IMPRESSION MANAGEMENT IN SUSTAINABILITY REPORTS: CASE OF INDONESIA

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ABSTRACT

Penelitian ini bertujuan untuk menginvestigasi pengaruh manajemen impresi pada pelaporan berkelanjutan terhadap kinerja perusahaan. Terdapat tiga komponen dari manajemen impresi yaitu, selectivity, distortion, dan narsisme. Kinerja perusahaan dilihat dari ROA dan Tobin's Q. Sedangkan variabel control yaitu leverage dan size. Unit analisis adalah perusahaan public di Indonesia yang terdaftar di Bursa Efek Indonesia selama 2011 -2015. Hasil penelitian menunjukkan bahwa selectivity memeilikin pengaruh positif terhadap kinerja keuangan dan kinerja pasar. Strategi selectivity menjadi alat bagi manajemen untuk menampilkan kesan yang positif dalam menampilkan kinerja perusahaan secara grafis. Tingkat distortion memiliki pengaruh negative terhadap kinerja keuangan dan kinerja pasar. Perusahaan dengan kinerja yang jelek akan menanggung risiko sustainabilitas bisnis yang tinggi, sehingga cenderung melakukan distorsi informasi grafis dengan melebih-lebihkan pengungkapan angka yang positif. . Tingkat narsisme tidak memiliki pengaruh terhadap kinerja perusahaan. Hasil penelitian ini mengindikasikan bahwa kandungan pengungkapan informasi didalam pelaporan berkelanjutan perusahaan belum mengungkapkan informasi visual yang dapat diandalkan karena sarat dengan kepentingan manajemen. Pihak stakeholder sebagai pengguna laporan perusahaan perlu berhati-hati dalam menangkap dan menginterpretasikan informasi dalam pelaporan berkelanjutan untuk menilai kinerja perusahaan

***Keywords**: kinerja perusahaan, pelaporan berkelanjutan, manajemen impresi, pengungkapan grafis*

1. Introduction

The companies are required to be more transparent in disclosing corporate information in order to compete in the business world through company report. There are two types of corporate disclosure, mandatory and voluntary disclosure. The mandatory disclosure is information that must be reported by companies and it is required by regulatory body. According to BAPEPAM-LK No. Kep-347/BL/2012, (BAPEPAM, 2012), the companies that listed in Indonesian Stock Exchange must disclose financial report, both of financial report and annual report. In addition, mandatory disclosure also aims to avoid the stakeholder of misleading information (Andriyanto et al., 2011). Contrary with the mandatory disclosure, voluntary disclosure is information voluntarily provided by companies to be disclosed to improve the credibility of company financial report (Nuswandari, 2009). One example of voluntary disclosure is sustainability report. Sustainability report is a measurement practice, disclosure, and accountability of the company's performance in achieving sustainability. According to World Business Council for Sustainable Development, sustainability report is a report that discusses the company's behavior and how company contributes to economic development, but the company is always improving quality of life for workers and surrounding communities (Watts et al., 1999).

Finch (2005) stated that the purpose of issuing sustainability report is to keep a company survive for a long time. Company can ensure environmental and social impact to conform to society expectation when the company has succeeded in funding its activity. Therefore, sustainability report can be used as a tool to communicate the company performance to society (Idowu and Filho, 2010). In other word, the sustainability report shows that the company perform well, proven by the report of the social and environmental performance.

Although sustainability report is a voluntary disclosure in Indonesia, some countries apply the sustainability report as mandatory disclosure, such as Netherlands. The Netherlands has a principle that every company should be responsible for their activity to decrease environment impact, especially for company which has serious effects on environment (Hoffmann, 2003). Similar with Netherlands, France has decided that all companies listed in France must publish report that contains sustainability issues, such us social and environmental. The law has been implemented since January 2002. Based on KPMG observation in 2003, sustainability report in Netherlands increased 35%, so do France for 22%. So, the company must issue the good report even the company has the poor environmental performance to makes stakeholder interesting.

