

Temporal Focus and Analyst Scrutiny: Evidence from Earnings Conference Calls

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ABSTRACT

Using the setting of earnings conference calls, this paper investigates the temporal focus of management presentation during those calls, i.e., the extent to which managers allocate their discussions to future firm prospects relative to past firm performance. I find a negative association between firms' past performance and the future focus of management presentation. Moreover, the association is less negative for firms with more long-term investors and is more negative for firms with high litigation risk. Additionally, I find that the temporal focus of management presentation is positively associated with that of analyst questions. I also find that managers' future focus is positively associated with the number of analysts following the firm but negatively associated with forecast quality of analyst reports (lower accuracy and higher dispersion). Finally, I find the future discussions in management presentation is positively associated with the time that analysts took to release the next quarter's forecasts.

Keywords: temporal focus, analyst scrutiny, conference calls, investment horizon, litigation risk

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GENERAL AUDIENCE ABSTRACT

In recent years, it has become a common practice for public companies to hold earnings conference calls right after the release of their quarterly earnings results. Earnings conference calls are also publically accessible. Thus, earnings conference calls are believed to contain timely and important information to investors, analysts, and other interested parties. During the calls, managers first highlight the company's financial performance and discuss its future prospects, and then answer some questions asked by call participants (primarily financial analysts). This paper investigates how managers allocate their effort to discuss the company's future firm prospects (i.e., future focus) based on its quarterly earning results (past firm performance). I find managers are more likely to discuss future firm prospects when they have a bad quarter; and are more likely to discuss past results when they have a good quarter. In other words, there is a negative association between firms' past performance and the future focus of management discussion. Moreover, I find the association is less negative for firms with more long-term investors and is more negative for firms with high litigation risk. Additionally, I find that when managers allocate more discussions on the future, analysts tend to ask more questions about the future. I also find that managers' future focus is positively associated with the number of analysts following the firm but negatively associated with forecast quality of analyst reports. Finally, I find that managers' future focus is positively associated with the time that analysts took to release the next quarter's forecasts.

Keywords: temporal focus, analyst scrutiny, conference calls, investment horizon, litigation risk

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I. INTRODUCTION

Narrative disclosures provide a channel for managers to communicate information to market participants beyond the firm's financial statement numbers (Merkley 2014). A considerable body of research in accounting and finance examines the role of forward-looking statements (FLS) in narrative disclosures (Johnson et al. 2001; Li 2010; Bonsall et al. 2014; Muslu et al. 2015). These studies tend to use a quantity/frequency approach (e.g., the number of FLS) to quantify the informational content, thereby ignoring the time horizon implied by FLS. The time horizon of disclosure usually reflects managers' private information about their firms' future performance and other imminent events. Furthermore, FLS with short-term and long-term horizons are interpreted differently by market participants, and thus have different implications for the capital market (Kothari et al. 2009). Some prior research examines FLS in isolation, thereby ignoring the relative share of management information in a given disclosure. As suggested by Miller (2002), an increase in the number of FLS does not necessarily indicate a commitment to providing more future information; the increase may instead be caused by an overall increase of disclosures.¹

In this paper, I rely on psychology and management literature (Karniol and Ross 1996; Nadkarni and Chen 2014; Nadkarni et al. 2016) and develop a temporal focus measure of managerial disclosure patterns. Temporal focus captures the extent to which managers focus narrative discussions on their firms' future prospects relative to their firms' past performance. Consistent with backward- and forward-looking statements, temporal focus can have two directions: past and future. Past focus (future focus) of a given disclosure is computed by summing

¹ In my sample, 13% (11%) of conference calls have increased (decreased) the number of forward-looking statements from the previous quarter but decreased (increased) the percentage of forward-looking statements.

up specific time horizons mentioned in each backward-looking (forward-looking) statement and then scaled by the total number of statements in the disclosure. By definition, a disclosure with more backward-looking (forward-looking) statements will have a higher score of past focus (future focus). Given that managers provide narrative disclosures regarding firms' past performance and future prospects (Bowen et al. 2002; Li 2010; Bonsall et al. 2014), and that market participants are sensitive to how information is presented (Kothari et al. 2009; Miao et al. 2016), I posit that managers use temporal focus as a strategic disclosure tool in their communication to the investors and that financial analysts, as an important force in the capital market, scrutinize this temporal focus in their effort to discover and process information.

I examine temporal focus in earnings conference calls, an increasingly important channel of firm disclosures (Beyer et al. 2010; Matsumoto et al. 2011; Salzedo et al. 2014; Allee and Deangelis 2015). Conference calls' informal, voluntary, and spontaneous nature make them an ideal setting to explore 1) value-relevant information beyond that contained in the earnings announcement and 2) interactivity between analysts and managers (Bowen et al. 2002; Bushee et al. 2003; Matsumoto et al. 2011; Lee 2016). My first research question is whether managers strategically focus on future prospects during conference calls according to the financial results of the latest period. Given intense capital market pressure, managers have strong incentives to highlight good news and deemphasize bad news. When faced with good performance, managers can be expected to highlight their recent performance, thus their disclosure tends to be past focused. In contrast, when performance is poor, managers can be expected to highlight their future prospects in an attempt to divert the investors' attention. My second research question is whether managers shift their temporal focus of disclosure according to capital market pressure. One significant source of capital market pressure comes from firms' underlying investors. If the underlying shareholders

are long-term oriented, then they are less sensitive to poor performance in the short term; in that case, managers face less pressure to divert investors' attention toward future prospects. Conversely, with excellent past performance, managers may be expected to present past performance and future prospects in a more balanced way to meet the informational demand of long-term investors. I predict that having more long-term investors will weaken the negative relationship between firms' past performance and the future focus of management disclosure. My third research question is whether managers shift their temporal focus of disclosure according to a firm's litigation risk. Some studies suggest that firms facing high litigation risk are more cautious to discuss future events (Li 2010), while others suggest that the threat of shareholder litigation can create incentives to issue forward-looking disclosures (Beyer et al. 2010).

I find that firms with good (poor) performance (proxied by return on assets, return on equity, and meeting/beating analyst forecast) tend to focus their discussions on past performance (future prospects), indicating a negative association between firm performance and the future focus of management presentation. I further find that the association becomes less negative for firms with more long-term investors and becomes more negative for firms with high litigation risk.

My last research question is whether and how analysts scrutinize the temporal focus of management presentation. I find that the temporal focus of analyst questions tracks with that of managers, suggesting that managers can potentially manipulate analysts' temporal focus through their own temporal focus as reflected in their presentation. In my additional analyses, I identify a nonlinear relation (concave) between the temporal focus of analyst questions and management presentation. In other words, when managerial temporal focus becomes excessive in one direction (i.e., future or past), analysts tend to ask questions oriented in the opposite direction. I also find that the future focus of management presentation is positively associated with the number of

analysts following the firm but negatively associated with the forecast quality of analyst reports (i.e., lower accuracy and higher dispersion), and it takes longer for analysts to release their next quarter's forecasts if the conference calls are more future focused. These results suggest that future information is more difficult to process and incorporate into analysts' estimates.

This paper contributes to the literature in several ways. First, numerous studies use linguistic analysis to examine various dimensions of earnings conference calls such as tone, vocal cues, lack of spontaneity, and knowledge location (Hollander et al. 2010b; Davis et al. 2012; Mayew and Venkatachalam 2012; Larcker and Zakolyukina 2012; Li et al. 2014; Allee and Deangelis 2015; Lee 2016). However, to my knowledge, no extant study focuses on the temporal dimension, which is an important aspect of information quality (Wang and Strong 1996; Bowen et al. 2002; Wang et al. 2011). Second, prior research either takes the quantity approach or studies only forward-looking statements; in a novel departure from previous work, this study develops an innovative measure of temporal focus that captures both the relative effort allocated to discussing the future and the time horizon of those discussions. Third, this study also contributes to the literature on the informational roles of analysts. Specifically, I provide evidence that analysts fulfill their fiduciary roles by asking more future (past) questions when firms' managers excessively discuss past performance (future prospects). Finally, this research provides insights into the potential benefits of the SEC's call for more forward-looking disclosures irrespective of the tone or nature of these disclosures (Muslu et al. 2015).

The remainder of this paper is structured as follows. Section II reviews relevant literature and develops my hypotheses, while Section III describes the data sources and empirical constructs. Section IV discusses my research design and primary results. Section V presents additional empirical results and robustness tests. Section VI concludes the paper.

II. BACKGROUND AND HYPOTHESES DEVELOPMENT

Earnings Conference Calls and Temporal Focus

Within their narrative disclosures, managers have opportunities to discuss their firms' past performance (i.e., backward-looking statements) or to provide information about their firms' future prospects (i.e., forward-looking statements) (Bowen et al. 2002; Bonsall et al. 2014). In recent years, quarterly earnings conference calls have become an important channel of voluntary narrative disclosure. Conference calls involve two parts: a management presentation (MP) section, in which managers discuss firms' past results and future prospects, and a question and answer (Q&A) section, in which managers answer questions from analysts. The timely and voluntary nature of conference calls provides a great setting to examine firm disclosures (Bloomfield 2008; Beyer et al. 2010; Wang et al. 2011). Also, the interactive and spontaneous nature of conference calls allows researchers to explore the interactions between analysts and managers (Bowen et al. 2002; Bushee et al. 2003; Matsumoto et al. 2011; Lee 2016).

The value-relevant information disclosed in conference calls is conveyed by a set of statements (i.e., sentences). Each statement has two important temporal characteristics. First is the temporal direction of a statement, which can be either past or future.² Second is the temporal depth of a statement, which is the time span inferred in the time horizon of the statement (e.g., next quarter, next year, or others). For example, the following statement is extracted from a call about fiscal Q1: "We expect fiscal Q2 operating expenses at roughly the same level as our first quarter."³ The temporal direction of the above statement is future oriented, and the temporal depth is for one quarter, since the statement was made in reference to fiscal Q1.

² Temporal direction can also be present. Consistent with the literature, I focus only on past and future. The statements with present focus are excluded from analysis.

³ The full transcript can be found at <http://seekingalpha.com/article/3793986-msc-industrial-direct-msm-erik-gershwind-q1-2016-results-earnings-call-transcript>.

As discussed above in the introduction, the temporal focus of management presentation during a conference call reflects both relative effort expended by managers in discussing the future or the past, and the temporal depth of their statements. While temporal focus and related concepts are relatively new in the academic accounting literature, they have been popular for years in the psychology, organization, and management literature (Bluedorn and Martin 2008; Shipp et al. 2009). For example, several recent publications from top management journals report that CEOs' attention paid to past and future has a significant impact on firms' investment decisions, R&D expenditures, long-term asset acquisitions, and release of new products (Nadkarni and Chen 2014; Nadkarni et al. 2016). These studies, taken together, highlight the importance of understanding managers' perceptions of time, which serves as temporal filters that form expectations and evaluations of managerial decisions. Because managers use disclosure channels to communicate their past results and future prospects (Bowen et al. 2002), these studies also highlight the importance of studying the temporal focus of corporate disclosure in general and of conference calls in particular.

The past and future focus in a management presentation are negatively associated. That is, if managers expend more effort in discussing the future prospects of the firm (i.e., a higher percentage of forward-looking statements), then they expend comparatively less effort and take less time to discuss past performance (i.e., a lower percentage of backward-looking statements). However, as discussed above, the temporal focus measure also considers the time span of statements. As a result, conference calls with a higher percentage of future statements do not necessarily have a higher future focus. Nevertheless, to be consistent with the forward-looking statement literature and to simplify the interpretation, in the rest of the paper, I primarily use the term "future focus," instead of temporal focus (both future and past focus), to develop my

hypotheses and discuss the results. However, I use the term “temporal focus” in some general discussions as long as it does not introduce confusion or inconsistency.

Conference calls offer critical windows for analysts and investors to observe and update their views on management teams and evaluate their investment decisions; thus these calls carry high financial stakes (Matsumoto et al. 2011). As a result, conference calls present a setting in which significant information is communicated, firm performance is evaluated, and an adverse capital market consequence is expected if managers do not properly engage with analysts and their investor at large. Therefore, management is under significant pressure to communicate effectively, and firms approach this event with diligent preparation (Li et al. 2014). For example, Lee (2016) shows that managers usually rehearse before a conference call and adhere to predetermined scripts (in both management presentation and anticipated questions) during the call. Given the voluntary nature of conference calls, managers have significant discretions regarding what information to discuss and how to discuss it. In terms of future focus, *what information to discuss* means that managers can choose either more or less future-oriented statements; *how to discuss it* means that managers can choose to discuss it from either longer-term or near-future perspectives. Since managers’ answers during Q&A sections are driven by analysts’ questions, the future focus of their answers might not fully reflect managerial rehearsed intent. Therefore, I use the future focus of management presentation to develop my hypotheses and discuss results.

