Does Company Reputation Matter for Voluntary Disclosure Quality?

Evidence from Management Earnings Forecasts

Ying Cao
The Chinese University of Hong Kong

Zhan Gao
Lancaster University
ORCID: 0000-0002-3007-4516

Linda A. Myers
University of Tennessee, Knoxville
ORCID 0000-0001-8876-7668

Thomas C. Omer
University of Nebraska-Lincoln

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ABSTRACT

This study explores the association between company reputation and voluntary disclosure quality as proxied by the issuance and characteristics of management earnings forecasts. We follow prior literature and proxy for company reputation using measures based on *Fortune Magazine*'s "*America's Most Admired Companies*" List. We find that companies with higher reputations are more likely to issue earnings forecasts and forecast earnings more frequently. Among companies on the *Most Admired* List, we also find that earnings forecasts issued by higher-reputation companies are more accurate than those issued by lower-reputation companies. Sensitivity analyses show that the changes in management forecasting behaviors can be attributed to changes in company reputation and are unlikely to result from changes in managerial ability. Our study contributes to the voluntary disclosure literature by identifying a unique factor that motivates companies to disclose better forward-looking information and to the reputation literature by documenting that company reputation impacts information transparency.

1 INTRODUCTION

Prior reputation studies in accounting mainly focus on reputation's role in decisions made by business professionals.[1] The effect of reputation on companies' decision making, and especially on their disclosure decisions, has attracted limited attention. Motivated by the importance of voluntary disclosure for capital market participants (Baik and Jiang 2006; Kim and Shi 2011) and our limited understanding of how reputation concerns influence voluntary disclosure, this study investigates whether higher-reputation companies are more likely than other companies to issue earnings forecasts and whether their forecasts are more frequent and accurate. In this study, we define company reputation as investors' perception of the company's ability to generate sustainable shareholder value.[2] We measure reputation using the reputation score from *Fortune Magazine*'s "*America's Most Admired Companies*" List (the MA List).

There are several reasons why higher-reputation companies might be more likely to make higher-quality voluntary disclosures. First, higher-reputation companies are incentivized to maintain their reputations, which can be considered assets, so they can continue to enjoy their benefits (Graham et al. 2005; Armitage and Marston 2008; Cao et al. 2015). However, companies lacking (high) reputational assets will find it challenging to build high reputation and thus may not invest in reputation building (Levine 2021). Second, higher-reputation companies, which are more likely to deliver strong earnings, can effectively use (truthful) management earnings forecasts to maintain reputation. In contrast, companies lacking high reputation have less incentive to make forecasts.

[1] Examples of professionals whose behaviors are influenced by reputation concerns include sell-side analysts (Fang and Yasuda 2009; He et al. 2020), brokers and underwriters (Cowen et al. 2006; Jo et al. 2007), venture capitalists (Atanasov et al. 2012), and auditors (Christensen et al. 2022).

[2] Reputation is used in various contexts by prior researchers (Tucker 2010). Our definition of reputation conforms to its core notion in information economics: reputation is an "attribute" of a player (company) that is assessed by other papers (investors) in a multiperiod game (ongoing interactions between companies and investors).

Finally, higher-reputation companies receive more public attention than other companies and experience more pressure to adopt practices that benefit shareholders. These practices can include providing more frequent and higher-quality voluntary disclosures (Boone and White 2005).

However, higher-reputation companies may not provide more frequent and more accurate voluntary disclosures for at least three reasons. First, the "counter-signaling" theory suggests that companies may stop making voluntary disclosures if they can signal their types via realized earnings (Aghamolla et al. 2021). Second, major capital market participants and investor advocates have issued calls to discontinue short-term earnings guidance, and some well-known companies, including Coca-Cola, AT&T, and McDonald's, have responded to their demands and discontinued this practice (Chen et al. 2011). Moreover, a 2016 survey indicates that among Standard and Poor's (S&P) 500 companies, only 27.8 percent provide quarterly earnings per share (EPS) guidance, and a striking 40.8 percent do not provide EPS guidance at all (FCLTGlobal 2017). A natural consequence of reducing guidance, especially among large and well-established companies, is that higher-reputation companies may not issue more frequent management forecasts than lower-reputation companies. Finally, although Skinner (1997) suggests that voluntarily disclosing negative news could reduce litigation risk, Rogers and Buskirk (2009) finds that companies reduce voluntary disclosures after disclosure-related litigation. This result suggests that managers believe inaccurate earnings forecasts can increase the likelihood of future disclosure-related litigation. The survey evidence in Graham et al. (2005) confirms this conjecture. To the extent that higher-reputation companies can suffer substantial reputation costs if allegations of misrepresentation arise, they may avoid forecasting earnings. Overall, whether company reputation affects voluntary disclosures is an empirical question.