When company try to develop communication with its stakeholders through sustainability report, actually it give rise a signal of the current performance and future prospect of the firms. In regards with the prospect, it reveals the long-term sustainability both in financial and non-financial aspect. This objective gives room for management to shape the favorable structure and format of disclosure to reflect best image of management. Therefore, impression management becoming a management strategy that affecting external users of company’s report and potentially to mislead the stakeholders.

Impression management is a unique method that focuses on influencing people’s perspective. Study by Sandberg and Holmlund (2015) concluded that organizational impression management refers to behavior that is used to actively shape the impressions. Furthermore, Piwinger and Ebert (in Dur et al., 2014) stated that the process in influencing people’s perception about something by purposely or accidentally, then reported through narrative, quantitative, and visual disclosures to manage the corporate image (Cooper and Slack, 2015).

There are many ways to provide impression management in company's report. For example is use the graph in the company report. The company that use of graphs have a mission to affect stakeholder's perception rather than give accurate and fair information (Beattie and Jones, 2000; Falschlunger et al., 2015). Therefore, it is imperative to establish standardized use of graphs, so it can mitigate misleading information (Falschlunger et al.,2015). The reason company uses the graph in company report is to facilitates the stakeholders to read and analyze the overall company's performance quickly.

Impression management has a special aspect when the company's reporting their performance. When the company has a high risk and poor performance, graphics in the annual report only represents a "good news" (Jones, 2011; Leung et al., 2015). This statement is also confirmed by Tobergte and Curtis (2013) that the manager would be optimistic to reporting a good news of the current financial performance. In addition, the report indicated only contain information that has been manipulated for satisfy the need of managers and to distract investors' attention from bad news (Melloni, 2015).

Several prior studies concluded that impression management occurred in almost every company report. Research conducted by Cho et al. (2012) found that the practice of impression management more visible on graph with poor performance in the company social report. Meanwhile, according to Beattie and Jones (2002) and Goundar (2009), impression management occurs in the annual report by using the graph selectively and showing the graph distortion. Furthermore, Jones (2011) said that the company tends to display the graph with the good trend rather than display the graph with the bad trend in environmental and social report to distract investors from negative news (Leung et al., 2015).

However, the findings of prior studies showed some weakness. First, the researchers did not compare all performance (social, environmental, and financial) on their research. Some researchers focused on social and environmental performance on the sustainability report (Cho et al., 2012) or focused on financial performance on the financial report (Beattie and Jones, 2000; Goundar, 2009). Second, some researchers still used GDI (Graph Discrepancy Index) to measure distortion (Beattie and Jones, 2000; Goundar, 2009).

This research focuses on filling in the research gap. There are many researches that focus on the sustainability report in the world (Cho et al., 2012; Cooper and Slack, 2015; Jones, 2011; Sandberg and Holmlund, 2015), but a little research has been conducted in Indonesia. Therefore, this research uses sustainability report to extend the literature. This research use social, environmental, and financial performance on the sustainability report. The expectation is that every value of selectivity and distortion will be represented by each performance with equal proportion. Then, the research uses RGDI as measurement of distortion. Falschlunger et al. (2015) considered that RGDI is better measurement than GDI, because GDI is not proportional and consistent to measure distortion. This research uses narcissism as one of independent variables that measuring impression management.

This study uses financial performance and market performance as dependent variables. Some studies use ROA (Return on Assets) as a fundamental or financial performance (Leung et al. 2015; Melloni, 2015). Further, market performance measured by Tobin's Q which has not been widely studied (Leung et al., 2015). This research uses size and leverage as control variables (Leventis and Weetman, 2004; Melloni, 2015).

2. Theoretical Framework and Hypotheses Development

Stakeholder theory discusses about the stakeholders who have a claim to know the activities of the organization that may affect them, even when they choose not to use such information, and when they are indirectly involved in the organization's survival (Deegan, 2004). The purposes of the stakeholder theory is to manage a company effectively, improve the value of management activities, and minimize the loss of stakeholder. Meanwhile, further studies conducted by Dowling and Pfeffer (1975) found that legitimacy theory controls the organization suitability with social expectations. A large organization that showcased their performance and accept more political and social benefits from the public, tends to be more involved in legitimizing behavior. It is because organization who depends on the environment for their economic welfare are related to linking them with environmental organizations.