Hypotheses Development

To develop my hypotheses, I first consider whether managers systematically change the future focus of their presentation according to their firms’ past performance. Two competing groups of theories are particularly relevant to my investigation. The first group is related to

impression management from the managers' side. This group of theories generally suggests that managers have incentives to disclose good news but to withhold bad news from investors (Core 2001; Merkl-Davies and Brennan 2007; Kothari et al. 2009). For example, consistent with obfuscation theory, Li (2008) measures the readability of firms' annual reports (10-Ks) and finds that annual reports are easier to read from firms with positive earnings, and more difficult to read from firms with negative earnings. Since annual reports with low readability (e.g., those using more complex language) are usually less understood by investors, he concludes that firms tend to promote good news through easy-to-read language and to hide bad news through complex language. Similarly, Allee and Deangelis (2015) examine the tone dispersion, or the degree to which positive and negative words are spread within a disclosure narrative. They find that positive words are more spread out when firms have positive earnings and that negative words are more condensed when firms have negative earnings, consistent with disclosure theory that firms tend to make their good news more salient and their bad news less noticeable. Also, Li (2008) provides evidence directly related to the present study, namely, that firms reporting losses discuss more future events in the 10-Ks. These studies together suggest a negative association between future focus and past firm performance.

The second group of theories is related to information demand from investors and regulators (Merkl-Davies and Brennan 2007; Beyer et al. 2010). This literature generally encourages managers to disclose unfavorable news early, under the assumption that earlier disclosures helps avoid future litigation (Bloomfield 2008). Graham et al. (2005) provide support for this explanation, reporting that managers concerned with shareholder litigation tend to provide more details regarding their poor performance. Furthermore, as Bloomfield (2008) notes, it is also possible that negative earnings news requires more words to describe and explain compared to

positive earnings news, consistent with the spirit of Tolstoy's claim that "Happy families are all alike; every unhappy family is unhappy in its own way." As another possibility, attribution theory suggests that managers typically attempt to attribute bad news to sources other than poor management (Bloomfield 2008). Attributing causation to external events would entail additional length of disclosure because background information related to external events has to be provided. Finally, managers might want to provide more future-oriented discussions when their firms have imminent events such as a merger, acquisition, or seasoned equity offering. Previous research has also evidenced that managers are more likely to provide bundled forecasts with good performance (Rogers and Van Buskirk 2009). As such, these theories and findings together suggest a positive association between future focus and past firm performance.

Although these two groups of competing theories imply contradictory associations between future focus and past firm performance, I posit that the first group of theories prevails because managers tend to obfuscate adverse information flow unless there is material litigation risk (Kothari et al. 2009). Therefore, I conjecture that managers of firms with good performance in past quarters tend to discuss more of the good performance and their discussions are less future focused. On the other hand, if firms experience poor performance in past quarters, managers tend to avoid or at least to deemphasize poor performance, and instead they provide more discussions of their future prospects in an attempt to restore the confidence of investors. This line of reasoning leads to my first hypothesis.

H1: Past firm performance is negatively associated with the future focus of management presentation.

My first hypothesis builds on a critical assumption about capital market pressure. I further predict that managers' disclosure behavior will vary with the intensity of capital market pressure.

Long-term investors (short-term investors) are expected to exert less (more) capital market pressure on a firm's management. Previous literature identifies important links between a firm's disclosure practice and its investor composition (i.e., long-term versus short-term investors) (Bushee and Noe 2000; Chen et al. 2011). In general, managers prefer targeting institutional investors with long investment horizons and screening out investors who trade frequently, with the goal of achieving a stable ownership base that will not destabilize a firm's stock price based on short-term developments (Bushee and Noe 2000). This is consistent with calls from prominent investors such as Warren Buffett (1996), analysts such as Candace Browning, head of global research at Merrill Lynch (2006), the CFA Institute (Krehmeyer and Orsagh 2006) and academics (Fuller and Jensen 2002; Jensen et al. 2004). In fact, some managers give up quarterly earnings guidance and avoid the myopic managerial behavior caused by attempts to meet quarterly earnings expectations (Chen et al. 2011).

Time span is an important component of future focus. I investigate whether the investors' investment horizon can weaken the association between future focus and past firm performance. If past firm performance is good and underlying investors consist mainly of short-term investors, it is reasonable to expect that managers will emphasize their past performance. However, if the firm's investors are dominated by long-term investors, the demand for long-term firm-specific information will increase. This is because long-term investors have a longer investment horizon, and the stability of long-term good performance carries more weight than short-term good performance. Thus, managers have an incentive to discuss their firms' future prospects to meet the informational needs of long-term investors. As a result, I predict that the presence of long-term investors will weaken the negative association between the future focus of management presentation and the past firm performance.

In contrast, if past firm performance is poor and short-term investors dominate the firm's shareholder base, more intense capital market pressure would suggest that managers have a stronger incentive to deemphasize past results and focus on future prospects. However, if long-term investors dominate a firm's shareholder base, managers' tendency to deemphasize poor performance is thereby mitigated. This is because long-term investors are more concerned about the long-term prospects of firms rather than their short-term performance. This line of reasoning leads to my second hypothesis.

H2: The association between past firm performance and the future focus of management presentation is less negative for firms with more long-term investors.

Litigation is costly to firms and is a common setting to investigate in the context of voluntary disclosures. In addition to losses paid out in a settlement, litigation diverts management time away from more productive efforts, involves paying substantial attorney fees, and can damage the reputation of the firm and its managers (Field et al. 2005). A large body of research in accounting and finance investigates whether litigation risk affects managers' disclosure choices, including timing, quantity and quality of disclosures (Matsumoto 2002; Rogers and Van Buskirk 2009; Donelson et al. 2012).

From the perspective of temporal focus, extant research does not provide a clear association between litigation risk and forward-looking disclosures. The risk of litigation is heightened when firms' earnings are substantially lower than what investors have expected (Field et al. 2005). H1 predicts that managers increase future focus to shift investor attention away from poor performance. However, when a firm has higher litigation risk, managers may reduce the future focus and instead provide more details of past results, in an attempt to reduce the litigation risk. This is discussed by Li (2010), who finds that firms with a litigation concern are more cautious in discussing future

events in their Management Discussion and Analysis section of annual reports. This suggests that litigation risk can potentially intensify the negative association between firm performance and the future focus of management presentation. On the contrary, other prior research has suggested that the threat of shareholder litigation can create incentives to issue forward-looking disclosures (Beyer et al. 2010). In addition, research also shows that managers tend to withhold bad news until it reaches a certain point (Rogers and Van Buskirk 2009), while litigation concerns trigger the early release of such bad news (Field et al. 2005), which could be imminent events and thus result in more future disclosures. This suggests that litigation risk can potentially weaken the negative association between firm performance and the future focus of management presentation. As a result of these conflicting predictions, I state my third hypothesis in the null form.

H3: The negative association between past firm performance and the future focus of management presentation is not affected by the firm's litigation risk.

Financial analysts serve an important information intermediary role in capital markets (Hirst et al. 1995; Frankel et al. 2006; Ramnath et al. 2008). Through their research, financial analysts process and interpret public corporate disclosures and news for investors, and they also provide investors with private information that they discover from their research efforts. Existing research indicates that analysts prefer completeness in firms' disclosures and react accordingly (Bushee and Noe 2000). In the context of conference calls, there is evidence that some analysts attempt to uncover information about the firms by asking questions during conference calls (Hollander et al. 2010a; Salzedo et al. 2014). Given analysts' need to gather complete information from the firm, they might ask questions from the opposite temporal direction of management presentation. For example, when managers provide more (less) future statements during the management presentation section, analysts may ask less (more) future questions during the Q&A section. This

is because more discussion about future prospects during the presentation section would leave more questions about past performance unanswered, thereby increasing the propensity for analysts to ask questions about past performance during the Q&A section. Through this practice of refocusing temporal orientation, analysts can both uncover new information and make firm disclosures more balanced overall between past performance and future prospects. This suggests a negative association between the temporal focus of analyst question and management presentation.

However, existing literature has also provided abundant evidence of analysts' inefficiency in processing information (Easterwood and Nutt 1999; Ramnath 2002; Abarbanell and Lehavy 2003; Shane and Stock 2006; Ramnath et al. 2008). For example, Shane and Stock (2006) show that due to financial analysts' inability to recognize temporary components of reported earnings, their earnings forecasts fail to anticipate earnings management that shifts income from fourth quarters in higher tax rate years to immediately following first quarters of lower tax rate years. In addition, analysts may also suffer from the "limited attention" issue that affects other information users. In other words, analysts may exhibit a tendency to use only information that is explicitly conveyed to them and use it only in the form in which it is provided (Payne et al. 1993; Lee 2016; Hirshleifer and Teoh 2003; Miao et al. 2016). As a result, by setting their preferred temporal focus during the management presentation section, managers can constrain the scope of analysts' questions and ensure that discussions during Q&A section stay within the managers' "comfort zone." Existing literature has also questioned the objectivity of analysts' work. For example, Fogarty and Rogers (2005) find that analysts' published research is uncritical of management. Similarly, Asquith et al. (2005) and Huang et al. (2012) find that a typical analyst report contains little negative commentary about firms or the management. Furthermore, prior research has suggested that managers attempt

to circumvent the interactive nature of conference calls by biasing their participant selection toward favorable analysts (Mayew 2008). These studies cast doubts on analysts' willingness to ask probing questions during conference calls. In the context of temporal focus, analysts may not be willing to 1) question firms' future prospects when managers focus on their past performance, or 2) question firms' past performance when managers try to divert attention toward firms' future prospects.

In summary, I investigate how financial analysts react to management disclosures from a perspective of temporal focus. Although analysts may scrutinize management disclosures by asking questions from opposing temporal directions, they may have a tendency to follow the temporal direction set by the management due to their limited attention and willingness to probe. Given the opposing predictions, I state my hypothesis in the null form.

H4: The future focus of management presentation is not associated with that of analysts' questions.

III. DATA AND VARIABLE MEASUREMENT

Data Sample

I collect 98,112 conference call transcripts from SeekingAlpha.com between 2002 and 2015.⁴ I first use Perl to extract basic call information such as ticker symbol, fiscal year, and fiscal quarter. I remove 5,370 calls without ticker and fiscal period information. Then I limit my sample to include only S&P 1500 firms and separate a conference call transcript into three sections: participant section, the management presentation (MP) section, and the Q&A (QA) section.

Participant section contains the name and affiliation information of managers and analysts, which are used to further divide the QA section into analyst questions and manager answers. Only

⁴ The earliest year of data is in 2002, data collection was completed in May 2016.

those transcripts with all three sections are included in the sample, and transcripts missing required sections or formatting are removed.⁵ This requirement reduces the sample to 31,543 calls. To make sure my analysis includes only transcripts of managers or analysts, I process the MP and QA sections by removing all HTML tags, special characters, and comments by an operator. I also remove paragraphs containing the phrase “Copyright policy” to avoid boilerplate cautionary language unrelated to conference calls. I further require that at least one manager and one analyst from the participant section can be subsequently identified in the QA section,⁶ reducing the sample to 31,130 calls.

Next, I match the sample to the financial and stock related database by ticker, fiscal year, fiscal quarter reported in the conference calls. This matching procedure leaves 30,717 calls. I lose additional 1,179 calls without scripts extracted because of format errors. My final sample consists of 29,028 calls between 2005 and 2015⁷. The sample selection procedures are summarized in the Panel A of Table 1.

[Insert Table 1 Here]

Panel B of Table 1 presents the sample distribution by year. The sample is roughly evenly distributed across years except for the first two years of the sample. This is reasonable because earnings conference calls gradually became popular after the passage of Reg FD in 2000 and it takes time for it to become a general disclosure practice. Panel C of Table 1 presents the sample distribution by Fama and French 10-industry classification. Besides “other” industries, high-tech,

⁵ Although some call transcripts contain all three sections, they lack the necessary HTML tags for the three sections to be feasibly extracted and separated with reasonable accuracy.

⁶ For some participants, variations of name, title, and affiliations are used across the three sections. For example, “Ed Smith”, “Smith, Ed H.”, “Edward H. Smith”, Smith, Edward H.” could refer to the same person.

⁷ There are only 3 calls in my data before 2005.

manufacturing, and shops (e.g., wholesale, retail) industries are the top three represented industries in the sample.

Measuring Temporal Focus

To quantify the temporal focus, I first separate each call transcript into individual sentences. Second, I extract temporal direction information by classifying sentences into past, present, or future according to their respective grammatical tense and semantic meaning. For example, the sentence, “We will continue to invest aggressively to expand our communications product portfolio into new and emerging wired and wireless end markets.” is classified as having a future temporal direction. Consistent with the literature, I mainly focus on future and past sentences, so the present sentences are excluded from analysis in this study⁸. Third, I extract the time horizon information for each sentence and measure the horizon in the units of month. For example, the sentence quoted above has a time span of one quarter, which is also equivalent to three months. Fourth, following the similar method employed by previous studies (Nadkarni and Chen 2014; Nadkarni et al. 2016), I compute temporal focus for each conference call. Since temporal focus can be either future focus or past focus, I compute them separately in a similar way. Future focus of a given call is a weighted average of future time horizon, computed by summing the future horizon of each future statement, then scaled by the total number of both future and past sentences in the call. The formula below calculates the future focus:

$$\begin{aligned}
 \text{future focus} &= \sum_{i=1}^n \left(\frac{1}{n} * \text{future horizon} \right) \\
 &= \frac{\text{sum of future horizon}}{\text{total number of both future and past sentences } (n)}
 \end{aligned}$$

⁸ In my robustness test, I classify present sentences as past and the main results hold.

Where n is the total number of both future and past sentences. A past sentence is assumed to have no future horizon. A call with more future statements or longer time horizon into the future will have a higher score of future focus. The measure of future focus is computed for three types of disclosures in a call, including managers' discussion in an MP section, analyst questions in a QA section, and manager answers in the QA section.