We use company reputation scores from the MA List to proxy for company reputation. These scores reflect raters' overall assessments of nine aspects of reputation. These aspects include the ability to attract and retain talented people, quality of management, social responsibility, innovativeness, the quality of products and services, the wise use of corporate assets, financial soundness, long-term investment value, and effectiveness in doing business globally. The MA List is influential in practice and, according to *Fortune*, it is "the definitive report card on corporate reputations."[3] Moreover, it covers a sizeable number of companies and is publicly available. Lastly, prior research indicates that the MA scores embody the reputation construct. For these reasons, the MA scores have become the most widely used measure of company reputation in finance and management research (Flanagan and O'Shaughnessy 2005), and more recently, in accounting research.

We use a sample of 13,565 company-year observations from 1999 through 2018 to test whether company reputation influences management earnings forecasts. We regress the issuance and frequency of management earnings forecasts on our measures of company reputation and an extensive set of control variables representing information demand and managerial ability. The results indicate that companies with higher reputations are more likely to issue management earnings forecasts and provide more frequent forecasts, especially forecasts that are more pessimistic than analyst consensus forecasts. We also find that for the subsample of companies included on the MA List, forecasts issued by higher-reputation companies tend to be more accurate than those issued by other companies.[4]

We conduct a series of robustness and supplementary analyses. First, to reduce concerns

[3] See http://archive.fortune.com/magazines/fortune/most-admired/2012/faq/.
[4] We obtain similar results when we measure company reputation using a binary variable indicating whether a company appears on the MA List in the year or using the number of sample years to date during which the company has appeared on the MA List.

that unobservable firm characteristics influence company reputation and voluntary disclosure, we examine changes in the forecasting behavior of companies added to or dropped from the MA List. We contrast these changes with changes in the forecasting behavior of companies that do not experience a change in their MA listing status. The results indicate that companies added to the MA List are more likely than other companies to issue forecasts, and they issue more frequent forecasts than companies not on the MA List. In contrast, companies dropped from the MA List are less likely than other companies to issue forecasts, and they issue forecasts less frequently.

Second, to alleviate the concern that managerial ability, rather than company reputation, drives the management forecasting behaviors that we observe, we re-estimate our changes tests using the subsample of companies that did not experience Chief Executive Officer (CEO) turnover in the two years before and two years after the year of interest. The results support our prior finding that management forecasting behavior is attributable to changes in company reputation rather than managerial ability.

Third, we find that although a small number of companies with the highest reputations tend to withhold earnings forecasts, this does not fundamentally change the positive relation between company reputation and management forecasts. Finally, we find that companies with higher reputations issue more precise forecasts than others, indicating management's confidence in their ability to accurately forecast future earnings.

This study contributes to the literature that examines factors influencing voluntary disclosure decisions. We find that a unique firm characteristic, namely, company reputation, also influences the issuance and characteristics of management's voluntary earnings forecasts. In contrast with corporate governance mechanisms enforced by formal contracts, reputation relies

on self-disciplining (Baiman 1990). Thus, an important implication of our findings is that when market participants can share opinions about listed companies, reputation can become a mechanism that encourages voluntary disclosure. Our findings should inform regulators and academics interested in understanding institutional factors that influence companies' voluntary disclosure behaviors.

This study also provides formal empirical evidence regarding the impact of company reputation on disclosure activities. Although theory suggests that reputation concerns should influence company disclosure (Corona and Randhawa 2018; Aghamolla et al. 2021), empirical evidence on how reputation influences voluntary disclosure is limited. Chen et al. (2008) finds that family firms are less likely than non-family firms to forecast earnings but are more likely to issue earnings warnings. The authors attribute this increased likelihood to family firms' greater concern over reputation and litigation costs. Khurana et al. (2018) shows that firms targeted by hedge fund activists reduce bad news earnings forecasts, presumably due to managers' career concerns and reputation concerns. Chalmers and Godfrey (2004) finds that reputable companies are more likely than other companies to make voluntary disclosures about derivative financial instruments. Thus, extant empirical evidence on the effect of reputation on companies' voluntary disclosures is indirect and mixed.

More closely related to this study, Cao et al. (2012) uses MA listing status to measure company reputation and finds that reputation affects the quality of *mandatory* disclosure, proxied for by the likelihood of financial statement misstatements. Although reputation concerns generally motivate companies to increase the quality of mandatory financial disclosure, the effect of reputation on voluntary disclosure is much less clear *ex ante*. Thus, we extend Cao et al. (2012) by examining how the reputation mechanism influences voluntary disclosure decisions.

The remainder of the paper proceeds as follows. Section 2 discusses related literature and develops our hypothesis. Section 3 describes our research design, sample selection procedure, and descriptive statistics. Section 4 discusses the main empirical results, and Section 5 discusses the results from robustness checks and additional analyses. Section 6 concludes.

