speech consists of disseminating objectives that are in accordance with the expectations of the various audiences (Merkl-Davies & Brennan, 2011). Thus, the value chain definition indicates actions that aim to bring economic, social, and environmental benefits. In the case of JBS, the objectives prior to “Carne Fraca” Operation were all about consolidating JBS as one of the leading global food companies with valuable brands and products (JBS, 2015). In the post-“Carne Fraca” Operation scenario, the company needed to redefine its value chain and promote the inclusion of goals following social rules and norms. The company focused on actions that indicated transparency, credibility, and trust. Therefore, the established motto was: “Focus on work, commitment to people, and advances in transparency” (JBS, 2017).

**Ceremonial compliance**

Ceremonial compliance brings evidence of substantive rationality as it signals that organizations must comply or act under social norms and rules

(Merkl-Davies & Brennan, 2011). According to specificities that impact the financial statements, even with unfavorable information after the event occurred, compliance with accounting standards is characterized as a form of ceremonial compliance.

In the case of JBS, practices were already implemented prior to “Carne Fraca” Operation. Some of these practices were: reporting lines and ethical conduct manual to combat issues related to safety, money laundering, sustainability, and conflict of interest (JBS, 2016). It is worth noting that the “Carne Fraca” Operation brought to light complaints related to the quality of the product and issues of money laundering and bribery.

Therefore, it was expected that JBS, in the post-investigation period, would have emphasized actions that came to combat practices of this nature. Among the measures implemented, we highlight the creation of the JBS ethical line reporting channel and the review and publication of donation and sponsorship policies. Such policies were treated as priorities, especially those related to donations to public agencies or agents (JBS, 2017).

## Separation of negative events from the organization’s image

In its corporate reports, JBS sought ways to distance itself from the event it was involved in. In this sense, corrective strategies were used to treat the negative event to which it was associated (Merkl-Davies & Brennan, 2011). Therefore, the use of standardizing accounts is presented through verbal corrective strategies as excuses or justifications to preserve corporate reputation and organizational legitimacy (Merkl-Davies & Brennan, 2011).

In the case of JBS, it was not possible to identify justifications or a formal apology, as they are not mentioned in their corporate reports in the period following the investigations, any direct relationship of the company with the reports published in the media. Only one point not properly related to the event is cited as atypical in 2017 – the worsening of the Company’s liquidity combined with an economic crisis scenario (JBS, 2017).

## Strategic restructuring

JBS brought to its 2017 and 2018 corporate reports strategic restructurings, which, according to Suchman (1995), is a kind of confession from the organization that there were problems in its operations. Therefore, it is necessary to remedy the situation to make the changes noticeable and consistent. In this sense, Merkl-Davies and Brennan (2011) highlight actions



involving symbolic distancing from negative factors, including replacing executives and creating monitoring posts.

Regarding JBS, the strategic restructuring took place after the change of the Global CEO of the company, Wesley Batista, and the restructuring of the Compliance area. In the case of the Global CEO of the company, he was among those investigated in the process triggered by the “Carne Fraca” Operation. Such information was not disclosed in the company’s corporate reports. In 2017, the executive was temporarily replaced by the Global CEO José Batista Sobrinho; and in 2018, Gilberto Tomazoni was elected to the position of Global CEO. This replacement brought changes to the company’s governance structure. Also, in 2017, the company created a global board headed by José Marcelo Proença and instituted two new advisory committees to the board: related parties and governance.

The restructuring of the compliance area was another measure adopted by JBS in its strategic restructuring process. The company invested inconsistent actions and programs of global dimension seeking to stand out for the quality, speed, and advances in daily business to signal good practices of transparency and prevention of corruption JBS Therefore, after the investigations, the company was among the most transparent in Brazil, being the leader in its sector of activity, according to the ranking of International Transparency (JBS, 2017).