Taking an example of fictitious conference call consisting of only following three sentences: "Our businesses grew by 5% this quarter. We will increase our marketing effort in next two quarters. Consequently, we expect the rate to be 8% in one year." The first is a past sentence, thus has no future time horizon; the second is a future sentence with a future time horizon of 6 months (two quarters); the third is also a future sentence, with a future horizon of 12 months (one year). Thus the final calculation of future focus is demonstrated below:

$$future\ focus = \frac{1}{3} \times 0 + \frac{1}{3} \times 6 + \frac{1}{3} \times 12 = \frac{0 + 6 + 12}{3} = 6\ weighted\ months$$

The essential step to measure temporal focus is to extract the information of temporal direction and time span from a sentence. To do so, I employ the techniques of both linguistic and heuristic analyses. For linguistic analysis, I employ the Stanford CoreNLP (Manning et al. 2014), a natural language processing toolkit developed by Stanford University, to identify the past and future sentences and extract their time horizon information. The Stanford CoreNLP toolkit provides a variety of natural language processing packages for major computational linguistics problems, which can be incorporated into applications for human language technology needs (The Stanford NLP Group 2016).⁹

⁹ The Stanford CoreNLP toolkit is widely used in industry, academia, and government (Kumar et al. 2013; Manning et al. 2014; Lau et al. 2014; Nanavati and Ghodasara 2015).

In this study, I am primarily interested in the packages of POS Tagger (Part Of Speech) and Temporal Tagger (SUTime) in order to identify temporal direction and time span of sentences in conference calls. The POS Tagger analyzes a sentence and assigns different tags to each word based on its tense, function, and relations with other words.¹⁰ In addition, modal verbs such as can, could, may, might, will, would, must, ought to, shall, and should usually are used to judge the future situation. According to the literature in computer science and information retrieval (Chambers et al. 2007; Wadhvani and Roy 2013), I construct rules based on POS tags and modal verbs to classify each sentence into past, present, or future statement.

Temporal Tagger recognizes and normalizes time expressions from a sentence,¹¹ which provides the time horizon information. For example, it will identify the phrase “in five years” from the sentence “we plan to increase the number of stores in five years” and convert the phrase to something like “2021-08-18” if the conference call was held on 2016-08-18 (reference time point). Based on these recognized and normalized time information, I then calculate the time horizon for each sentence. There are two potential reference time points implied in a conference call: the time of conference call and the fiscal quarter end. Because of the potential difference between calendar quarter and firm’s fiscal quarter, I use the fiscal quarter end as the time reference point for phrases such as “this quarter”, “the third quarter”, “this year”, and so on; I use the time of conference call as the reference time point for other typical phrases. Next, some phrases such as “last month” may be misleading if the time of conference call is used as the reference point. Conference calls are usually held one to three months after the fiscal quarter end, “last month” from a conference call could be one month after the fiscal quarter end. When temporal direction is inconsistent using the

¹⁰ Some POS tags primarily related to the temporal direction information (tense) are VB (base form), VBD (past tense), VBG (gerund or present participle), VBN (past participle), VBP (non-3rd person, singular present), and VBZ (3rd person singular present). The online demo can be found at <http://nlp.stanford.edu:8080/parser>.

¹¹ The online demo can be found at <http://nlp.stanford.edu:8080/sutime/process>

two reference time points, I give the higher priority to fiscal quarter end. Finally, I drop those sentences with identified time span longer than five years¹², to reduce the impact of outliers. These sentences, such as “next century” or “thousands of years ago,” are usually used for general purpose.

Because of the flexible and complex nature of the language, certain time-related information cannot be extracted accurately. For example, Temporal Tagger can identify the future temporal direction in the phrase “in the next several years,” it cannot identify the time horizon because of the inherent uncertainty of the word “several.” In addition, some time horizon information recognized may not be the true information implied in the sentence. For example, Temporal Tagger identifies the future temporal direction from the phrase “in the next couple of years” and recognizes the time horizon as two years from the reference time, treating the word “couple” as two. While this may not cause a serious problem, there are other cases that need special treatments. As another example, the phrase “at the end of the day” could also mean “eventually” or “after all”. Temporal Tagger, however, simply treats it as the end of the day. Similarly, the sentence “We will talk to you next quarter” simply means to end the conference call, with no future information implied. I create rules to treat all these special situations.

Grammatically, it’s common to use present tense when describing future events. As a result, some sentences classified as present tense by linguistic analysis actually contain information about the future. Using one of the examples above, the sentence “we plan to increase the number of stores in five years” has a present tense but obvious it has information related to future. So I also employ a heuristic analysis by using the forward-looking word/phrase list adapted from the studies of Li (2010), Bonsall et al. (2014), and Muslu et al. (2015). The list includes words or phrases such

¹² My results hold when this limit is set to 10, 15, and 20 years.

as plan to, is/are estimated to, and so on. When a sentence matches any of the words/phrases in the list, it is automatically re-classified into the future category.

To ensure the validity of my measure of temporal focus, I use a random sample of 2000 sentences and compare the temporal information (i.e., direction and time horizon) extracted by my algorithm against that extracted by two independent research assistants. Both research assistants are master students of accounting at a major state school. I instruct the research assistants to select the best tense (i.e., past, present, or future) for each sentence. However, they are allowed to select more than one tense if they deemed appropriate. Second, I instruct them to make their best judgment regarding the time horizon implied in the sentence, especially when it is qualitative. The results show that the agreement rate between the two assistants is 93.7% for temporal direction and 86.1% from time horizon¹³. Then I select those sentences with agreed tense and time horizon, and compare their temporal information against those extracted by my algorithm. The results show the agree rate is 82.7% for temporal direction and 76.3% for time horizon. These rates are comparable to those reported in textual analysis literature (Li 2010; Zhou et al. 2015), which indicates the efficiency of my algorithm and reliability of my measure of temporal focus.

Other Variables

Firm performance. Following previous literature on firm performance and disclosures (Li 2008; Huang et al. 2013; Merkley 2014; Allee and Deangelis 2015), I measure the firm performance in several ways: 1) current return on asset (*roa*), measured as operating income scaled by total assets; 2) current return on equity (*roe*), measured as operating income scaled by total shareholders' equity; 3) an indicator variable whether firm meets or beats the consensus of

¹³ Two time horizons are deemed to agree with each other if their distance is within one month.

analyst forecasts (*meetbeat*); 4) an indicator variable coded as one if the firm has positive earnings (*gain*); 5) sales growth from the same quarter of prior year ($\Delta sales$).

Investor horizon. I proxy investor composition through investment horizon (*invhorz*). Investment horizon is measured by the share turnover during the quarter and multiplied by -1, in which share turnover is computed as common shares traded divided by the average number of shares outstanding in each quarter (Yermack 2006). Consequently, a higher value of *invhorz* means a lower share turnover, thus the longer investment horizon, as shown below.

$$invhorz = -1 \times share\ turnover = -1 \times \frac{common\ shares\ traded}{average\ common\ shares\ outstanding}$$

I choose not to measure investment horizon using firms' institutional investor ratio because previous studies have evidenced that some institutional investors actively buy and sell their shares. In addition, even if institutional investors can be classified into transient, dedicated, or quasi-indexing based on their expected investment horizons (Bushee and Noe 2000; Ke and Ramalingegowda 2005), they hold a rather small portion of shares in many small firms. As a result, the overall share turnover of a firm provides a better measure to capture the investment horizon of the underlying investors.

Litigation risk. Traditionally, litigation risk is measured using an industry-based proxy. A common proxy is based on industry membership, and it assigns high litigation risk to firms in biotechnology, computer, electronics, and retail industries (Francis et al. 1994; Kim and Skinner 2012). As suggested and evidenced by Kim and Skinner (2012), however, this industry-based proxy does a relatively poor job of predicting litigation and make it difficult to ensure the disclosure decisions is caused by litigation risk as opposed to other industry-specific factors. For example, firms in biotechnology industry have higher proprietary costs than those in more

traditional industries, the systematical changes of disclosure decisions by firms in biotechnology industry might be caused by their high proprietary costs, not by high litigation risk.

To avoid the low construct validity of industry-based proxy, I measure the *ex-ante* litigation risk by using the model developed by Kim and Skinner (2012). Kim and Skinner (2012)'s model (model 2, page 302) is a logistic model which incorporates not only industry-based proxy but also lagged variables such as lagged assets, lagged sales growth, and contemporaneous stock return variables such as market-adjusted return, return skewness, return standard deviation, and turnover. I also include the disclosure tone (discussed below) into the model, since previous research provides evidence that managers' use of optimistic language increases litigation risk (Rogers et al. 2011).

The litigation risk is estimated as the probability of being sued given the variable values in the model. Consistent with Kim and Skinner (2012), I draw a distinction between the risk of securities class action lawsuits and the risk of SEC enforcement actions and other types of government legal actions, and I only consider the former as the litigation risk.

Disclosure tone. Following the tone management literature (Li 2008; Davis et al. 2012; Rogers et al. 2011; Huang et al. 2013), I measure disclosure tone as the net percentage difference of positive and negative words in the management presentation. Specifically, it is calculated as follows:

$$disclosure\ tone = \frac{positive\ words - negative\ words}{total\ words}$$

There are several dictionaries of positive and negative words. I choose to use the one developed by Loughran and McDonald (2011) since it is designed specifically for use in the financial domain (Rogers et al. 2011; Loughran and McDonald 2011).

Prior research also finds other variables that have an influence on firm disclosures. To alleviate potential concerns of alternative explanations, I control for these variables in my analyses. All variables used in this study are defined in Appendix A.

Summary Statistics

Table 2 presents the summary statistics of temporal focus across different industries and over time. The results of Panel B show that, on average, energy and utilities firms have higher future focus, while durable and retailing firms have lower future focus. One possible reason is that the energy and utilities firms are capital intensive and they need to plan for a longer time horizon. The mean values of future focus across industries are between 4.21 and 6.27. However, this does not necessarily mean that firms generally look forward four to six months into the future, because the calculation of future focus also considers the percentage of future sentences. So the future focus represents the weighted months. The untabulated results show the firms generally look 8 to 12 months in the future. As shown in the results of Panel A, there is little variation of temporal focus over time. At the first glance, this might look puzzling. It is reasonable, however, because the results are aggregated at the year level. Given the fact that each year can be a good year for some firms but a bad year for others, even if the future focus is influenced by firm performance at the firm level, the influence might cancel out across firms, leaving little variation of future focus at the year level.

[Insert Table 2 Here]

I use Microsoft Corporation as an example to illustrate how the future focus of management presentation changes with firm performance (return on assets) over time. Figure 1 shows the changes from the third quarter of 2006 to the last quarter of 2015. The solid line represents the firm performance and the dashed line represents the future focus. Compared to both industry and yearly

average, Microsoft has a higher future focus (with a mean value of 5.5, and a range roughly from 4 to 8 weighted months), which is reasonable given its size, competitive power, and the nature of high-tech industry.

[Insert Figure 1 Here]

The figure also illustrates that the future focus of management presentation and firm performance move in the opposite directions over time. In other words, when Microsoft's performance increases, in most cases, its future focus of management discussion decreases, and vice versa.

[Insert Table 3 Here]

Table 3 represents the summary statistics for variables used in this study. For the ease of interpretation, I convert scaled values to the raw values. The average (median) number of sentences of management presentation is 174 (164); the average (median) numbers of QA section and analyst questions are 269 (261) and 86 (81), respectively. The untabulated results show that the average (median) number of words of the management presentation section is 2,744 (2,605) words, which is comparable to 2,928 (2,798) words as reported in Matsumoto et al. (2011), and to 2,844 (2,705) words as reported in Allee and Deangelis (2015). The control variables are classified into similar groups used in Merkley (2014) and Allee and Deangelis (2015). They are generally consistent with those reported in previous studies.

[Insert Table 4 Here]

Table 4 shows the pairwise Pearson correlation coefficients among the variables. The results show that all five performance measures are in general positively correlated with each other and they are all negatively associated with future focus, consistent with the prediction of H1. In addition, the correlations between future focus and other variables are generally consistent with my

expectation. For example, future focus is positively associated with investment horizon, negatively associated with litigation risk and return volatility. Finally, the highest correlation coefficient among independent variables is 0.56, which rules out potential multi-collinearity concerns.

IV. EMPIRICAL TESTS AND RESULTS

Future Focus and Firm Performance

H1 posits the negative association between firm past performance and the future focus of management presentation. To test this hypothesis, I first examine univariate correlations between future focus and the four measures of firm performance. As reported in Table 4 (the pairwise correlation table) and discussed above, I find that consistent with H1, future focus correlates negatively with all the five measures of firm performance.

Next, I provide further evidence by estimating the following multivariate regression (Equation (1)) that includes controls for various disclosure determinants from prior literature (Li 2008; Merkley 2014; Allee and Deangelis 2015).

$$fFocus_mp_{ijk} = \beta_0 + \beta_1 firmperf_{ijk} + \beta_2 tone_mp_{ijk} + \beta_3 retVol_{ijk} + \beta_4 litiRisk_{ijk} + \beta_5 manpart_{ijk} + \beta_6 anpart_{ijk} + \beta_7 mfCt_{ijk} + \beta_8 ior_{ijk} + \beta_9 m\&a_{ijk} + \beta_{10} seo_{ijk} + \beta_{11} CEOAge_{ijk} + \beta_{12} CEOComp_{ijk} + \beta_{13} CEOFemale_{ijk} + \beta_{14} msize_{ijk} + \beta_{15} mtb_{ijk} + \beta_{16} leverage_{ijk} + \beta_{17} length_mp_{ijk} + firm, year, and quarter fixed effects + \epsilon_{it} \quad (1)$$

Where the $fFocus_mp_{ijk}$ measures the future focus of management presentation (MP) at firm i , year j , and quarter k . $firmperf_{ijk}$ represents one of the five firm performance measures: 1) gain or loss indicator (*gain*), 2) return on assets (*roa*), 3) return on equity (*roe*), 4) meet or beat analyst consensus of earnings per share (*meetbeat*), and 5) sale increase from the same quarter of prior year (*Δsales*). Other variables can be referenced in Appendix A. According to H1, I expected the

coefficient β_1 to be negative, suggesting a negative association between past firm performance and the future focus of management presentation.