Based on two theories above, it is concluded that the stakeholder needs to know all the company's activities that may be affect the welfare of the stakeholder. The company should be congruent with society expectation that focused to interests of society, government, individuals and certain groups. So, the manager will choose the good news to display in the company report. The company publishes an annual report and sustainability report to report their social activities, also has a purpose to make society believe and accept their company as a good company that is concerned with the social environment, so the company's profit will be increased. Therefore the company will get the good recognition as the good company performance. In this case, impression management will be used by manager to create the good report to make the investor impressed with company's performance.

Sustainability Report

Sustainability report is report that focuses to the environmental and social issue. According to World Business Council for Sustainable Development, sustainability report is a public company report about ethical behavior of the company and how the company contribute to economic development, but the company always notice to increasing the quality of life of the workforce and local society (Watts et al., 1999). The statement implies, companies should report their social performance through sustainability report. The sustainability report is a social report reporting financial, environmental, and social responsibilities in scope of sustainable development (Watts et al. 1999). Furthermore, the content of the sustainability report covers issue, challenge, and opportunity of sustainable development that leads to core business and industry sector (Anggraini, 2006). According to Darwin (cited from Anggraini, 2006), corporate sustainability reporting have three categories, economic, social, and environmental performance.

Impression Management

Impression management is a technique or way to create a good image. Someone who try to manage people's impression and give an impact on how the people perceive, evaluate, treat, and oftentimes they perform certain actions that would create the people's impression is called impression management (Leary and Kowalski, 1990). Other researcher such as Bansal and Kistruck (2006) defined it as the process which draws an image to influence perception of stakeholder is impression management. Furthermore, Leary and Kowalski (1990) describes impression management as the behavior of individuals who can give encouragement to control their impressions or define specific ways to build their public image affected by situational and dispositional factors.

Impression management has two tactics, there are company's substantive actions and symbolic representations (Ashforth and Gibbs, 1990). In sum, it is difficult to detect the impression management aspects whether including substantive actions or symbolic representations. Therefore, the impression management assumed as the reflection from both on substantive actions and symbolic representations. Regardless of that, it has two expected motives; to achieve appreciation and mitigate punishment (Schlenker, 1980 cited from Schniederjans et al., 2013). While according to Brennan (in Cooper & Slack, 2015), impression management has three methods, such as syntactical manipulation, rhetorical manipulation, and visual effects (emphasis), some researchers identified four tactics or strategies of impression management; assertive, defensive, direct, and indirect (Bolino et al., 2008; Cooper and Slack, 2015; Drory and Zaidman, 2007; Schniederjans et al., 2013). The company will be effective when using two or more strategies of impression management than using only one strategies of impression management (Bansal and Kistruck, 2006), because impression management have more benefit, especially it can improve companies image and performance, as well as describe a workplace situation (Bolino et al., 2008).

Graph Disclosure

Graph disclosure is a media that facilitates users to simplify and understand a specific content or idea written in the report in a short time. The graph is a tool to deliver the information that related to a trend and relationship (Falschlunger et al., 2015); therefore, complex company performances can be simplified into graphs to help users understand the company's performance easily (Kaur et al., 2005). In addition, the graph is an international language that useful for users to understand the information even though they have different language and culture (Cho et al., 2012); as a result, users might take only 15 minutes to look at the graph before making a decision (Penrose, 2008). This research uses three type of graphs as material of measurement, i e: column, bar, and line.

