

Corporate Reporting

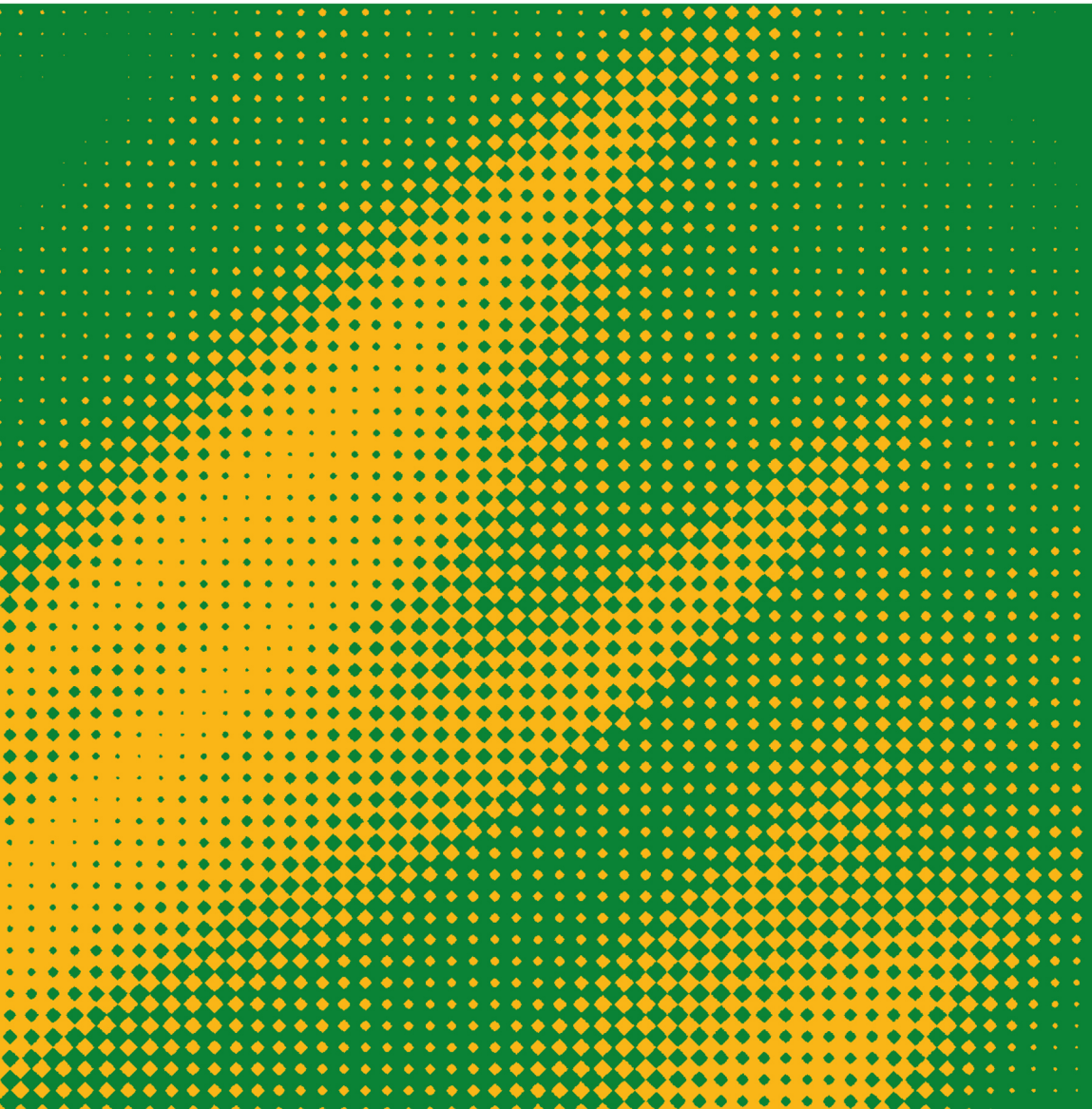
From Stewardship
to Contract, the
Annual Reports of the
United States Steel
Corporation 1902-2006

Editor
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Studies in the
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CORPORATE REPORTING

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STUDIES IN THE DEVELOPMENT OF ACCOUNTING
THOUGHT VOLUME 26

**CORPORATE REPORTING:
FROM STEWARDSHIP
TO CONTRACT, THE
ANNUAL REPORTS OF THE
UNITED STATES STEEL
CORPORATION 1902–2006**

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INVESTOR IN PEOPLE

This dissertation is dedicated to my family and friends who have supported me through the experience, but especially my father, Joseph (rest in peace), and my mother, Eileen, who provided me with every opportunity a son could desire.