It is reasonable to believe that firms prepare conference call presentation based on their previous practice. For example, they may follow similar arrangements, use similar templates, cover similar topics, invite similar analysts, and so on. In other words, the future focus of management presentation is likely to be influenced by that from the previous quarter. Thus, I estimate Equation (1) using a fixed-effect model to address the heteroskedasticity issue, and test for statistical significance of the coefficients using robust standard errors clustered by firm. All tests are two-tailed unless specified otherwise. The results of H1 testing are reported in Table 5.

[Insert Table 5 Here]

Test results for H1. Columns (1) to (5) of Table 5 report the results when each of the five measures is used to proxy for firm performance. The results indicate significant and negative coefficients (β_1 of Equation (1)) in Columns (1), (2) and (3) of Table 5, where *roa*, *roe*, and *meetbeat* are used to measure firm performance, respectively. For example, Column (1) reports the negative coefficient ($p < 0.05$, two-tailed test) when return on assets (*roa*) is used as the measure of firm performance. On average, one percentage point decrease of *roa* will increase the future focus of management presentation by 0.031. Although economically marginal, this is consistent with H1 such that 1) when past firm performance is good, managers tend to discuss more about firms' past results; and 2) when past firm performance is poor, managers tend to avoid discussing firms' poor results by shifting their focus toward future, possibly in an attempt to reassure the capital market.

I fail to find a significant coefficient (β_1) when firm performance is measured by *gain* and *Δsales*. This is reasonable because a positive gain or sales increase is not sufficient to tell whether firm performance is good or bad. In fact, sales growth can go in the opposite direction of firm

performance. In other words, a firm with positive sales growth might have an accounting loss, if the relevant expense exceeds the sales increase. Overall, the results in Table 5 provide evidence that the future focus of management presentation section of conference calls are negatively associated with past firm performance. Thus H1 is supported.

The coefficients of other control variables are generally consistent with the expectation. For example, I find a negative association between return volatility and future focus, which indicates that firms with high return volatility tend to provide less information about future prospects, given the high uncertainty and less predictability about firm fundamentals. In addition, I find that firms with merger and acquisition (M&A) plans within one year tend to be more future focused. This is reasonable because share price plays a major role during the process of M&A transactions and managers have both incentives and obligations to meet the information needs of investors (Huang et al. 2013). Furthermore, I find the institutional ownership (*ior*) is positively associated with future focus, indicating that, overall, institutional investors prefer more information regarding future. Last but not the least, I find that firm size, proxied by the market value of equity, is positively associated with future focus. This indicates that bigger firms, which are usually more mature and predictable, tend to be more future focused.

Test results for H2. H2 tests whether the association between future focus and past firm performance is less negative for firms with more long-term investors. To test H2, I include in Equation (1) a variable of investment horizon (*invhorz*) and interact the variable with firm performance, as shown below in Equation (2):

$$\begin{aligned}
 fFocus_mp_{ijk} = & \beta_0 + \beta_1 invhorz_{ijk} + \beta_2 invhorz_{ijk} * firmperf_{ijk} + \beta_3 firmperf_{ijk} + \\
 & \beta_4 tone_mp_{ijk} + \beta_5 retVol_{ijk} + \beta_6 litiRisk_{ijk} + \beta_7 manpart_{ijk} + \beta_8 anpart_{ijk} + \beta_9 mfCt_{ijk} + \\
 & \beta_{10} ior_{ijk} + \beta_{11} m\&a_{ijk} + \beta_{12} seo_{ijk} + \beta_{13} CEOAge_{ijk} + \beta_{14} CEOComp_{ijk} + \\
 & \beta_{15} CEOFemale_{ijk} + \beta_{16} msize_{ijk} + \beta_{17} mtb_{ijk} + \beta_{18} leverage_{ijk} + \beta_{19} length_mp_{ijk} + \\
 & firm, year, and quarter fixed effects + \epsilon_{it} \quad (2)
 \end{aligned}$$

The investment horizon is captured by the share turnover during the quarter and multiplied by -1, so a higher value of *invhorz* means a lower share turnover, thus the longer investment horizon. The results are reported in Table 6.

[Insert Table 6 Here]

To evaluate H2, I consider the coefficient estimates on the interaction term (*invhorz* * *firm performance*) reported in Table 6. If the negative association between future focus and firm performance becomes weaker when firms' investors have longer investment horizon, I should expect the coefficient of interaction term to be positive. Consistent with H2, I find the interaction terms are positive and statistically significant when firm performance is measured by return on assets (*roa*), return on equity (*roe*), meet or beat (*meetbeat*), and gain/loss indicator (*gain*). The interaction term is insignificant when firm performance is measured by using by sales changes (*Δsales*). Overall, these results support H2 that the negative association between the future focus of management presentation and past firm performance is weaker for firms dominated by long-term investors.

It is interesting to note that the coefficient of institutional ownership (*ior*) becomes insignificant. Institutional ownership (*ior*) partially captures the investment horizon, as discussed above and shown in the correlation table (Table 4). It is possible that newly introduced variable investment horizon (*invhorz*) more accurately captures the investment horizon of investors and explains the association away from the variable institutional ownership (*ior*).

Test results for H3. H3 tests whether the association between future focus and past firm performance is more negative for firms with high litigation risk. Similarly, to test H3, I include in Equation (1) a variable of litigation risk (*litiRisk*) and interact the variable with firm performance, as shown below in Equation (3):

$$\begin{aligned}
fFocus_mp_{ijk} = & \beta_0 + \beta_1 litiRisk_{ijk} + \beta_2 litiRisk_{ijk} * firmperf_{ijk} + \beta_3 firmperf_{ijk} + \\
& \beta_4 tone_mp_{ijk} + \beta_5 retVol_{ijk} + \beta_6 litiRisk_{ijk} + \beta_7 manpart_{ijk} + \beta_8 anpart_{ijk} + \beta_9 mfCt_{ijk} + \\
& \beta_{10} ior_{ijk} + \beta_{11} m\&a_{ijk} + \beta_{12} seo_{ijk} + \beta_{13} CEOAge_{ijk} + \beta_{14} CEOComp_{ijk} + \\
& \beta_{15} CEOFemale_{ijk} + \beta_{16} msize_{ijk} + \beta_{17} mtb_{ijk} + \beta_{18} leverage_{ijk} + \beta_{19} length_mp_{ijk} + \\
& firm, year, and quarter fixed effects + \epsilon_{it} \quad (3)
\end{aligned}$$

As discussed above, the litigation risk is measured as the *ex-ante* the probability of being sued by using the model developed by Kim and Skinner (2012). The results are reported in Table 7.

[Insert Table 7 Here]

To evaluate H3, I consider the coefficient estimates on the interaction term (*litiRisk * firm performance*) reported in Table 7. I find the interaction terms are negative and statistically significant when firm performance is measured by return on assets (*roa*), return on equity (*roe*), meet or beat (*meetbeat*). The interaction term is insignificant when firm performance is measured by gain/loss indicator (*gain*) and sales changes (*Δsales*). Overall, these results suggest that the association between the future focus of management presentation and past firm performance is more negative for firms with high litigation risk.

Future Focus and Analyst Reactions

H4 tests whether there exists an association between the future focus of management presentation and that of analyst questions. In other words, whether the future focus of analyst questions could be driven or strategically manipulated by managers, and if so, at which direction. Following the same methodology used by Merkley (2014) and Allee and Deangelis (2015), I test H3 by estimating the following model:

$$\begin{aligned}
fFocus_q_{ijk} = & \beta_0 + \beta_1 fFocus_mp_{ijk} + \beta_2 firmperf_{ijk} + \beta_3 retVol_{ijk} + \beta_4 highliti_{ijk} + \\
& \beta_5 manpart_{ijk} + \beta_6 anpart_{ijk} + \beta_7 mfCt_{ijk} + \beta_8 ior_{ijk} + \beta_9 m\&a_{ijk} + \beta_{10} seo_{ijk} + \\
& \beta_{11} CEOAge_{ijk} + \beta_{12} CEOComp_{ijk} + \beta_{13} CEOFemale_{ijk} + \beta_{14} msize_{ijk} + \beta_{15} mtb_{ijk} +
\end{aligned}$$

$$\beta_{16}leverage_{ijk} + \beta_{17}length_q_{ijk} + firm, year, and quarter fixed effects + \epsilon_{it} \quad (4)$$

The newly introduced variable, $fFocus_q_{ijk}$, measures the future focus of questions asked by analysts during the Q&A section. It is calculated using the same procedures as discussed in previous section, by using only the questions asked by analysts. In other words, the answers provided by managers are excluded in the calculation. Other variables used in the model are the same as previously discussed. I also replace the length variable $length_mp_{ijk}$ with $length_q_{ijk}$, which is the number of sentences asked or spoken by analysts, to reflect the context change. According to H4, the coefficient β_1 is expected to be positive, suggesting the future focus of analyst questions ($fFocus_q_{ijk}$) is driven by that of management presentation ($fFocus_mp_{ijk}$).

Similar to the future focus of management presentation, the future focus of analyst questions may be sticky and is likely to be influenced by the future focus of analyst from the previous period. For example, for any given firm, it is reasonable to believe that the majority of analysts participating the current period's conference call also participated last period's conference calls. These analysts may ask similar questions that they asked before or use the same question pool they prepared for the firm. Thus, I estimate Equation (4) using a fixed-effect model to address the heteroskedasticity issue. Similar to estimating other equations, I test for statistical significance of the parameter by using robust standard errors clustered by firm.

[Insert Table 8 Here]

Test results for H4. The results of H4 are reported in Table 8, in which five columns correspond to the five measures of firm performance. The results consistently show significant and positive associations between the future focus of analyst questions ($fFocus_q$) and management presentation ($fFocus_mp$) across all five models, as evidenced by the coefficient of β_1 in each model ($p < 0.01$, two-tailed). In addition, the coefficients of different models have similar values, ranging

from 0.26 to 0.27, suggesting that on average, one unit of increase in the future focus of management presentation ($fFcous_mp$) will lead to at least 0.26 unit of increase in the future focus of analyst questions ($fFcous_q$). These results are consistent with H4 that the future focus of analyst questions is positively associated with that of management presentation.

Notably, by investigating the coefficients of five firm performance measures in Table 8, I find positive associations between the future focus of analyst questions and all the five firm performance measures except the gain/loss indicator. These interesting results suggest that, when excluding the influence from managers and other factors, analysts have a propensity to ask fewer (more) future questions when firm performance is poor (good), which is opposite to the managers' disclosure behaviors. In other words, when past performance is poor, managers tend to discuss more future prospects but analysts tend to ask fewer future questions and more past questions. In this case, perhaps analysts want more details of poor performance to evaluate potential implication of poor performance. In contrast, when past performance is good, managers tend to discuss their good results but analysts tend to ask more future questions. In the latter case, it is possible that analysts have the inherent needs for future information to make forecasts. These results can also be corroborated by the facts that the future focus of analyst questions is significantly higher (t-test on mean) than the future focus of management presentation, as shown in the summary statistics (Table 3).

In addition, I find that sales increase is not associated with the future focus of management presentation but is significantly associated with the future focus of analyst questions. This may suggest that analyst put more weight on sales increase because it signals future firm growth. Furthermore, merger and acquisition ($m\&a$) is significantly associated with the future focus of management presentation, but not significantly associated with the future focus of analyst questions.

One possible explanation for this result is that information regarding future merger and acquisition is usually private to managers, and such information is not known to analysts until a certain point of time; as such, the future focus of analyst questions is not associated with merger and acquisition. Finally, similar to the results reported in Table 5, I don't find a significant association between the future focus of analyst questions and the gain/loss indicator, suggesting the gain/loss indicator is less likely to be used by either managers or analysts as a performance benchmark to adjust their future focus. Overall, these results provide evidence that managers and analysts, given their distinct roles in the capital market, evaluate and react to firm performance differently in correspondence to their respective information needs and incentives.