Given that situation, the use of graphs have some benefits. There are colorful and eye-catching (Beattie and Jones, 2000) figures that can be understood by readers directly in a few minutes (Beattie and Jones, 2000 in Cho et al., 2012), and follow up by the decision making immediately (Falschlunger et al., 2015). Although the graph disclosure has more benefit, the graph disclosure also have negative side that might be taken into advantages as an opportunity by manager. The uses of graph are more likely to mislead the user from data representation (Cho et al., 2012); because graph disclosure is unaudited, it potentially can be manipulated by the manager through the use of graph types, colors, scales, emphasize, and other ways (Penrose, 2008). The manager might choose the graph which has the favorable trend (Beattie and Jones, 2002).

The Influence of Impression Management on Financial Performance

As the companies must be having a good performance, even when the companies are in a bad one, the companies must be able to maintain the welfare of their stakeholder (Freeman, 1983). The companies usually draw some graphs to confirm their performance and make stakeholders understand the companies' performance easily. The graphs of good news are displayed frequently in all of the companies' report. The companies' performance can be observed from the companies' report, such as sustainability report. In this report, the companies display the good trends and mitigate the bad ones when the companies have a high risk and poor performance (Jones, 2011); it is called selectivity. The choice a good trend tends to raises bias of variable graphed (Beattie and Jones, 2002).

Meanwhile, the use of graphs oftentimes is abused by the manager for certain goals. The companies will distort the graphs so as the graphs look gratify in users. The companies used the distortion to mitigate the poor performance (Falschlunger et al., 2015). The distortion can be found when the companies have a bad trend. For example, in the increase of the carbon dioxide emission, the graphs will be created in such a way to persuade the stakeholder that the companies are in good performance. When the data on graphs are not directly proportional with the underlying data, it can be concluded that the distortion has been occurred on the graph (Beattie and Jones, 2002).

Additionally, to convince the stakeholder more, the companies' report add board of director pictures because they are considered having more authority in term of controlling the company. So, the companies expect to get a recognition from society that the companies are a good ones. This situation is supported by legitimacy theory (Dowling and Pfeffer, 1975). Therefore, the companies will get many funds that will use to do operational activity to improve earnings of the company and indirectly increasing ROA value of the companies.

A study by Cho et al. (2012) stated that a company with poor performance is more visible to do an impression management. Furthermore, Beattie and Jones (2000); Goundar (2009) concluded that selectivity and distortion are consistent with the use of graphs that include an impression management (using KFVs). Almost all companies only give good news than bad news to influence stakeholders perception even the company declines in their performance (Falschlunger et al., 2015; Jones, 2011). Additionally, the more board of director pictures displayed in the company report is less likely to be positively related to financial performance. The existence of board of director pictures in company's report might weaken the company's performance (Petrenko et al., 2008). This situation underlies the reasons the companies manipulate their reports to distract the investors' view (Leung et al.
2015; Melloni 2015). Thus, the statement is:

H1 : The impression management has significant effect on the financial performance

H1a: The selectivity has a positive effect on the financial performance

H1b: The distortion has a negative effect on the financial performance

H1c: The narcissism has a negative effect on the financial performance

The Influence of Impression Management on Market Performance

The impression management presents an effect to display more favorable view of both financial and market performance rather than is actually warranted, which is happened in Australia, U.K, and U.S (Beattie and Jones, 2000). A study by Cho et al. (2012) reported that the companies have been contrived systematically to paint favorable graphs rather than unfavorable trend (selectivity), in which the distortion in the graphs exists and considerably more often than not in their report.

Selectivity is kind of impression management aspects that widely used in the company's report. The selectivity is defined as choosing the most good news (such as increasing sales, decreasing waste) then puts them on the graph in the company's report (Cho et al., 2012; Tobergte and Curtis, 2013). The company will display the most favorable trend than unfavorable one significantly (Beattie and Jones, 2008), for the manager intends to make positive image of company performance and avoid including any bad news to distract stakeholder attention (Guillamon-saorin and Jones, 2009).