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SERIES EDITOR'S PREFACE

Kevin Christopher Carduff, (1971–2018), the author of this research, was educated at Case Western Reserve University (CWRU) receiving a doctorate with a major field in Accountancy in 2010. He taught at CWRU and two other institutions prior to passing away in April 2018 after an extended illness. His undergraduate and graduate work at the master's level was also at CWRU, where he served on the staff as an Assistant Dean. While at the university he began work on his doctoral coursework. During a visit of Professor Richard Vangermeersch, a scholar who had been extensively involved in studies of U.S. Steel, Carduff undertook an early digitizing activity involving the annual reports of the United States Steel Company for which he had achieved a substantially complete collection. He was a pioneer in the use of digital data.

The digitization of these reports facilitated searching the content for patterns and quantities of information. A previous CWRU study during the 1990s for the American Institute of CPA's (AICPA) Jenkins Committee employed content analysis of sell side financial analyst reports.

His thesis focused upon gathering and interpreting information regarding the role of its financial reports at a time when US Steel attained an iconic leadership role, from its formation and first report at the start of the twentieth century through that centurial era. Using content analysis, Carduff's work examines the fiduciary communication perspective of the company's management, reflecting an awareness of the right of shareholders to information about the performance and status of their invested property.

As the century progressed, the societal constructions of disclosure changed, and the annual report to shareholders of large publicly held companies became increasingly influenced by the disclosure requirements of the 1930s Securities Acts. By the 1960s, "Footnote #1" of reports was a required narrative to describe all significant accounting policies. Thereafter common financial packages were dictated as between the management report to shareholders, and regulatory filings with the Securities and Exchange Commission. By the 1990s the format and content of many large corporation reports, reflecting expectations of institutional investors, were again overtaken, resulting the so-called "10-K wrap-around" form of annual corporate report. Carduff exams the meaning and differentiation between the former, "trust/fiduciary" approach and the latter "contract/regulatory" model at US Steel.

As his physical health declined, he was unable to share the abundance of his work through the normal process of published papers. This book provides the structure and results so that other historians and scholars interested in this transformative period may benefit from the findings.

Appreciation is extended to Dr Carduff's two sisters and brother who provided the necessary approvals for this volume.

Gary John Previts
February 12, 2022

PREFACE

Kevin and I first met in Cleveland at Case Western in 2005. I was there to meet with Gary Previts and Oktay Guvemli of Marmara University in Istanbul to discuss the 12th World Congress of Accounting Historians in 2008 in Istanbul. Gary asked me to speak with Kevin, as he was planning to study the annual reports of US Steel for his dissertation.

Since, based on my dissertation in an institutional study of the annual reports of US Steel, I was glad to talk with Kevin. We had nice conversation and I agreed to donate my collection of US Steel annual reports from 1902 to 2004 to Case Western, along with all my other books and notes on US Steel. I kept in touch with Kevin through the years and greatly appreciated his acknowledgment to me in his 2010 dissertation.

Kevin left us way too early. Gary and I both wish Kevin were here to write his own introduction but fate denied this.

Accounting has long been a field of knowledge. As such, scholarship in accounting is the same as in all fields of knowledge. There is a continual addition to the field of accounting scholarship. Kevin's addition to the field of knowledge of accounting is the use of content analysis to give a new perspective on US Steel. He does a very good job of explaining these tools to study the content, display, and tone of the US Steel annual reports. Kevin also does a fine job in summarizing the history of US Steel. The reader is well prepared to grasp key accounting issues through the years.

Kevin's key finding is that the US Steel annual report, like most annual reports of similar organization, "... has also changed dramatically, from a communication from managers to shareholders – reflecting a stewardship model – to a generic regulatory based form of government mandated disclosure in Form 10-K, abiding by a legal or contractual view" (p. 116). While I understand the legal dangers in the more conventional stewardship viewpoint, I still bemoan this change in corporate communication. I believe Kevin would have led a broad-based discussion of whether society is better served by the stewardship approach. This discussion is sorely needed.