V. ADDITIONAL ANALYSES AND ROBUSTNESS CHECKS

Nonlinear Association Between the Future Focus of Management Presentation and Analyst Questions

The testing results of H4 indicates a positive association between the future focus of analyst questions and management presentation. I future investigate whether the association varies when managers focus excessively on future discussions. Intuitively, analysts have to balance their information needs regarding both past and future information. Although the future focus of analyst questions can be partially driven by that of management presentation, the propensity to ask future questions should decline with the increase of future disclosures by managers. In other words, this suggests a nonlinear (concave) relation between the future focus of analyst questions and management presentation. To test this, I change Equation (4) by including a quadratic term of management future focus, as shown in Equation (5) below.

$$fFocus_q_{ijk} = \beta_0 + \beta_1 fFocus_mp_{ijk} + \beta_2 fFocus_mp2_{ijk} + \beta_3 perf_{ijk} + \beta_4 retVol_{ijk} + \beta_5 highliti_{ijk} + \beta_6 manpart_{ijk} + \beta_7 anpart_{ijk} + \beta_8 mfCt_{ijk} + \beta_9 ior_{ijk} + \beta_{10} m\&a_{ijk} +$$

$$\beta_{11}seo_{ijk} + \beta_{12}CEOAge_{ijk} + \beta_{13}CEOCComp_{ijk} + \beta_{14}CEOFemale_{ijk} + \beta_{15}msize_{ijk} + \beta_{16}mtb_{ijk} + \beta_{17}leverage_{ijk} + \beta_{18}length_{qijk} + firm, year, and quarter fixed effects + \epsilon_{it} \quad (5)$$

Where $fFocus_mp2_{ijk}$ represents the quadratic term of the future focus of management presentation. A negative coefficient of the quadratic term will lend support to the nonlinear (concave) relation. The results are reported in Table 9.

[Insert Table 9 Here]

The results show that the coefficients of the base form ($fFocus_mp$) is positive and significant, while the coefficients of the quadratic term ($fFocus_mp2$) are negative and significant ($p < 0.10$, two-tailed test) across all the five models, with each model using a different measure of firm performance. These results are consistent with H4 that the future focus of analyst questions is positively associated with that of management presentation. These results also support the nonlinear (concave) relation between the future focus of analyst questions and management presentation. That is, with the increase of the future focus of management presentation, its marginal influence on that of analyst questions decreases.

Future Focus and Financial Analysts Properties

Financial analysts are an integral part of the capital market, providing earnings forecasts, buy/sell recommendations and other information to brokers, money managers and institutional investors (Lang and Lundholm 1996). Although analysts use different information sources in their evaluations, much of the information is provided directly by the firm (Lang and Lundholm 1996). In H4, I investigate analysts' responses to the future focus of management presentation during conference calls. However, the impact on analysts could go beyond the conference calls.

Previous studies show that firms' financial disclosures have an impact on a variety of properties of analysts. For example, research has evidenced that less readable 10-Ks are associated with greater dispersion, lower accuracy, and greater overall uncertainty in analyst earnings forecasts (Lehavy et al. 2011). I follow prior literature and examine how the future focus of management presentation relates to analyst following, analyst effort, earnings forecast accuracy, and earnings forecast dispersion (Lehavy et al. 2011; Merkley 2014). Specifically, I investigate this question by estimating the following model.

$$\begin{aligned} anaProperty_{ijk+1} = & \beta_0 + \beta_1 fFocus_mp_{ijk} + \beta_2 indComp_{ijk} + \beta_3 invhorz_{ijk} + \\ & \beta_4 meetbeat_{ijk} + \beta_5 growth_{ijk} + \beta_6 retVol_{ijk} + \beta_7 litiRisk_{ijk} + \beta_8 mfCt_{ijk} + \beta_9 ior_{ijk} + \\ & \beta_{10} m\&a_{ijk} + \beta_{11} seo_{ijk} + \beta_{12} msize_{ijk} + \beta_{13} mtb_{ijk} + \beta_{14} leverage_{ijk} + \beta_{15} length_mp_{ijk} + \\ & \beta_{16} anaProperty_{ijk} + firm, year, and quarter fixed effects + \epsilon_{it} \quad (6) \end{aligned}$$

Where the *anaProperty* represents analyst following, analyst effort, earnings forecast accuracy, and earnings forecast dispersion, respectively. To be consistent with general understanding, forecast accuracy is defined as -1 multiplying the absolute value of the difference between the actual reported earnings and the most recent consensus after the conference call, then scaled by price three days prior to the date of the consensus. As a result, a higher accuracy means a higher measure value. And to avoid the reversed causality, I use the value of one quarter in the future as the dependent variable (led by one quarter). Following the previous literature (e.g., Hollander et al. 2010a), I define analyst following as the number of analysts included in the first I/B/E/S consensus forecast after the conference call; define analyst effort as the length of time required for analysts to issue their first forecast following the conference call; define forecast accuracy as the absolute value of the difference between the actual reported earnings and the most recent consensus after the conference call, scaled by price three days prior to the date of the consensus and multiplied by -1; define forecast dispersion as the standard deviation of analyst

forecasts in the most recent consensus following the conference call, and scaled by price three days prior to the date of the consensus.

In addition to commonly used control variables, I follow previous literature by including dependent variable of the current quarter to further control for potentially omitted correlated variables (Merkley 2014). Similar to my main analysis, regressions include firm, year, and quarter fixed effects. I report t-statistics based on standard errors that are robust to heteroskedasticity and clustered by firm. The results are presented in Table 10.

[Insert Table 10 Here]

First, I find that the future focus of management is associated higher analyst following. This is consistent with existing research that firms with better disclosure environment tend to attract greater analyst following (Lehavy et al. 2011). SEC has been encouraging firms to disclose more future-oriented information, holding the belief that more future information can increase transparency and improve financial disclosure environment (Beyer et al. 2010). Since an important task of analysts is to make a variety of future predictions and estimates, it is reasonable to believe that firms providing more future-focused disclosures are more aligned with analysts' information needs, thus attracting higher analyst following.

Second, I find that the future focus of management is positively associated with analyst efforts. In other words, if managers are more future focused, it will take longer for analysts to release their first forecasts after the conference call. This seems puzzling at first glance. However, it is understandable given the facts that 1) future information is usually qualitative and of low verifiability; and 2) future information is subject to greater incentives and discretions of manipulation by management. As a result, analysts need more time to verify the information and gather additional information before they can release the forecasts. This finding is consistent with

Lehavy et al. (2011) that, when 10-k filings are less readable, analysts incur a higher amount of efforts to generate their reports.

Third, I find that the future focus of management is associated with lower forecast accuracy and higher forecast dispersion, suggesting that the future focus of management disclosure does not lead to a better forecast quality. This result is consistent with our main thesis in this study that managers strategically shift temporal focus in conference call presentations to obfuscate the market. This is also consistent with the Bonsall et al. (2014) that, although the future information disclosed by managers is important, it could be less informative for analysts who rely on it to make forecasts.

Alternative Measures

As discussed in Section III, there are different ways to compute the measure of future focus. Here I primarily consider two variations of the measure.

First, a sentence can contain both past and future information, thus be classified as both past and future by my algorithm. For example, the sentence, “Our sales increased by 5 percent last quarter and we expect a similar increase in next two quarters,” has both past and future information. In my main analysis, this type of sentences is excluded to reduce the noise. In my first robustness analysis, I include such sentences as both past and future, then re-compute the measure of future focus and re-run all relevant tests. The untabulated results show that my main results still hold.

Second, I use the future focus of management presentation in my main analysis. Managers also disclose lots of information in QA section by answering analyst questions. In my second robustness analysis, I re-compute the future focus using the narratives of both management

presentation and answers (not questions), and re-run all the tests except H4.¹⁴ The untabulated results show that my main results still hold.

Finally, I use alternative measures for several other control variables. For example, instead of using market value, I use total assets and total sales to proxy for firm size, respectively. I also control for the tone of management presentation and analyst questions.

Alternative Model Specifications

I also test H4 using a different method. Specifically, I partition the sample into high and low management future focus by quartiles. A firm is classified as high management future focus if the future focus of management presentation is in the top quartile and low management future focus if the future focus of management presentation is in the bottom quartile.¹⁵ Then I run the model separately and compare the coefficients. Untabulated results indicate that the coefficient using the sample of high management future focus is significantly lower ($p < 0.01$, two-tailed), which corroborates the results that I have reported using quadratic term.

In addition, I also employ a logit model to re-examine the relation between analyst following and the future focus of management presentation. I measure analyst following as a binary variable (dummy), and I code it as 1 if number of analysts increased from previous quarter, 0 otherwise. I run the logit model and find that the future focus of management presentation is passively associated with the dummy variable (untabulated). The result suggests that the future focus increases the likelihood of analyst following.

¹⁴ I don't re-test H4 because manager answers are driven by analyst questions, and it's likely that future focus of manager answers is also driven by that of analyst questions. In fact, the future focus of analyst questions and manager answers are very close. As a result, including manager answers will induce noise to the measure, thus leading to spurious reasoning and conclusions.

¹⁵ Similar results are obtained if the sample is partitioned by the median future focus of management presentation.

Finally, I investigate and find that investment horizon(*invhorz*) has positive influence on the future focus of both management presentation and analyst questions (untabulated). Analysts are important information producers for the capital market. It is reasonable to believe that analysts, like managers, also consider the information need of their clients (i.e., investors) when asking questions during conference calls. The positive association suggests that analysts are more likely to ask future questions during conference calls when firms have more long-term investors (longer investment horizon).

VI. CONCLUSIONS, LIMITATIONS, AND FUTURE RESEARCH

Using the setting of earnings conference calls, this paper investigates temporal focus, or the extent to which managers allocate their discussions to future firm prospects relative to past firm performance. I find firms with good (poor) performance tend to focus their discussions on past performance (future prospects), indicating a negative association between firm performance and the future focus of management presentation. Then, I find that the association becomes less negative for firms with more long-term investors and becomes more negative for firms with high litigation risk. Additionally, I investigate the temporal focus of questions asked by analysts during conference calls and find that the future focus of analyst questions is positively associated with that of management presentation, indicating the future focus of analyst can be potentially driven or manipulated by managers. However, I find that, when the future focus of management presentation becomes excessive, it becomes more difficult for managers to drive the future focus of analyst questions, and the propensity of analysts asking questions with past focus increases. I also find temporal focus is associated with several other analyst-related variables, such as analyst following, analyst forecast quality, and analyst effort.

This paper contributes to the literature in several ways. First, this study is among the first to examine firm disclosures with a focus on temporal dimension. I develop an innovative measure of temporal focus which captures both the relative effort allocated to discuss the future and the time horizon of the discussions. Second, this study provides evidence that managers systematically change the temporal focus of their presentation according to firm performance. Third, this study also contributes to the literature that examines informational role of analyst. This study provides evidence that analysts, to some extent, fulfill their fiduciary roles by increasing scrutiny when firms provide excessively biased information through temporal manipulation. Fourth, this study answers the call for more natural language processing work by Beyer et al. (2010) and the SEC's call for more forward-looking disclosures irrespective of the tone or nature of these disclosures (Muslu et al. 2015).

This study is subjected to several limitations. First, this study examines only conference calls. It is possible that the temporal focus of management and analysts is also influenced by other disclosure channels. For example, the temporal focus of management during conference calls likely depends on that of earning releases or other public disclosures made right before the conference calls. These disclosures may also influence the temporal focus of analyst questions asked during the conference calls. Although relevant control variables are included and robustness tests are conducted, they may not completely roll out the influence of other disclosure channels. Second, similar to other studies that use computer-intensive techniques, my study is a joint test of the appropriateness of the measures and hypotheses. Although I have included veracity checks on the measures, the validity of the empirical results relies on the reliability of my measures.

This study also provides valuable opportunities for future research. First, like readability and tone, temporal focus captures another important dimension of firm disclosures. Many research

questions and firm behaviors can be re-examined from this new dimension. Second, this study primarily examines firms shifting temporal focus according to their past performance. However, from the strategic management perspective, firms can also shift temporal focus based on their future performance and events. For example, firms might increase their future focus if they expect to have seasoned equity offering, or merger and acquisition in the near future. Although these factors are added in my models as control variables, given their importance in strategic disclosures, they worth a closer look from a new, temporal dimension. Third, existing research has evidenced that managers, especially CEOs, behave differently in different stages of their tenure. It would be interesting to examine whether CEO adjusts the temporal focus of disclosure practice across their tenure stages. For example, are incoming CEOs more future focused and outgoing CEOs more past focused? Fourth, it would be interesting to study the interaction between temporal focus and other dimensions such as disclosure tone. Existing studies usually measure the tone on a whole disclosure, however, the overall positive tone can be mainly driven either by positive future tone or positive past tone. Also, future tone and past tone can be contradictory in that a firm can have a positive tone when discussing past results but have a negative tone when discussing future prospects, and the firm can still have an overall positive tone. Future research that explores these questions will help advance our knowledge regarding firm disclosures.