Meanwhile, distortion is to show how accurately data on the graph with the underlying data (Beattie and Jones, 2008). When the distortion occurred in the company's report, it could be misrepresentation data for stakeholders that might mislead the stakeholders' perception (Muiño and Trombetta, 2009). This sort of situation might take place because the stakeholders focus on the interesting graph rather than the numerical value on the graph. Prior studies have found that distortion has been occurring on the graph in the company report and the distortion show the favorable trend than unfavorable trend of company's performance (Beattie and Jones, 2002).

The number of board of director pictures are also displayed and included as the aspect of the impression management because they have own allure. The managers will be assessed when the company include the board of director pictures which can improve the company report to be good one in order to attract stakeholders' interest. However, the company report displaying more board of director pictures might attenuate the company performance (Petrenko et al., 2008).

The stakeholders can assess company's performance through market performance. Tobin's Q is the kind of market performance in every company. If it is related to the theory, the main purposes of the company are not only to report their performance, but also to show a good performance of the company so as getting legitimacy from society and suitable with social values (Dowling and Pfeffer, 1975). If the company has a good performance, it can increase their profit. When the profits rise, it will have an effect in increasing the market value of the company through Tobin's Q. Therefore, the presence of impression management is the means for gaining market performance. For that reason, this study tries to incorporate it in a hypothesis:

H2 : The impression management has significant effect on the market performance

H2a: The selectivity has a positive effect on the market performance

H2b: The distortion has a negative effect on the market performance

H2c: The narcissism has a negative effect on the market performance

3. Research Method

There are two dependent variables, namely financial performance and market performance. The main independent variable can be broken down into three aspects: selectivity, distortion and narcissm. Selectivity is the tendency of company to shows only graphs which good performance. First, this study identified each graph in sustainability report whether the graph reflected a favorable (good news) or unfavorable trend (bad news). According to Jones (2011), from company's perspective, the increase in revenue or the decrease in the amount of greenhouse gas emissions is classified as favorable trend. While, the unfavorable trend is the opposite of favorable trend, such as the decrease of the amount of recycling waste or the increase of the number of the work accidents. Next step, this study calculated the number of favorable graphs divided by the number of all graphs in the sustainability report

Next aspect of impression management is distortion. Goundar (2009) stated that the distortion explains the extent of graph diverge from a faithful representation of the underlying data. Referring to Falschlunger et al. (2015), this study used RGDI (Relative Graph Discrepancy Index) to measure how far the graph distorted the underlying figures. This measurement is popularized by Mather et al. (2005) to count the number of graphs are incorrectly illustrated that potentially mislead the stakeholders (Falschlunger et al., 2015). If the RGDI has a value of zero (0), it means that the change displayed in the graph is same as that observed in the data (Muiño and Trombetta, 2009).

The last indicator of impression management is narcissm. Narcissistic attitudes of individuals is an attempt to create a positive image to increase valuation on itself and avoid a bad image (Sakina et al., 2014). The positive image can raise optimism and strong belief on the results obtained later. One indication of narcissism is an over exposure of Director/CEO pictures, that used as measurement in this study. In sum, all the measurement of variables can be summarized in table 1 below.

Table 1
Measurement of Variables

Variables	**Measurement**
Financial Performance	ROA = $\frac{\text{earnings after tax}}{\text{total assets}}$
Market Performance	Tobin's Q = $\frac{\text{(stock price x number of outstanding shares)}}{\text{book value of total assets}}$
Impression Management	
Selectivity	$\frac{\text{number of favorable item graphs}}{\text{total number of graphs}}$
Distortion	RGDI = $\frac{g2 - g3}{g3}$, while g3 = $\frac{g1}{d1}$ x d2 Where : g1: the height of first data point g2: the height of last data point g3: the correct height of last data point (if plotted accurately) d1: the value of first data point d2: the value of last data point Final score is dummy variable, 1 for RGDI score > 0,166 and 0 for otherwise
Narcissism	the number of board of director pictures in sustainability report
Size	natural logarithm of total assets
Leverage	$\frac{\text{long term debt}}{\text{equity}}$

Population and Samples

The secondary data used in this research were sustainability report, annual report, and daily stock price. The sustainability report is used to measure impression management variables, while the annual report is used to measure company's performance. The sustainability report and annual report were taken from the website of each company. Moreover, the annual report could also be downloaded directly from Indonesia Stcok Exchange (*www.idx.co.id*). Daily stock price was obtained from historical price on yahoo finance (*www.finance.yahoo.com*). The population in this study was all companies listed on the Indonesia Stock Exchange (IDX) for the year 2011-2015. The purposive sampling method was used to select samples by using main criteria of the availability of annual report and sustainability report.