It is important to note what further scholastic research could spring from this study. Certainly, an update of US Steel's annual reports could be done. Another avenue of research could be studies of other companies with long histories, both within and without the steel industry. This type of research is helped by the digitization efforts recently done by libraries. Kevin's research method is a model for comparative study of companies.

Please forgive my musings about 2027 – the 125th annual report of US Steel. I remember Gary's chiding of me in 2002 for not celebrating the 100th annual report of US Steel. Gary, once again, was right. So why not a full-blown academic

celebration in 2028 about the 1902–2027 annual reports of US Steel from an accounting and business history viewpoint? I am hoping that one feature of this celebration would be Kevin’s book.

Perhaps accounting historians would be interested in hosting this event? Another item could be the May 19, 1962 video of Marilyn Monroe’s singing to President John F. Kennedy on his birthday, a reprise about “How you deal with US Steel” referring to his efforts to beat back US Steel’s attempt to raise prices.

I’m hopeful that such conferences will celebrate and perhaps encourage a comeback of the stewardship view of reporting.

Richard Vangermeersch
Emeritus Professor of Accounting
University of Rhode Island
Kingston, Rhode Island
February 10, 2022

ACKNOWLEDGMENTS

I would like to acknowledge my dissertation committee for providing insights, support and motivation to see me through this accomplishment: Dr Gary J. Previts (Chair), Dr Timothy, J. Fogarty, Dr Larry M. Parker, and Dr Bo Carlsson. My dissertation Chair, Dr Gary J. Previts, has been a consistent voice of encouragement and wisdom. I consider him my mentor and one of the most generous person in my life. I appreciate the hours of his time he provided to me. Dr Fogarty and Dr Carlsson have given me insights for many different aspects of this study and to my intellectual development. Dr Parker has been one of my biggest supporters throughout this process. Whenever I was discouraged, he was there new thought or idea, and always with a smile and a pat on the back.

I also need to thank Emeritus Professor Richard Vangermeersh of the University of Rhode Island, not only for supplying the annual reports for the US Steel Corporation from his private collection, but his constant support and encouragement whenever we met at conferences, and his postcards and phone calls.

I want to acknowledge the staff of the Kelvin Smith Library for converting the annual reports into digital copies for further analysis, especially Catherine Wells for her dedication to the digitization project.

Finally, to my family and friends who have had to endure me through this process and, yet, provided me with endless support and encouragement, thank you, and you never again have to ask, “Are you done yet?”

Corporate Reporting: From Stewardship to Contract

The Annual Reports of the United States Steel Corporation (1902–2006)

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ABSTRACT

By
Kevin Christopher Carduff

The United States Steel Corporation, formed in 1901, was the first company in the United States financial markets to be capitalized at the billion dollar level. Its iconic role in the industrial economy of the country has been studied from several dimensions. This research proposes to examine fully the reporting outcomes for the company. Previous content analysis projects (Claire, 1945; Vangermeersch, 1970, 1979) have examined shorter periods of US Steel's external reporting. However, this study will examine a complete set of the company's annual reports from 1902 to 2006, in hard copy and digital formats. It is motivated by an interest in establishing an historical perspective for a question posed by Ross Watts (1977, 2006), "Why do financial reports take their current form?"

The study is initiated with the undertaking of traditional, manual content analysis of the annual report data set. In this process, five separate eras of financial reporting were identified throughout a century of annual reports. The eras identified are: (1) The Gary Years; (2) The Transition Years; (3) The Voorhees/Tyson Years; (4) The Evolution Years; and (5) The Cost Effective Years. Each of these eras are distinctive in their reporting style and corporate financial information which was emphasized and reported. Next, a model-based method of content analysis was developed and performed using structured equations in an attempt to identify external variables which may have influenced the *content, display, and tone* of the annual reports over the period of the study. This analysis did not produce significant results; however, the process of developing the model and analysis of the reports provides a promising pathway for future exploration of single company datasets by clarifying the limitations of such modeling for long periods of time.

The findings altogether assist in improving an understanding of the managerial ideology of the company toward public reporting which appears to have evolved from a stewardship model of corporate reporting to a contract model consistent with the changing configuration of capital providers and management's view of the information needs of such providers.