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Appendix A
Variable Definition

Variable	Data Source	Literature Reference	Definition
<i>fFocus_mp</i>	SeekingAlpha	self-constructed	The future focus of management presentation, computed by summing the time horizon of each future sentence, then scaled by the total number of past and future sentences in the call.
<i>fFocus_q</i>	SeekingAlpha	self-constructed	The future focus of analyst questions, computed by summing the time horizon of each future sentence, then scaled by the total number of past and future sentences in the call.
<i>roa</i>	Compustat	Merkley (2014)	Return on asset, computed as income before extraordinary items (IBQ) scaled by average total assets (ATQ) of the quarter.
<i>roe</i>	Compustat	Huang et al. (2012)	Return on shareholders' equity, computed as income before extraordinary items (IBQ) scaled by average total shareholders' equity (SEQQ) of the quarter.
<i>meetbeat</i>	IBES	Huang et al. (2012)	An indicator that equals one if firm meet or beat most recent analyst consensus on EPS (earnings per share) before earnings release, zero otherwise.
<i>gain</i>	Compustat	Allee and Deangelis (2015)	An indicator that equals one if net income (NIQ) is greater than zero, zero otherwise.
<i>Δsales/growth</i>	Compustat	Lehavy et al. (2011)	The increase of total sales (SALEQ) from the same quarter of prior year, scaled by average quarterly total assets (ATQ).
<i>invhorz</i>	Compustat/CSRP	Yermack (2006)	Investment horizon, computed as common shares traded (CSHTRQ) scaled by average common sharing outstanding (CSHOQ), then multiply by -1.
<i>retVol</i>	Compustat/CSRP	Merkley (2014)	Return volatility, calculated as standard deviation of monthly returns during the past three years.
<i>highliti</i>	Compustat/CSRP	Francis, Philbrick and Schipper (1994)	An indicator that equals one if its' four SIC codes are in following range. 1) biotech firms (SIC codes 2833–2836 and 8731–8734), 2) computer firms (3570–3577 and 7370–7374), 3) electronics firms (3600–3674), and 4) retail firms (5200–5961);

<i>litiRisk</i>	Wrds/litigation	Kim and Skinner (2012)	The risk of securities class action lawsuits, measured by using the multivariate model with industry-based proxy, lagged variables (lagged assets, lagged sales growth), and contemporaneous stock return variables (market-adjusted return, return skewness, return standard deviation, and turnover).
<i>tone_mp</i>	SeekingAlpha	Rogers et al. (2011)	The optimistic tone, measured as the net percentage difference of positive and negative words in the management presentation.
<i>manpart</i>	SeekingAlpha	Allee and Deangelis (2015)	Number of firm managers participated in the conference call.
<i>anpart</i>	SeekingAlpha	Allee and Deangelis (2015)	Number of firm analysts participated in the conference call.
<i>mfCt</i>	IBES	Merkley (2014)	number of management forecasts issued during the reporting quarter.
<i>anfolCt</i>	IBES	Merkley (2014)	Number of analyst following the firm. Proxied by the number of analysts in the first I/B/E/S consensus after the conference call.
<i>ior</i>	Compustat/CSRP	Bushee (1998)	Institutional ownership ratio of a firm.
<i>m&a</i>	Compustat/CSRP	Huang et al. (2012)	An indicator that equals if the amount of acquisition (AQC) in one year after the fiscal quarter is greater than 10 percent of beginning total assets, zero otherwise
<i>seo</i>	Compustat/CSRP	Huang et al. (2012)	Seasoned equity offerings, a dummy variable that is set to one when the Sale of Common and Preferred Stock (SSTK) in one year after an earnings press release is greater than 10 percent of lagged total assets, and is zero otherwise.
<i>CEOAge</i>	Execucomp	Davis et al. (2012)	The age of firm CEO in the reporting quarter.
<i>CEOCmp</i>	Execucomp	Davis et al. (2012)	CEO compensation, computed as the ratio of the average annual ex ante stock price-based compensation (i.e., the sum of total value of stock option grants plus the value of restricted stock grants) to total direct CEO compensation
<i>CEOFemale</i>	Execucomp	Davis et al. (2012)	An indicator that equals to one if the CEO is female, zero otherwise.

<i>msize</i>	Compustat	Allee and Deangelis (2015)	Firm size, proxied by market value (MKVALTQ)
<i>mtb</i>	Compustat	Allee and Deangelis (2015)	Market-to-book ratio, calculated as market (MKVALTQ) scaled by book value (SEQQ).
<i>leverage</i>	Compustat	Allee and Deangelis (2015)	The debt to assets ratio of firm, calculated as total liability (LTQ) scaled by total assets (ATQ).
<i>firmAge</i>	CRSP	Tetlock et al. (2008)	Firm age, proxied by the first record in CRSP.
<i>length_mp</i>	SeekingAlpha	Allee and Deangelis (2015)	Total number of sentence in the management presentation section.
<i>ind</i>	Compustat/CSRP	Allee and Deangelis (2015)	The industry of firm, Fama-French 10-industries classification

This appendix provides definitions of main variables used in this study. Only primary data sources are listed. Similarly, a variable can be used in multiple literatures, only the primary literature references that are closely related to this study are listed.

The data items included in brackets are for information reference only. The actual calculation of variables could be much more complex, because of missing data and alternative calculations.

TABLE 1 Sample Composition and Distribution

Panel A: Sample Selection Procedures				
Procedure Description		Removed		Retained
Conference calls collected from Seeking Alpha between 2002 and 2015				98,112
Less calls without fiscal year, quarter, and call time		5,370		92,742
Less calls not by SP1500 firms		54,228		38,514
Less calls in year before 2005 because of small number		3		38,511
Less calls without three required sections (participants, management presentation, and Q&A)		6,968		31,543
Less calls without valid participating managers and analysts		413		31,130
Less calls without required variables		923		30,717
Less calls without valid call transcript		1,179		29,028
Final sample calls				29,028
Panel B: Yearly Distribution				
Fiscal Year	Sample Firms	Percentage	Sample Calls	Percentage
2005	82	0.92%	100	0.34%
2006	152	1.70%	487	1.68%
2007	770	8.60%	1,378	4.75%
2008	1,035	11.56%	3,147	10.84%
2009	913	10.20%	2,745	9.46%
2010	746	8.33%	2,254	7.76%
2011	703	7.85%	2,406	8.29%
2012	1,027	11.47%	3,234	11.14%
2013	1,159	12.95%	4,377	15.08%
2014	1,183	13.21%	4,370	15.05%
2015	1,183	13.21%	4,530	15.61%
Total	8,953	100.00%	29,028	100.00%
Panel C: Industry Distribution				
Industry	Sample Firms	Percentage	Sample Calls	Percentage
DURBL	29	2.25%	614	2.12%
ENRGY	55	4.26%	1,351	4.65%
HITEC	196	15.18%	4,691	16.16%
HLTH	85	6.58%	1,900	6.55%
MANUF	185	14.33%	4,199	14.47%
NODUR	66	5.11%	1,503	5.18%
OTHER	449	34.78%	9,620	33.12%
SHOPS	141	10.92%	2,994	10.31%
TELCM	25	1.94%	602	2.07%
UTILS	60	4.65%	1,554	5.35%
Total	1,291	100.00%	29,028	100.00%

Panel A of this table describes the sample selection process. Panel B and C describe the yearly and industry distribution of the sample firms. The observations before 2005 are excluded because of low number; the observations after 2015 are excluded because of incomplete data for 2016. Industry is defined based on Fama and French 10 industries classification.

TABLE 2 Summary Statistics and Distribution of Future Focus
Panel A: Future Focus of Management Presentation Across Years

Fiscal Year	Mean	Std.Dev	Minimum	Maximum
2005	5.27	2.82	1.40	18.87
2006	4.64	2.23	0.59	13.42
2007	4.68	2.57	0.16	21.77
2008	4.68	2.39	0.06	20.80
2009	4.61	2.49	0.13	34.00
2010	4.61	2.40	0.23	18.45
2011	4.79	2.52	0.08	23.84
2012	4.84	2.54	0.17	21.00
2013	4.68	2.48	0.06	22.63
2014	4.75	2.48	0.10	24.93
2015	4.85	2.63	0.09	20.90
Total	4.74	2.51	0.06	34.00

Panel B: Future Focus of Management Presentation Across Industries

FFI10_desc	Mean	Std.Dev	Minimum	Maximum
DURBL	4.22	1.96	0.29	12.87
ENRGY	5.91	2.77	0.10	24.80
HITEC	4.57	2.22	0.14	34.00
HLTH	5.09	2.49	0.14	31.50
MANUF	4.62	2.25	0.09	20.90
NODUR	4.49	2.26	0.09	21.77
OTHER	4.29	2.46	0.06	24.54
SHOPS	4.21	2.26	0.14	30.05
TELCM	4.56	1.97	0.11	13.00
UTILS	6.27	3.08	0.15	23.84
Total	4.74	2.51	0.06	34.00

This table presents the summary statistics and distribution of the future focus variable developed in this study. Panel A and B describe the yearly and industry distribution of the variable. The observations before 2005 are excluded because of low number; the observations after 2015 are excluded because of incomplete data for 2016. Industry is defined based on Fama and French 10 industries classification.

Table 3 Descriptive statistics

Variable	Mean	St. Dev.	Min	Pctl(25)	Median	Pctl(75)	Max
Future Focus Variables							
<i>fFocus_mp</i>	4.46	1.98	0.06	2.98	4.29	5.74	9.97
<i>fFocus_q</i>	7.59	4.15	0.22	4.57	7	9.8	24.6
Financial Performance Variables							
<i>roa</i>	0.01	0.03	-1.1	0.01	0.01	0.02	0.23
<i>roe</i>	0.03	0.09	-12.2	0.02	0.03	0.05	0.73
<i>gain</i>	0.8	0.38	0	1	1	1	1
<i>meetbeat</i>	0.69	0.46	0	0	1	1	1
<i>Δsales</i>	4.32	18.31	-16.24	-3.68	6.26	12.47	139.21
Financial Reporting Variables							
<i>invhorz</i>	-0.69	-0.50	-7.95	-0.83	-0.56	-0.38	-0.03
<i>retVol</i>	8.98	4.25	1.82	5.84	8.08	11.22	24.9
<i>highliti</i>	0.27	0.44	0	0	0	1	1
<i>litiRisk</i>	0.09	0.07	0	0.05	0.07	0.12	0.57
<i>tone_mp</i>	0.02	0.02	-0.05	0.01	0.02	0.03	0.08
Participant Variables							
<i>manpart</i>	3.57	1.23	1	3	3	4	13
<i>anpart</i>	11.65	3.81	1	9	11	14	35
<i>mfCt</i>	1.69	2.55	0	0	0	1	22
<i>anfolCt</i>	13.04	7.41	1	7	12	18	47
<i>ior</i>	0.52	0.15	0	0.31	0.48	0.69	1
Strategic Reporting Variables							
<i>m&a</i>	0.09	0.29	0	0	0	0	1
<i>seo</i>	0.06	0.23	0	0	0	0	1
Manager Characteristic Variables							
<i>CEOAge</i>	55.67	6.38	32	51	56	60	82
<i>CEOComp</i>	0.39	0.27	0	0.27	0.46	0.57	1
<i>CEOFemale</i>	0.03	0.18	0	0	0	0	1
Additional Control Variables							
<i>msize</i>	8.49	1.52	3.1	7.37	8.47	9.57	12.8
<i>mtb</i>	2.77	1.69	0.2	1.57	2.33	3.49	9.97
<i>leverage</i>	0.5	0.17	0.03	0.4	0.52	0.62	0.8
<i>firmAge</i>	33.02	18.42	3	17	28	50	67
<i>length_mp</i>	4.98	0.35	3.91	4.74	4.98	5.22	6.28

This table presents the descriptive statistics for main variables used in this study. Descriptive statistics above are calculated using the 29,028 observations used in my main tests. Variables *msize* and *length_mp* are logged for the analyses and also presented in logged form. Variables *invhorz*, *retVol*, *ior*, *mtb*, and *leverage* are winsorized at the 1st and 99th percentile due to concerns with outliers. See the appendix for variable descriptions.

Table 4 Pearson Correlation Table

	Variable	1	2	3	4	5	6	7	8	9	10	11	12
1	<i>fFocus_mp</i>												
2	<i>fFocus_q</i>	0.27***											
3	<i>roa</i>	-0.2**	-0.17*										
4	<i>roe</i>	-0.16**	-0.11*	0.48***									
5	<i>gain</i>	-0.21*	-0.1	0.52***	0.46*								
6	<i>Δsale</i>	-0.08*	-0.13	0.38*	0.17	0.37							
7	<i>invhorz</i>	0.03*	-0.1	-0.36	-0.3	-0.56**	-0.3						
8	<i>retVol</i>	0.02	-0.06	-0.36	-0.29	-0.46**	-0.3	0.52***					
9	<i>litiRisk</i>	-0.09*	-0.02	0.03	-0.01	0.08	-0.1	-0.14	-0.31				
10	<i>tone_mp</i>	0.02*	-0.09	0.36	0.17	0.36	0.35	-0.35	-0.36	-0.17			
11	<i>manpart</i>	0.06	0.06	-0.25	-0.14	-0.12	-0.2	-0.08	-0.14	0.18	-0.12		
12	<i>anpart</i>	-0.08	-0.12	0.07	-0.03	0.05	0	0.1	-0.22	0.52***	0.08	0.1	
13	<i>mfCt</i>	-0.06	-0.15	0.13	-0.03	-0.06	0.07	0.16	0.19	-0.13	0.09	-0.3	0.06
14	<i>anfolCt</i>	-0.09	-0.1	0.1	-0.01	0.08	0	0.03	-0.25	0.79***	0.1	0.1	0.53***
15	<i>ior</i>	0.05	-0.12	-0.03	-0.1	-0.21	0	0.49**	0.54**	-0.54**	-0.04	-0.3	-0.19
16	<i>meetbeat</i>	-0.14**	-0.12*	0.36	0.16	0.38*	0.27	-0.3	-0.24	-0.07	0.46*	-0.2	0.01
17	<i>m&a</i>	-0.03*	-0.08	0.05	-0.02	-0.01	0.1	-0.09	0	-0.27	0.09	-0.2	-0.2
18	<i>seo</i>	0.05	-0.06	-0.07	-0.12	-0.16	0.05	0.1	0.18	-0.29	-0.08	-0.1	-0.21
19	<i>CEOAge</i>	-0.1	0.01	-0.16	-0.05	-0.01	-0.2	-0.21	-0.23	0.13	-0.24	0.28	-0.02
20	<i>CEOComp</i>	-0.05	-0.06	-0.04	-0.09	-0.12	-0.1	0.08	0.15	-0.07	-0.15	-0.1	-0.03
21	<i>CEOFemale</i>	-0.07	-0.03	-0.05	-0.02	0.02	0	-0.14	-0.11	-0.1	0.06	-0.1	-0.13
22	<i>msize</i>	-0.07*	0	0.14	0.08	0.26	0	-0.38*	-0.49***	0.53***	0.08	0.23	0.44***
23	<i>mtb</i>	-0.08	-0.16	0.55**	0.22	0.33	0.28	-0.29	-0.36	0.1	0.41*	-0.3	0.23
24	<i>leverage</i>	-0.06	0.09	-0.39*	-0.1	-0.09	-0.2	-0.16	-0.27	0.28	-0.26	0.35	0.03
25	<i>firmAge</i>	-0.07	0.09	-0.08	0.03	0.12	-0.2	-0.41*	-0.51**	0.53**	-0.11	0.2	0.17
26	<i>length_mp</i>	0.14	0.07	-0.21	-0.16	-0.14	-0.2	-0.08	-0.11	0.40*	0.02	0.2	0.08