Hypotheses testing

Hypothesis in this study is tested by using Multiple Linear Regression, because the independent variables in this study have more than one independent variable, selectivity, distortion, and narcissism. Multiple linear regression is analysis tools used to measure how far the influences of two or more independent variables to one dependent variable (Ghozali, 2013). This study has two regression models because this it has two dependent variables. The first analysis was intended to determine whether the independent variables affected to ROA as the dependent variable (equation 1). The second analysis was intended to determine whether the independent variables affected to Tobin's Q as the dependent variable (equation 2). Therefore, the regression equation in this study are as follows:

$$ROA = \beta0 + \beta1\ SELECT + \beta2\ RGDI + \beta3\ NARCIS + \beta4\ SIZE + \beta5\ LEV + \varepsilon \ldots\ldots(1)$$

$$TOBS = \beta0 + \beta1\ SELECT + \beta2\ RGDI + \beta3\ NARCIS + \beta4\ SIZE + \beta5\ LEV + \varepsilon \ldots..(2)$$

Annotation:

ROA	: Financial performance
TOBS	: Market performance
SELECT	: Selectivity of graph
RGDI	: Distortion of graph

NARCIS : Narcissism
SIZE : Company's size
LEV : Company's leverage
β_0 : Constanta
ε : Error term

4. Result and Discussion

The Description of Research Object

The research objects of this study were companies listed in Indonesia Stock Exchange for the year 2011-2015. The selection of the research objects was determined by using purposive sampling methods with criteria posted previously. The criteria were the companies that published their sustainability and annual report with complete component during the period. The research of object description and summary of the sample classification are shown below in table 2.

Table 2

Research of Object Description

Criteria	2011	2012	2013	2014	2015	Total
Listed companies	21	25	36	39	37	158
Outlier						(15)
Final Sample						143

Table 3
The classification of industrial sector

No	Sector	Sample
1	Agriculture	12
2	Mining	27
3	Basic industry and chemicals	14
4	Miscellaneous industry	5
5	Consumer goods industry	4
6	Property, real estate and building construction	20
7	Infrastructure, utilities, and transportation	24
8	Finance	44
9	Trade, services, and investment	8
	Total	**158**
	Outlier	**(15)**
	Final sample	**143**

The Description of Variables

The descriptive statistics of variables is shown in table 4 as follows:

Table 4

Descriptive Statistic Result

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	143	-0,0723	0,2286	0,0552	0,0633
TOBS	143	0,0003	15,7695	1,2360	2,2256
SELECT	143	0,0000	1,0000	0,3187	0,3095
RGDI	143	0,0000	1,0000	0,2937	0,4571
NARC	143	0,0000	19,0000	4,1748	4,2812
SIZE	143	28,3557	34,4445	31,3674	1,3516
LEV	143	0,0426	11,3958	2,5655	3,3278

Based on table 4 above, the mean value of ROA is 5,52%; it indicates the company that listed in IDX shows a rather asset productivity to generating the profit. Meanwhile, the mean value of Tobin's Q is 1,2360 indicates that stock price is overvalued. Further, mean value of the selectivity is 0,3187 and the standard deviation is 0,3095. Standard deviation is smaller than mean, indicating that data deviations relatively small and the value of each sample to be around the average and this number show that not all sustainability report show their good performance by using the graph. Next, the percentage of the company which involved to distort their graph is 29,11% from the number of samples, while the percentage of the company which has the less distortion is 70,89% from the number of samples. This percentage shows that sample are dominated by the company which does not involved in the graph distortion. Beside of that, standard deviation of narcissism is higher than mean, it indicates that data deviation relatively large. The mean value as much as 4,1748 indicates the low value. Therefore, the company might display the board of director's picture in range of 4– 5 in the sustainability report to make the company's report looks good report. The average or mean value of size is 31,3674; while the deviation that shown by Std. Deviation is 1,3516. This indicates that size of the company which is listed in Indonesia Stock Exchange (IDX) approximately 31,3674 for the year 2011-2015. Last, the companies which is issued the sustainability report has the leverage of 2,5655. A higher leverage ratio indicates that a lower the company's capital provided by the shareholders.