2 RELATED LITERATURE AND HYPOTHESIS DEVELOPMENT

2.1 Company reputation, the reputation effect, and related research

Company reputation can be characterized as perceptions of the company's overall ability to generate sustainable value for shareholders. According to game theory, reputation concerns affect players' actions (Wilson 1985). Specifically, when a player's type is private, other players can use her past behavior or "reputation" to infer her type and decide how to react to her actions. Aware of this, each player strategically chooses actions to earn future rents and maximize utility. This outcome is known as the "reputation effect" or the "reputation mechanism." Analytical research in economics and finance demonstrates that reputation can help reduce agency problems by inducing agents to act in the principal's interest even without formal contracts (John and Nachman 1985; Diamond 1989, 1991; Gomes 2000). Empirical research finds that reputation concerns motivate companies to restrict their tax aggressiveness (Graham et al. 2014), increase dividend payments (Goyal et al. 2020), improve financial reporting quality (Cao et al. 2012), increase audit quality (Asante-Appiah 2020), and purchase more audit services (Cao et al. 2012).

2.2 Hypothesis development

One important economic implication is that a company's reputation can be considered an asset that "can be built, maintained, or 'milked'" (Wilson 1985, p. 27). Like ordinary assets, reputational assets require ongoing maintenance by those owning them and capital investment by those wanting to build them (MacLeod 2007). We hypothesize that attitudes about making

voluntary earnings forecasts differ for companies with reputational assets (i.e., higher-reputation companies) versus other companies for multiple reasons.

First, higher-reputation companies are incentivized to maintain their reputations, which provides benefits such as lower cost of capital and higher liquidity (Graham et al. 2005; Cao et al. 2015). When companies fail to maintain their reputations (e.g., when caught or sued for misconduct), they damage their reputational assets (Haslem et al. 2017; Donelson et al. 2024). Losing those benefits is costly, and good reputation is difficult to restore (Karpoff et al. 2008; Atanasov et al. 2012). In contrast, companies without reputational assets may find the initial cost of reputation building prohibitively high, preventing them from investing in it (Levine 2021).

Second, management earnings forecasts are effective tools for higher-reputation companies to maintain reputations. Because earnings are a key indicator of shareholder value creation, informing investors of strong future earnings strengthens a company's reputation for creating sustainable value. High-reputation companies are more likely to deliver strong future earnings so they are naturally poised to make high-quality earnings forecasts.[5] Moreover, high-quality voluntary disclosures help to reduce the likelihood and costs of litigation (Donelson et al. 2012; Huang et al. 2020), which is an important cause of reputational damage.

However, we argue that, consistent with the insight in the theoretical model in Jullien and Park (2014), making management earnings forecasts is not ideal for companies without high reputation. These firms can have poor track records of creating shareholder value and are more likely to struggle to deliver strong earnings in the future. Therefore, truthful earnings forecasts could disappoint investors, and because inflated earnings forecasts will inevitably be exposed, neither choice is conducive to reputation building.

[5] Even when future earnings are bad, high-reputation companies are better positioned to withstand bad news than their low-reputation counterparts (Corona and Randhawa 2018).

Consistent with these arguments, empirical evidence shows that companies with good news tend to provide voluntary disclosure (Lev and Penman 1990) and that these disclosures provide information about firm quality and future performance (Clarkson et al. 2013; Plumlee et al. 2015; Hummel and Schlick 2016). In addition, senior executives surveyed in Graham et al. (2005) and Armitage and Marston (2008) consider high-quality voluntary disclosures as instrumental to establishing and maintaining a reputation for transparency, which, in turn, improves a company's overall reputation.

Third, the public's expectations are higher for higher-reputation companies than for other companies, and shareholders punish higher-reputation companies more when they fail to meet expectations (Jensen 2006; Lange et al. 2011; Cooper 2018). Therefore, higher-reputation companies are likely to be more responsive to calls for greater transparency from institutional investors, proxy advisory firms, and securities regulators. Consistent with this argument, Chalmers and Godfrey (2004) finds that Australian companies affiliated with reputable business organizations, such as the Australian Association of Corporate Treasurers, are more likely than other companies to make voluntary disclosures about derivative financial instruments, presumably because of pressure from regulators and professional bodies.[6]

Although higher-reputation companies should have strong incentives to provide voluntary disclosures, countervailing factors may limit their voluntary disclosures. First, theoretical work suggests that high-quality companies may stop making voluntary disclosures if they can effectively signal their quality via realized earnings (Aghamolla et al. 2021). Consistent with this "counter-signaling" theory, Aghamolla et al. (2021) presents evidence of a negative association between the likelihood of management earnings guidance and accounting

[6] The Australian Association of Corporate Treasurers is an association of senior accounting and finance executives representing the major public companies in Australia.

performance for companies with above-median accounting performance. In contrast, Beyer and Dye (2012) suggests that firms could use voluntary disclosures strategically to influence market perceptions. In that case, low-quality companies would not necessarily disclose less than high-quality companies.