Table 4 Pearson Correlation Table (Continued)

Variable	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14	<i>anfolCt</i>	0.02												
15	<i>ior</i>	0.3	-0.26											
16	<i>meetbeat</i>	0.12	0.04	0										
17	<i>m&a</i>	0.07	-0.22	0.13	0.03									
18	<i>seo</i>	0.13	-0.32	0.21	-0.1	0.1								
19	<i>CEOAge</i>	-0.32	0.01	-0.31	-0.2	-0.1	-0.2							
20	<i>CEOComp</i>	0.11	-0.06	0.15	-0.1	0	0.07	-0.2						
21	<i>CEOFemale</i>	-0.14	-0.16	-0.15	0	-0.1	-0.1	-0.1	-0.1					
22	<i>msize</i>	-0.19	0.49***	-0.52***	0.05	-0.2	-0.3	0.17	-0.1	-0.1				
23	<i>mtb</i>	0.2	0.22	0	0.26	0.1	0.03	-0.3	0.08	-0.1	0.22			
24	<i>leverage</i>	-0.59**	0.08	-0.50**	-0.2	-0.3	-0.3	0.34	-0.3	0.07	0.34	-0.3		
25	<i>firmAge</i>	-0.36	0.22	-0.56***	-0.1	-0.2	-0.4	0.34	-0.2	0.08	0.51***	-0.1	0.35**	
26	<i>length_mp</i>	-0.11	0.32	-0.22	-0.1	-0.2	-0.2	0.02	-0.1	0	0.40*	-0.1	0.23	0.3

***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

This table reports the pairwise Pearson correlation coefficients. Significant levels coefficients are also reported.

Variables *msize* and *length_mp* are logged for the analyses and also presented in logged form. Variables *invhorz*, *retVol*, *ior*, *mtb*, and *leverage* are winsorized at the 1st and 99th percentile due to concerns with outliers. See the appendix for variable descriptions

Table 5 Future Focus and Firm Performance (H1)

Independent Variable	Predicted	Dependent Variable				
		<i>fFocus_{mp}</i> (Future Focus of Management Presentation)				
		(1)	(2)	(3)	(4)	(5)
<i>roa</i>	-	-3.06*** (0.87)				
<i>roe</i>	-		-0.36* (0.21)			
<i>meetbeat</i>	-			-0.44*** (0.08)		
<i>gain</i>	-				-0.08 (0.05)	
<i>Δsales</i>	-					-0.05 (0.07)
<i>tone_{mp}</i>	+	9.22*** (1.56)	8.91*** (1.56)	9.42*** (1.59)	9.92*** (1.56)	8.97*** (1.56)
<i>retVol</i>	-	0.01* (0.01)	0.01** (0.01)	0.01** (0.01)	0.01 (0.01)	0.02** (0.01)
<i>manpart</i>	?	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.01 (0.02)	0.02 (0.02)
<i>anpart</i>	?	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
<i>mfCt</i>	-	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)
<i>ior</i>	+	0.26** (0.11)	0.25** (0.11)	0.26** (0.11)	0.28** (0.11)	0.25** (0.11)
<i>m&a</i>	+	0.20** (0.09)	0.20** (0.09)	0.20** (0.09)	0.20** (0.09)	0.20** (0.09)
<i>seo</i>	+	0.07 (0.12)	0.1 (0.12)	0.1 (0.12)	0.06 (0.12)	0.1 (0.12)
<i>CEOAge</i>	-	-0.01*** (0.00)	-0.01** (0.00)	* -0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)
<i>CEOCComp</i>	?	0.08 (0.08)	0.09 (0.08)	0.09 (0.08)	0.08 (0.08)	0.09 (0.08)
<i>CEOFamle</i>	-	-0.15 (0.13)	-0.16 (0.13)	-0.16 (0.13)	-0.14 (0.13)	-0.16 (0.13)
<i>msize</i>	+	0.10*** (0.03)	0.09*** (0.03)	0.09*** (0.03)	0.10*** (0.03)	0.09*** (0.03)
<i>mtb</i>	+	0.02 (0.01)	0.005 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
<i>leverage</i>	-	0.23	0.32**	0.32**	0.26*	0.32**

		(0.14)	(0.14)	(0.14)	(0.14)	(0.14)
<i>firmAge</i>	-	-0.001	-0.001	-0.001	-0.001	-0.001
		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
<i>length_mp</i>	+	0.49***	0.50***	0.50***	0.47***	0.50***
		(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
<i>constant</i>	?	-0.9	-0.86	-0.81	-0.81	-0.86
		(2.33)	(2.33)	(2.33)	(2.32)	(2.33)
Firm Fixed Effects		included	included	included	included	included
Year Fixed Effects		included	included	included	included	included
Quarter Fixed Effects		included	included	included	included	included
Observations		29,028	29,028	29,028	29,028	29,028
Adjusted R-squared		0.08	0.08	0.08	0.09	0.08

***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Standard errors clustered by firm are reported in the parentheses.

This table presents the testing results on the relation between future focus of management presentation and firm performance (H1). Firm performance is proxied using five measures, resulting in five regression models. Fixed effects model is used for model estimation. I test for statistical significance of the parameter estimates by using heteroskedasticity robust standard errors clustered by firm. Variables *msize* and *length_mp* are logarithmized for the analyses and also presented in logarithmic form. Variables *retVol*, *ior*, *mtb*, and *leverage* are winsorized at the 1st and 99th percentile due to concerns with outliers. See the appendix for variable descriptions.

Table 6 Investment Horizon and Future Focus of MP Section (H2)

Independent Variable	predicted	Dependent Variable				
		<i>fFocus_mp</i>				
		(Future Focus of Management Presentation)				
		Firm Performance Proxy				
		<i>roa</i>	<i>roe</i>	<i>meetbeat</i>	<i>gain</i>	<i>Δsale</i>
<i>invhorz</i>	+	0.27*** (0.06)	0.29*** (0.06)	0.23*** (0.07)	0.12 (0.09)	0.29*** (0.06)
<i>invhorz * firm performance</i>	+	3.39*** (1.23)	0.69* (0.39)	0.2** (0.09)	0.22** (0.10)	0.06 (0.14)
<i>firm performance</i>	-	-7.38*** (1.79)	-1.15* (0.62)	-0.14* (0.08)	-0.61*** (0.13)	-0.1 (0.12)
<i>tone_mp</i>	+	9.94*** (1.56)	9.69*** (1.56)	9.88*** (1.59)	10.52*** (1.56)	9.53*** (1.57)
<i>retVol</i>	-	-0.005 (0.01)	-0.003 (0.01)	-0.002 (0.01)	-0.01 (0.01)	-0.002 (0.01)
<i>manpart</i>	?	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)
<i>anpart</i>	?	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
<i>mfCt</i>	-	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)
<i>ior</i>	+	0.16 (0.11)	0.16 (0.11)	0.17 (0.11)	0.18 (0.11)	0.17 (0.11)
<i>m&a</i>	+	0.21** (0.09)	0.21** (0.09)	0.21** (0.09)	0.20** (0.08)	0.21** (0.09)
<i>seo</i>	+	0.01 (0.12)	0.05 (0.12)	0.06 (0.12)	0.02 (0.12)	0.06 (0.12)
<i>CEOAge</i>	-	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)
<i>CEOComp</i>	?	0.09 (0.08)	0.1 (0.08)	0.1 (0.08)	0.1 (0.08)	0.1 (0.08)
<i>CEOFemale</i>	-	-0.17 (0.13)	-0.17 (0.13)	-0.17 (0.13)	-0.15 (0.13)	-0.17 (0.13)
<i>msize</i>	+	0.11*** (0.03)	0.10*** (0.03)	0.10*** (0.03)	0.11*** (0.03)	0.10*** (0.03)
<i>mtb</i>	+	0.03** (0.01)	0.02 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
<i>leverage</i>	-	0.09 (0.14)	0.24* (0.14)	0.23* (0.14)	0.19 (0.14)	0.23* (0.14)
<i>firmAge</i>	-	-0.001 (0.00)	-0.001 (0.00)	-0.001 (0.00)	-0.001 (0.00)	-0.001 (0.00)
<i>length_mp</i>	+	0.50***	0.51***	0.51***	0.48***	0.51***

<i>Constant</i>	?	(0.07) -0.78 (2.32)	(0.07) -0.75 (2.32)	(0.07) -0.63 (2.32)	(0.07) -0.6 (2.32)	(0.07) -0.73 (2.32)
Firm Fixed Effects		included	included	included	included	included
Year Fixed Effects		included	included	included	included	included
Quarter Fixed Effects		included	included	included	included	included
Observations		29,028	29,028	29,028	29,028	29,028
Adjusted R-squared		0.09	0.08	0.09	0.09	0.08

***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Standard errors clustered by firm are reported in the parentheses.

This table presents the testing results whether investment horizon of a firm's investor weakens the association between future focus of management presentation and firm performance (proxied by five measures) (H2). Regressions include firm, year, and quarter fixed effects and use t-statistics based on standard errors that are robust to heteroscedasticity and clustered by firm. See the appendix for variable descriptions.

Table 7 Litigation Risk and Future Focus of MP Section (H3)

Independent Variable	predicted	Dependent Variable <i>fFocus_mp</i> (Future Focus of Management Presentation)				
		Firm Performance Proxy				
		<i>roa</i>	<i>roe</i>	<i>meetbeat</i>	<i>gain</i>	<i>Δsale</i>
<i>litiRisk</i>	-	-1.79* (1.06)	-1.53* (0.89)	-2.08** (1.98)	-2.84** (1.42)	-1.22 (1.04)
<i>litiRisk * firm performance</i>	-	-3.16*** (1.14)	-2.38** (0.67)	-0.23* (0.12)	0.56 (1.18)	2.06 (1.06)
<i>firm performance</i>	-	-0.17* (0.09)	0.23 (0.32)	-0.15* (0.09)	-0.48*** (0.13)	-0.91 (1.09)
<i>tone_mp</i>	+	10.71*** (1.84)	10.35*** (1.85)	10.81*** (1.88)	11.01*** (1.84)	9.97*** (1.89)
<i>retVol</i>	-	0.005 (0.01)	0.01 (0.01)	0.01 (0.01)	0.003 (0.01)	0.01 (0.01)
<i>manpart</i>	?	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)	0.02 (0.02)
<i>anpart</i>	?	0.01 (0.01)	0.01* (0.01)	0.01 (0.01)	0.01 (0.01)	0.01* (0.01)
<i>mfCt</i>	-	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)
<i>ior</i>	+	0.28** (0.11)	0.27** (0.11)	0.28** (0.11)	0.30*** (0.11)	0.26** (0.11)
<i>m&a</i>	+	0.20** (0.09)	0.20** (0.09)	0.20** (0.09)	0.20** (0.09)	0.20** (0.09)
<i>seo</i>	+	0.07 (0.12)	0.09 (0.12)	0.1 (0.12)	0.06 (0.12)	0.1 (0.12)
<i>CEOAge</i>	-	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)
<i>CEOComp</i>	?	0.08 (0.08)	0.09 (0.08)	0.09 (0.08)	0.09 (0.08)	0.09 (0.08)
<i>CEOFemale</i>	-	-0.15 (0.13)	-0.16 (0.13)	-0.16 (0.13)	-0.14 (0.13)	-0.16 (0.13)
<i>msize</i>	+	0.02 (0.06)	0.02 (0.06)	0.02 (0.06)	0.05 (0.06)	0.02 (0.06)
<i>mtb</i>	+	0.02 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.005 (0.01)
<i>leverage</i>	-	0.24* (0.14)	0.36** (0.14)	0.36** (0.14)	0.29** (0.14)	0.38*** (0.14)
<i>firmAge</i>	-	-0.001 (0.00)	-0.001 (0.00)	-0.001 (0.00)	-0.001 (0.00)	-0.001 (0.00)
<i>length_mp</i>	+	0.49*** (0.00)	0.50*** (0.00)	0.50*** (0.00)	0.47*** (0.00)	0.50*** (0.00)

<i>Constant</i>	?	(0.07) -0.49 (2.35)	(0.07) -0.48 (2.35)	(0.07) -0.36 (2.35)	(0.07) -0.36 (2.35)	(0.07) -0.49 (2.35)
Firm Fixed Effects		included	included	included	included	included
Year Fixed Effects		included	included	included	included	included
Quarter Fixed Effects		included	included	included	included	included
Observations		29,028	29,028	29,028	29,028	29,028
Adjusted R-squared		0.09	0.08	0.09	0.08	0.08

***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Standard errors clustered by firm are reported in the parentheses.