Hypotheses Testing

This research used multiple linear regression to test the hypotheses. The results of hypothesis testing, can be summarized in table 5.

Table 5
Hypotheses Test Result

	Variables	**R^2**	**F-statistic**	**β**	**t-statistic**	**sig.**
Model 1	SELECT	0,284	10,868	0,177	2,371	**0,019****
	RGDI			-0,212	-2,899	**0,004*****
	NARC			0,018	0,213	**0,831**
	SIZE			0,204	1,976	**0,050****
	LEV			-0,580	-5,989	**0,000*****
Model 2	SELECT	0,356	15,123	0,176	2,485	**0,014****
	RGDI			-0,175	-2,533	**0,012****
	NARC			0,182	2,315	**0,022****
	SIZE			0,211	2,158	**0,033****
	LEV			-0,674	-7,344	**0,000*****

** significant at 5% ; *** significant at 1%

The effect of selectivity (SELECT) on the financial performance (ROA) is significant. The significance value proves 0,019 and t-statistic of 2,371. This relationship has positive parameter coefficient. It is confirmed that matching with *H1a.*The distortion (RGDI) also affects the financial performance (ROA) significantly which is shown by significance value of 0,004 and t-statistic of -2,899. This parameter coefficient value is negative, that consistent with *H1b*. However, the effects of narcissism (NARC) on the financial performance (ROA) is contrary to the selectivity (SELECT) and distortion (RGDI). This relationship does not show the correlation among variables. The significance value of narcissism is 0,831 with t-statistic of 0,213. It means that narcissism does not have any effect on the financial performance. This result is contrary with *H1c*. Based on the explanation above, the impression management significantly affected financial performance. As shown in the table, two out of three variables are significant on 0,019 for selectivity (SELECT) with t-statistic of 2,371 and 0,004 for distortion (RGDI) with t-statistic as much as -2,899. This result is consistent with *H1.*

In regard with model 2, regression analysis showed that the variable of selectivity (SELECT) had a positive effect on the market performance (TOBS) with significance value of 0,014 and t-statistic of 2,485. It could be concluded that this hypothesis is corresponding to *H2a.* Selectivity (SELECT) had an effect on the market performance, while distortion (RGDI) also shown an effect to the market performance. However, the distortion had a negative effect on the relationship among market performance (significance value of 0,012 and t-statistic of -2,533), whereas the selectivity had a positive effect. Therefore, this result support *H1b.* Narcissism (NARC) indicates the different relation effects on the market performance. The result shows that the relationship between narcissism and market performance has a positive effect, with significance value of 0,022 as well as t-statistic of 2,315. Even though this result is statistically is supported, but refers to the hypothesis, this role does not support *H2c.*

The second hypothesis explains that the impression management affect market performance. Consistent with the result of the first hypothesis explained previously, this hypothesis is supported with two variables, selectivity (SELECT) and distortion (RGDI). Selectivity has a significance value of 0,014 meanwhile, distortion has a significance value of 0,012. For t-statistic obtained 2,485 and -2,533 for selectivity and distortion consecutively *H2.*

Discussion

The company and shareholder had the different aims. The company need to maximize the operating activity, so it will achieve higher profits. However, the company has limited funds to achieve it. Thus, the company would perform in any ways to get more funds from many shareholder. The company are trying to have a good performance to attract investors. By doing so, the company will obtain additional funds easily to funding their operating activity. However, when the company had a negative performance, investors will consider to retract their money; consequently, the company would experience a shortage of funding to the operating activity.