Another strategy worth mentioning in this restructuring process at JBS concerns the creation of the global directorate for food safety and quality assurance. It is known that the “Carne Fraca” Operation made public irregular findings of the process of handling meat distributed by the company JBS Thus, to circumvent suspicions about the quality of its products, the company presented stricter criteria to guarantee highly safe products to its consumers (JBS, 2017).

## Redefining means and ends

This aspect of substantive rationality actions manifests in situations where there is a need to reformulate the meaning of their ends or means to gain the trust of an audience and ensure their organizational legitimacy (Merkl-Davies & Brennan, 2011). In the context of JBS, evidence of this action was observed in their narratives after the “Carne Fraca” event, from the efforts to promote the constant improvement of its operations to guarantee the safety and quality of its products, as well as honoring its commitment to ethics and transparency (JBS, 2018).

It is noted that substantive rationality, by encompassing the application of adequate reasons to achieve certain ends, translates the IM inherent to rational behavior as an attempt by the administration to achieve or restore social legitimacy, aligning the organization's norms and values with those of society by dissociation or symbolic management (Merkl-Davies & Brennan, 2011).

## DISCUSSION

The mapping of the accounting narratives of the company JBS signaled forms of substantive rationality through actions and arguments aimed at social acceptability. The company's discourse over the period analyzed, 2015 to 2018, remained aligned with the company's objective of achieving excellence in the segments and markets where it operates. To this end, strategies were developed and presented in accordance with social norms to (re)establish the trust of their diverse audiences, as mentioned by Merkl-Davies and Brennan (2011). In this sense, an intentional and directed behavior was perceived in its corporate reports, implying IM evidence.

However, this behavior gains strength in the narratives corresponding to corporate reports for the years 2017 and 2018, in which JBS made use of substantive rationality to justify the redefinition of means as ends and strategic restructuring (Theiss & Beuren, 2019). In 2017, the company emphasized strategic changes in two areas: transparency and safety, and the quality of its products. It is noted that the two actions seem to be related to the complaints investigated by the "Carne Fraca" Operation. It is known that in the first half of 2017, the company JBS was accused of tampering and mishandling its products. Therefore, the company's Global CEO, Wesley Batista, was accused of being involved in a money-laundering scheme and distributing bribes to influential politicians.

Thus, in mid-2017, the company created organizational actions to remove negative information from the company's image that could compromise its legitimacy and operation in the market in which it operates. The first change instituted was the restructuring of the Compliance program, which caused, among many actions, the creation of Ethics committees for handling complaints, the elaboration of consequences and investigations policies, the launch of the new whistleblowing channel (JBS Ethics Line), and the announcement of the global compliance program "Always do the right thing" (JBS, 2017).

We also note that all actions implemented bring with them the idea of ceremonial compliance, given the management's attempt to achieve or restore social legitimacy, aligning the organization's norms and values with those of society by dissociation or symbolic management (Merkl-Davies & Brennan, 2011). In this new context of JBS management, the period after the investigations of "Carne Fraca" Operation, there is a concern with ethical issues. The company's discourse, both in 2017 and 2018, is emphatic in this regard. There is a concern to highlight that the work developed by the company is based on trust, integrity, and transparency.

JBS also presented evidence of substantive rationality by bringing changes to its discourse in its frontline proposals. In 2015 and 2016, the strategy adopted diversified its positioning on three fronts: a portfolio of brands and products, segments, and markets. For 2017 and 2018, three strategic areas are formed under the global operations presidency: food quality and safety, center of excellence and innovation, and global sourcing. These three areas are directly related to the operation of the products sold by the company, a fact that suggests an attempt by JBS to remove any traces of its involvement in the "Carne Fraca" Operation. To this end, the company redefined means and ends, presenting ceremonial compliance and strategic restructuring (Merkl-Davies & Brennan, 2011).

