

## **Tone and Credibility in Quarterly Earnings Press Releases of Publicly Traded Companies**

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Voluntary disclosure in quarterly earnings press releases provides another, qualitative, dimension to the quantitative information contained in these releases.

The management quote in earnings press releases is a voluntary disclosure (i.e., it is not anchored in any regulations) that complements the quantitative information in the release. It adds additional explanation using words to further reinforce or explain the quantitative data, as well as provide a forward looking statement on the next quarter.

The management quote has an impact on how the firm is perceived by outside stakeholders. This work hypothesizes two effects of the text on the firm's credibility to investors. First, the presence of a textual explanation provides additional narrative information on the reported results (numbers), making the numbers easier to understand and therefore more credible. A second effect is related to tone. If the tone does not match the situation, e.g. if bad results are described with an overly optimistic tone, that could undermine the credibility of the reported results and hence of the company.

This study will examine how the text and tone of quarterly earnings press releases affect corporate credibility. The study will consider these effects under three situations: where the quantitative report met expectations, where it exceeded expectations, and where it fell short of expectations.

The research will be conducted via an experiment. Subjects will preferably be investors or other financial/business professionals. Subjects will be asked to read a series of vignettes that describe a firm whose earnings had met, failed, or exceeded expectations, and an accompanying quarterly earnings press release. Subjects will rate the credibility of management for the given vignette. The research is expected to contribute insights into the theory and practice of investor relations communication.