For that reason, the companies have tendency to report their good performance, i.e. increased revenue, decreased waste, decreased of using water, etc. The company performance was displayed through graph to make stakeholder understood the company's performance easily. This was fit with the hypothesis in this study that selectivity has a positive effect on financial performance with the significance value of 0,019 and the selectivity has a positive effect on market performance with the significance value of 0,014. When the companies displayed more favorable trend rather than unfavorable trend through graph in order to increase ROA and market value, the stakeholders would get a good impression by observing the company's graph that only displayed favorable trends. Since the stakeholder might have invested their money in the company, the company could use the money for funding the company's operation and finally increased the company's profit. This result is consistent with other research such as Falschlunger et al. (2015), Goundar (2009), Melloni (2015).

The stakeholders tend to assess company's performance without focusing in the detail of the company's performance whether it has a good or bad performance. This condition will bring to opportunity for manager to manage the stakeholder's focus. According to Muiño and Trombetta (2009), a manager will report company's performance through graphs which only show the good news. Besides graphs, the manager oftentimes included the pictures of board of directors of the company with the purpose that the display of the board of director pictures in company report could cover the weaknesses of the company for board of directors had a power to manage the company. However, when the stakeholders got impressed with the company's report, the stakeholders might have been manipulated by the company performance. As a result, the more graph distortion and board of director's picture in the company report, earnings would decrease and caused the decreasing company's performance. This finding was consistent with test of hypothesis 1b that distortion gives a negative impact to financial performance with significance value 0,004 and also hypothesis 2b that distortion gives a negative impact to market performance with significance value 0,012. Meanwhile, hypothesis 1c and 2c was not supported because narcissism had positive impact to financial performance. Refers to the result of descriptive statistic of narcissism which is the low mean value only 4,1748, it is reasonable if the narcissism is not supporting the hypothesis. This result was consistent with Zhu and Chen (2015). The board of directors might show the superiority and reaffirm its self-image when deciding the corporate strategies, so did the board of director's narcissism could increasing the company performance. The number of board of director pictures give impress that the company needs the recognition from stakeholders. It is because board of directors considered have the more power to manage operating activity in the company. The company report will be looked as good report rather than other companies report. It because the company wants to be seen interesting in each of stakeholder. However, the greater of the number of board of director pictures give impact to mitigate market value of the company. It is assumed that the company is not confidence enough for their performance during last certain period. The company rely heavily on the board of directors and the board of directors assumed is able to cover up the bad performance in the company.

Overall, the hypothesis in this study was supported because two out of three impression management variables on each model were significant even though they had different relationship. The impression management effected company's performance when the company only showed the good news in graphs and less distortion in company report. A higher selectivity in the company report, company's performance would increase. Meanwhile, in distortion aspect, the companies with more distortion tended to decreasing company's performance.

5. Conclusion and Limitation

This study tests the effect of impression management on financial and market performance in the sustainability report. Thus, the impression management give impact on both financial and market performance. A higher selectivity can increase financial and market performance, while the company which has a less distortion tends increasing ROA and market value. The company who tends to display the favorable trend than unfavorable trend and the distortion already exists in the company report have the aim to make stakeholder believe that the company is perform well even though the company is decreasing performance.

This research has some limitations. First, the scope of this research only limited to company which publishes sustainability report as research samples. Second, the content analysis to assess the extent of impression management is involving subjective judgment from researcher. Third, simple measurement of narcissism, because this study only used the number of board of director pictures in the sustainability report.

Regarding with the limitations of this research, some suggestions addressed to the future researchers in order to have better exploration about this research topic. First, future research may extend the coverage of sample using annual report as object to do assess impression management. Second, the procedure of doing content analysis can be cross checked using groups Third, future research may extend measurement of narcissism by using other tool like NPI (Narcissistic Personality Inventory) scale.

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