This table presents the testing results whether litigation risk of a firm strengthens the association between future focus of management presentation and firm performance (proxied by five measures) (H3). Regressions include firm, year, and quarter fixed effects and use t-statistics based on standard errors that are robust to heteroscedasticity and clustered by firm. See the appendix for variable descriptions.

Table 8 Future Focus of Analyst Questions and Management Presentation (H4)

Independent Variable	Dependent Variable				
	<i>fFocus_q</i> (Future Focus of Analyst Questions)				
	(1)	(2)	(3)	(4)	(5)
<i>fFocus_{mp}</i>	0.26*** (0.03)	0.27*** (0.03)	0.26*** (0.03)	0.26*** (0.03)	0.26*** (0.03)
<i>roa</i>	3.80** (1.83)				
<i>roe</i>		2.08*** (0.61)			
<i>meetbeat</i>			0.12** (0.05)		
<i>gain</i>				-0.24 (0.17)	
<i>Δsales</i>					0.34** (0.16)
<i>tone_{mp}</i>	-1.61 (3.30)	-2.03 (3.29)	-2.25 (3.37)	-1.51 (3.31)	-1.27 (3.31)
<i>retVol</i>	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)
<i>litiRisk</i>	-0.03 (0.14)	-0.01 (0.14)	-0.01 (0.14)	-0.02 (0.14)	-0.01 (0.14)
<i>manpart</i>	0.05 (0.04)	0.05 (0.04)	0.05 (0.04)	0.05 (0.04)	0.05 (0.04)
<i>anpart</i>	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)	0.01 (0.02)
<i>mfCt</i>	-0.05 (0.04)	-0.05 (0.04)	-0.05 (0.04)	-0.05 (0.04)	-0.05 (0.04)
<i>ior</i>	0.44* (0.24)	0.43* (0.24)	0.42* (0.24)	0.45* (0.24)	0.44* (0.24)
<i>m&a</i>	-0.05 (0.18)	-0.05 (0.18)	-0.05 (0.18)	-0.05 (0.18)	-0.03 (0.18)
<i>seo</i>	-0.32 (0.26)	-0.28 (0.26)	-0.28 (0.26)	-0.3 (0.26)	-0.27 (0.26)
<i>CEOAge</i>	-0.002 (0.01)	-0.003 (0.01)	-0.003 (0.01)	-0.003 (0.01)	-0.003 (0.01)
<i>CEOCComp</i>	0.11 (0.17)	0.12 (0.17)	0.12 (0.17)	0.12 (0.17)	0.11 (0.17)
<i>CEOFemale</i>	-0.23 (0.27)	-0.24 (0.27)	-0.24 (0.27)	-0.23 (0.27)	-0.25 (0.27)
<i>msize</i>	0.20*** (0.05)	0.19*** (0.05)	0.19*** (0.05)	0.20*** (0.05)	0.20*** (0.05)

<i>mtb</i>	-0.04 (0.03)	-0.06** (0.03)	-0.06** (0.03)	-0.06* (0.03)	-0.05* (0.03)
<i>leverage</i>	-0.25 (0.30)	-0.12 (0.29)	-0.12 (0.29)	-0.16 (0.30)	-0.14 (0.29)
<i>firmAge</i>	0.001 (0.00)	0.001 (0.00)	0.001 (0.00)	0.001 (0.00)	0.001 (0.00)
<i>length_q</i>	-0.04*** (0.00)	-0.04*** (0.00)	-0.04*** (0.00)	-0.04*** (0.00)	-0.04*** (0.00)
<i>Constant</i>	7.8 (4.88)	7.9 (4.88)	7.9 (4.88)	7.85 (4.88)	7.86 (4.88)
Firm Fixed Effects	included	included	included	included	included
Year Fixed Effects	included	included	included	included	included
Quarter Fixed Effects	included	included	included	included	included
Observations	29,028	29,028	29,028	29,028	29,028
Adjusted R-squared	0.06	0.05	0.06	0.05	0.06

***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Standard errors clustered by firm are reported in the parentheses.

This table presents the testing results on the positive association between the future focus of analyst questions (*fFocus_q*) and management presentation (*fFocus_mp*) (H4).

Firm performance is proxied using five measures, resulting in five regression models. Fixed effects model is used for model estimation. I test for statistical significance of the parameter estimates by using heteroskedasticity robust standard errors clustered by firm. Variables *msize*, and *length_mp* are logarithmized for the analyses and also presented in logged form. Variables *retVol*, *ior*, *mtb*, and *leverage* are winsorized at the 1st and 99th percentile due to concerns with outliers. See the appendix for variable descriptions.

Table 9 Nonlinear Relation Between The Future Focus of Analyst Questions and Management Presentation

		Dependent Variable <i>fFocus_q</i> (Future Focus of Analyst Questions)				
		Firm Performance Proxy				
Independent Variable	predicted	<i>roa</i>	<i>roe</i>	<i>meetbeat</i>	<i>gain</i>	$\Delta sales$
<i>fFocus_mp</i>	+	0.19* (0.11)	0.19* (0.11)	0.19* (0.11)	0.20* (0.11)	0.22* (0.12)
<i>fFocus_mp2</i>	-	-0.01* (0.01)	-0.01** (0.01)	-0.01* (0.01)	-0.01* (0.01)	-0.01* (0.01)
Other control variables not reported						
Firm Fixed Effects		included	included	included	included	included
Year Fixed Effects		included	included	included	included	included
Quarter Fixed Effects		included	included	included	included	included
Observations		29,028	29,028	29,028	29,028	29,028
Adjusted R-squared		0.05	0.05	0.07	0.05	0.08

***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Standard errors clustered by firm are reported in the parentheses.

This table presents the testing results showing a nonlinear relation between future focus of analyst questions and management presentation changes with the future focus of management presentation.

Statistics on the control variables are not tabulated for presentation purposes. Regressions include firm, year, and quarter fixed effects and use t-statistics based on standard errors that are robust to heteroscedasticity and clustered by firm.

See the appendix for variable descriptions.

Table 10 Future Focus and Analyst Properties

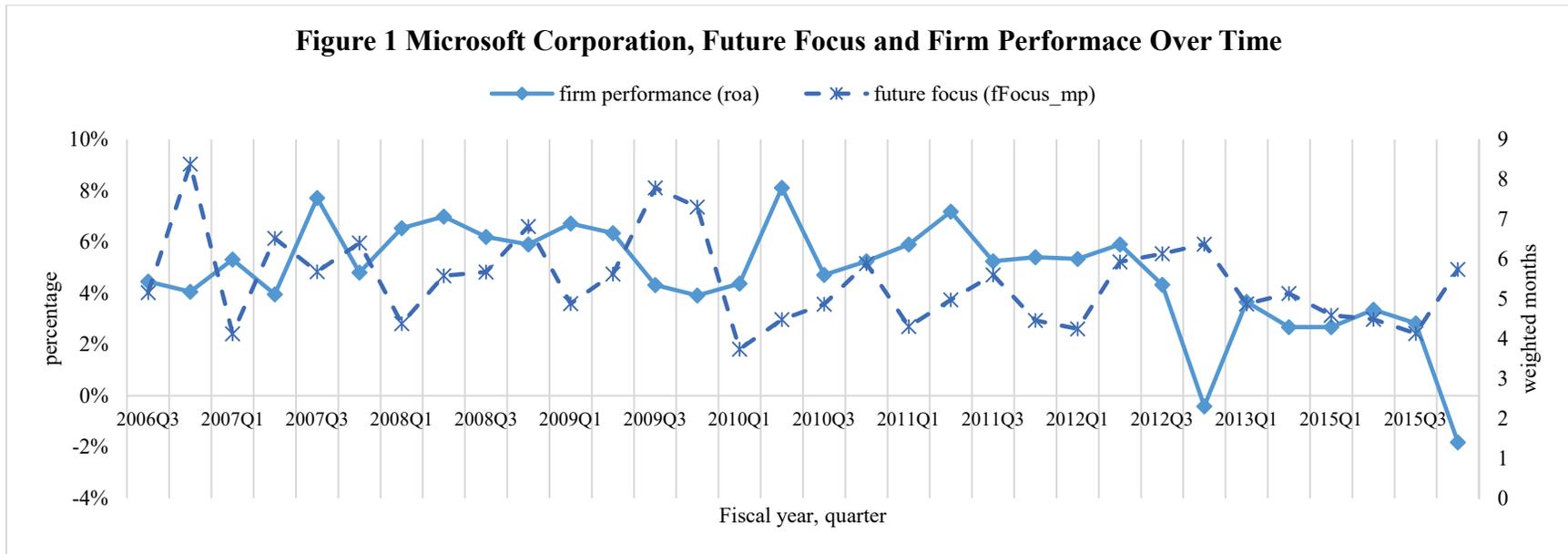
Independent Variable	Dependent Variable (Analyst Properties)			
	Analyst Following	Analyst Effort	Forecast Accuracy ^a	Forecast Dispersion
<i>fFocus_mp</i>	0.01*	0.01*	-0.01*	0.01*
	(0.01)	(0.01)	(0.01)	(0.01)
<i>indComp</i>	0.16***	0.12***	-0.03	0.12***
	(0.05)	(0.04)	(0.04)	(0.04)
<i>invhorz</i>	0.21**	0.02	-0.14***	0.02
	(0.09)	(0.05)	(0.03)	(0.05)
<i>meetbeat</i>	0.09*	-0.07***	0.21***	-0.07***
	(0.05)	(0.02)	(0.05)	(0.02)
<i>growth</i>	0.44**	0.27***	-0.10	0.27***
	(0.20)	(0.11)	(0.11)	(0.11)
<i>retVol</i>	0.05***	0.001	-0.01**	0.001
	(0.01)	(0.003)	(0.004)	(0.003)
<i>litiRisk</i>	-0.11*	-0.23***	0.01	-0.23***
	(0.06)	(0.04)	(0.02)	(0.04)
<i>mfCt</i>	0.004*	-0.05***	0.02***	-0.05***
	(0.02)	(0.01)	(0.01)	(0.01)
<i>ior</i>	0.32**	-0.06	0.31***	-0.06
	(0.14)	(0.10)	(0.11)	(0.10)
<i>m&a</i>	-0.04	-0.02	0.02	-0.02
	(0.07)	(0.04)	(0.03)	(0.04)
<i>seo</i>	0.14	0.001	-0.01	0.001
	(0.13)	(0.06)	(0.04)	(0.06)
<i>msize</i>	0.34***	0.07***	0.04***	-0.07***
	(0.03)	(0.02)	(0.01)	(0.02)
<i>mtb</i>	0.03**	-0.03***	0.04***	-0.03***
	(0.01)	(0.01)	(0.01)	(0.01)
<i>leverage</i>	0.03	0.20**	-0.20**	0.20**
	(0.12)	(0.08)	(0.09)	(0.08)
<i>firmAge</i>	-0.01***	0.004***	-0.001**	0.004***
	(0.001)	(0.001)	(0.001)	(0.001)
<i>length_mp</i>	-0.05	0.04	-0.04	0.04
	(0.07)	(0.04)	(0.05)	(0.04)
Firm Fixed Effects	included	included	included	included
Year Fixed Effects	included	included	included	included
Quarter Fixed Effects	included	included	included	included
Observations	29,028	29,028	29,028	29,028
Adjusted R-squared	0.82	0.07	0.01	0.07

***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. Standard errors clustered by firm are reported in the parentheses.

This table presents the results from regressions of analyst following, analyst effort, earnings forecast accuracy, and dispersion on future focus of management presentation and other control variables. Analyst following is defined as the number of analysts in the first I/B/E/S consensus after the conference call; Analyst effort is defined as the length of time required for analysts to issue their first forecast following the conference call; Forecast accuracy is defined as the absolute value of the difference between the actual reported earnings and the most recent consensus after the conference call, multiplied by -1 and scaled by price three days prior to the date of the consensus; Forecast dispersion is defined as the standard deviation of analyst forecasts in the most recent consensus following the conference call, also scaled by price three days prior to the date of the consensus. Variables *invhorz*, *retVol*, *ior*, *mtb*, and *leverage* are winsorized at the 1st and 99th percentile due to concerns with outliers. See the appendix for variable descriptions. Industry fixed effects are based on the Fama and French 10-industry classification. t-statistics are robust to heteroscedasticity and clustered at the firm level. See the appendix for variable descriptions.

^a, To be consistent with general understanding, forecast accuracy is defined as -1 multiplying the absolute value of the difference between the actual reported earnings and the most recent consensus after the conference call, scaled by price three days prior to the date of the consensus. As a result, a higher accuracy means a higher measure value.

Figure 1 Microsoft Corporation, Future Focus and Firm Performance Over Time



This figure shows the changes of future focus of management presentation and firm performance (return on assets) between 2006 and 2015. The solid line represents the firm performance and the dashed line represents the future focus. The figure illustrates that the future focus of management presentation and firm performance move in the opposite directions. In other words, when Microsoft’s performance increases, in most cases, its future focus of management discussion decrease, and vice versa.