2019 Schedule

Thursday, October 10, 2019

12:00 p.m. LUNCH, Charles F Knight Executive Education Center, Anheuser Busch Dining Room, 3rd floor.

Room 220
1:00 p.m. ***"Non-Answers During Conference Calls."*** Presented by Anastasia Zakolyukina, University of Chicago.

Discussion led by Stan Markov, University of Texas, Dallas, followed by questions.

Abstract: We construct a novel measure of disclosure choice by firms. Our measure uses linguistic analysis of conference calls to flag a manager's response as providing an explicit "non-answer" to an analyst's question. Using our measure, about 11% of questions elicit non-answers, a rate that is stable over time and similar across industries. Consistent with extant theory, we find firms are less willing to disclose when competition is more intense, but more willing to disclose prior to raising capital. An important feature of our measure is that it yields several observations for each firm-quarter, which allows us to examine disclosure choice within a call as a function of properties of the question. We find product-related questions are associated with non-answers, and this association is stronger when competition is more intense, suggesting product-related information has higher proprietary cost. While firms are more forthcoming prior to raising capital, the within-call analyses for future-performance-related questions shows firms are less likely to answer future-performance-related questions shortly before equity or debt offerings when legal liability is higher.

2-2:30 p.m. Break

2:30 p.m. ***"Political Information Flow and Management Guidance."***Presented by Laura Wellman, Pennsylvania State University.

Discussion led by Vishal Baloria, Boston College, followed by questions.

Abstract: We examine whether politically active firms play a role in disseminating political information via their management guidance. We use multiple proxies based on campaign financing activity or the presence of a government affairs office to capture whether a firm is politically active. We find that politically active firms are more likely to issue management guidance overall, and especially when the government is a key customer of the firm. Further, relative to politically inactive firms, the guidance released by politically active firms is more likely to discuss government policies. In addition to using numerous econometric techniques to address self-selection concerns, we examine the timing of when guidance is issued. We find that politically active firms are more likely to issue guidance prior to the public revelation of government policy decisions. Collectively, these findings suggest that the privileged information firms obtain through their political activities is shared with investors through voluntary disclosures.

3:30-4 p.m. Break

4:00 p.m. ***"Public Firm Presence, Financial Reporting, and the Decline of U.S. Manufacturing."*** Presented by Stephen Glaeser, The University of North Carolina at Chapel Hill,

Discussion led by Phil Berger, University of Chicago, followed by questions.

Abstract: We document evidence of a positive association between public firm presence and import competition. Using plausibly exogenous changes in public firm presence driven by the Sarbanes-Oxley Act, we find that changes in public firm presence cause changes in import competition. Subsequent mechanism tests suggest that this effect arises because U.S. securities regulation requires public firms to prepare and make publicly available audited financial reports. Although these reports are purportedly for the benefit of investors, our mechanism tests suggest that foreign competitors also make use of the performance and investment information disclosed in these reports to compete with U.S. firms: We find no relation between public firm presence and import competition in the U.K., where both public and private firms must report publicly. Changes in the share of U.S. financial statements downloaded by users in a foreign country precede changes in import competition from that country. The relation between public firm presence and import competition is greater when U.S. financial statements are more informative, for competitors from countries where the financial reporting rules are more similar to U.S. financial reporting rules, and for competitors from countries where the main language is not English. Import competition responds to changes in the disclosed profitability of public firms, but not to the largely undisclosed profitability of private firms.

5:00 p.m. Ph.D. Poster Session and cocktails, Room 340.

6:45 p.m. DINNER, Anheuser Busch Dining Room, 3rd floor.

<u>Friday, October 11, 2019</u>

8:00 a.m. BREAKFAST, Anheuser Busch Dining Room, 3rd floor.

<u>Room 220</u>
9:00 a.m. ***"Dynamic Adjustment of CEO Incentives and Firm Performance."*** Presented by Zhonglan Dai, University of Texas, Dallas.

Discussion led by Andrea Pawliczek, University of Missouri, followed by questions.

Abstract: In this paper, we investigate whether adjustment costs impede firms from achieving value-maximizing levels of CEO equity incentives and degrade firm performance by sustaining deviations from targeted incentive levels. Specifically, we explore the dynamic adjustment process of CEO incentives and examine implications of speed of adjustment to target for firm performance. Consistent with adjustment frictions sustaining a wedge between target and actual incentives, we find that firm performance decreases in deviations from target incentives, and that firms' active management of incentives towards target only partially closes the gap between target and realized incentives. We then separately consider excess incentives and deficient incentives. We find that while adjustment speed is slower for excess relative to deficient incentives, relative adjustment speed for excess incentives increases significantly for firms with higher monitoring intensity, product competition, and CEO career concerns, and for such firms, performance degradation associated with deviations from target significantly decreases. We also provide evidence that when CEOs have greater incentives to hold unconstrained equity voluntarily, excess (deficient) incentives have slower (faster) adjustment speed and greater (lower) negative influence on firm performance. This last evidence

suggests that CEOs' voluntary holding of unconstrained equity is an important source of adjustment costs.

10-10:30 a.m. Break

10:30 a.m. ***"Fragmented Securities Regulation: Neglected Insider Trading in Stand-alone Banks."*** Presented by Sehwa Kim, Columbia Business School.

Discussion led by Yadav Gopalan, Indiana University, followed by questions.

Abstract: We examine whether regulatory fragmentation, by separating disclosure venues, affects stock price efficiency. Publicly traded stand-alone banks submit mandatory filings to bank regulators via FDICconnect rather than to SEC EDGAR. We find that the short-run market reaction to insider-trading filings on FDICconnect is almost non-existent and significantly smaller than for these filings on SEC EDGAR. However, the differences in returns disappear in the long run, suggesting that the short-run difference is not driven by difference in the information content of the filings. Our study shows that regulatory fragmentation significantly affects stock price efficiency.

11:30 a.m. – 12:00 p.m. Break

12:00 p.m.***"Attention to Dividends, Inattention to Earnings?"*** Presented by Zach Kaplan, Washington University in St. Louis.

Discussion led by Andy Leone, Northwestern University, followed by questions.

Abstract: We compare earnings announcements for dividend payers to non-payers and show dividends affect the supply and demand for earnings information. First, dividend payers generate less attention at the earnings announcement, suggesting that dividends supply profitability information that substitutes for earnings. Second, dividend payers just meet or beat (miss) earnings expectations less (more), consistent with the decreased investor attention reducing managerial myopia. Third, valuation tests show dividend payers have less persistent earnings surprises, consistent with a rational reduction in attention to earnings information. Our evidence of a substitution effect between dividends and earnings provides support for profitability based theories of dividends.

1:00 p.m. LUNCH, Charles F Knight Executive Education Center, Anheuser Busch Dining Room, 3rd floor