It appears, therefore, that JBS made use of substantive rationality in different ways in its narratives between 2015 and 2018. The discourse was always associated with socially acceptable goals and actions that could be in accordance with accepted social norms. However, with the triggering of "Carne Fraca" Operation, the company accentuated its resources in measures that could maintain its image, legitimacy, and survival in the market, that is, a profitable company, but above all, a transmitter of values to society. As a result, in 2017, the company made progress in transparency, focus on work, and commitment to people as a motto in its corporate reports.

This commitment to people (customers, suppliers, employees) was very strong in 2018. In the report corresponding to the operations of that year, JBS already has the inclusion of such people in its business in its slogan. Expressions used are: "our business", "our people", "our sustainability", and "our performance". This new strategy, in turn, highlights the intrinsic values (ethics, aesthetics, and morals) related to the idea of collectivity and cooperation inherent to actions of substantive rationality in the organization (Fernandes & Ponchirolli, 2011).

The evidence presented above corroborates Theiss and Beuren (2019) research, whose objective was to investigate the alignment of rationalities in

the IM of the company's accounting narratives Samarco Mineração. In both cases, the use of IM rationales was found in accounting narratives after negative events.

It is also noteworthy that other discourses were not used besides those provided by the organization itself in its official corporate documents, as occurred in the study by Theiss and Beuren (2019), there was significant evidence of the use of the substantive rationality of the IM to overshadow the remnants of "Carne Fraca" Operation, with a view of using symbolic management elements. This fact reinforces the idea that the rationalization process does not necessarily need to be linked to an explicit defensive speech or behavior to circumvent negative aspects related to the organization (Aerts, 1994).

## CONCLUSION

This research aimed to investigate the substantive rationality inherent to the practice of IM in JBS SA corporate reports. Therefore, the results obtained showed evidence of rational actions by the preparers of corporate reports to legitimize the company's actions, generating an approximation between the company's values and the values of its different audiences. In this context, the discourse used in the narratives brought aspects of IM practice through strategies that distanced the illegitimate actions associated with the company during the "Carne Fraca" Operation. It was noticed that JBS was careful to highlight aspects that generated a favorable reaction to stakeholders.

Such evidence indicated that the content of JBS's corporate reports might have been affected by the substantive rationality of IM, considering that the accounting narratives used in the investigated reports from 2017 described facts, actions, and events in a way that the corporate environment seemed to be immune to the reflexes promoted by the "Carne Fraca" Operation. Thus, the discourse used by the company was always linked to socially acceptable goals, redefining means as ends, actions in accordance with society's wishes, and adoption of specific, consistent, and rationally managed practices (Merkl-Davies & Brennan, 2011).

Indeed, such research was not intended to investigate the authenticity of the information disclosed by JBS but to promote a reflection on the true impression that the practice of IM can cause in the users of information so that companies can regain the trust of their audiences and guarantee their organizational legitimacy (Merkl-Davies & Brennan, 2011).

Notably, the results verified in this study may have been influenced by some limitations that occurred during its development, such as: the subjectivity in the analysis of the reports, as we used the technique of content analysis, as well as the fact that only analyzing the official discourse of the company. In the analysis process, no third-party sources were consulted, such as control bodies and the free press to confront the real meaning of the actions implemented by JBS. The absence of this information may have resulted in a superficial result of the studied phenomenon.

We understand the need for research that can ensure more advanced and consistent studies at the organizational level of analysis. This way, we expect that this research can contribute to the development of knowledge about the subject and serve as a theoretical basis for academics who intend to advance the literature on IM in the context of substantive rationality. It is also expected to alert stakeholders to be aware and have access to details on the nature and origin of the information disclosed by the companies. Organizations, in turn, may want to understand the implications of IM to maintain their corporate reputation and legitimacy and how this can damage the credibility and transparency observed by stakeholders.

For future studies, we suggest investigations through analyses that can conceptualize IM from unconventional perspectives, among them, the critical perspective and the behavioral psychological, supported by instrumental and retrospective rationality.

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