Second, although voluntary disclosures generally improve transparency, issuing quarterly earnings guidance (i.e., management forecasts of quarterly earnings) can induce myopic behaviors, including earnings management and strategic earnings guidance (Kasznik 1999; Beyer 2009; Dye and Sridharan 2024). Therefore, some investors and business organizations have called for an end to quarterly earnings guidance.[7] In response, many of the world's largest companies have stopped issuing quarterly EPS guidance (FCLTGlobal 2017).[8] If higher-reputation companies heed calls to cease or avoid short-term earnings guidance, they may not make more voluntary EPS forecasts than other companies.

Third, although litigation risk could induce greater voluntary disclosure by higher-reputation companies, it could instead discourage greater disclosure. For example, Rogers and Buskirk (2009) finds that companies reduce management earnings forecasts following disclosure-related litigation. The authors interpret their results as suggesting that managers believe that plaintiff attorneys could use higher levels of voluntary disclosure to accuse managers of misrepresentation, increasing the likelihood of litigation.[9] Survey evidence confirms this view;

[7] Examples include calls from the *National Investor Relations Institute* (https://www.niri.org/NIRI/media/NIRI-Resources/2018-NIRI-Policy-Statement-on-Guidance-final.pdf), the *CFA Institute* (https://www.cfainstitute.org/en/advocacy/policy-positions/breaking-the-short-term-cycle), and the *U.S. Chamber of Commerce* (https://www.centerforcapitalmarkets.com/wp-content/uploads/2014/06/Commission-on-the-regulation-of-us-cap-markets-report-and-recommendations.pdf).

[8] In contrast, Houston et al. (2010) finds that a major reason for stopping quarterly EPS guidance is poor operating performance.

[9] Supporting the relation between litigation risk and voluntary disclosure, Johnson et al. (2001) documents an increase in management earnings forecasts made by high technology companies following the passage of the Private Securities Litigation Reform Act of 1995, suggesting that companies are more likely to provide voluntary disclosure when litigation risk is lower.

approximately 46 percent of chief financial officers surveyed identify "to avoid possible lawsuits if future results don't match forward-looking disclosures" as one important reason for limiting voluntary disclosures (Graham et al. 2005, Table 2, p. 61). To the extent that higher-reputation companies incur greater litigation costs, they may be more likely than other companies to limit earnings forecasts.

Motivated by mixed predictions and limited empirical evidence on how company reputation affects voluntary disclosure, we examine the association between company reputation and properties of management earnings forecasts, including forecast issuance, frequency, and accuracy. Our hypothesis, stated in the alternative form, is as follows:

> *All else equal, higher-reputation companies are more likely than other companies to provide higher-quality voluntary disclosures.*

3 RESEARCH DESIGN, SAMPLE, AND DESCRIPTIVE STATISTICS

3.1 Measuring company reputation

We use the aggregate reputation scores from the MA List (MA scores) to proxy for company reputation. In our context, reputation refers to a company's overall ability to create value for shareholders, and the MA scores reflect survey respondents' beliefs about companies' commitment to generating sustainable value. Specifically, the MA scores are formed using responses from more than 4,000 financial analysts, senior executives, and outside directors, each of whom rates between 4 and 10 companies in their industry on the following nine attributes: (1) the ability to attract and retain talented people; (2) the quality of management; (3) social responsibility to the community and the environment; (4) innovativeness; (5) the quality of products or services; (6) the wise use of corporate assets; (7) financial soundness; (8) long-term investment value; and (9) effectiveness in doing business globally. The aggregate scores equally weight the company's score on each attribute and are well aligned with our reputation

construct.[10]

The MA scores are the most widely used measure of company reputation in finance and management research (Fombrun and Shanley 1990; Flanagan and O'Shaughnessy 2005). More recent accounting research also uses the MA scores to proxy for company reputation.[11] Prior research concludes that the MA scores describe overall company reputation well (Fombrun and Shanley 1990; Roberts and Dowling 2002). Moreover, the MA scores are publicly available for many companies over an extended period. Specifically, they have been available since 1983 for more than 300 *Fortune 1000* companies with the highest aggregate scores in their respective industries. To our knowledge, no other broad-based company reputation measures cover a large sample of companies over many years.

Although company reputation as measured by MA scores is relatively sticky, it does change over time. Cao et al. (2015) shows that, whereas the likelihood of a company appearing on the MA List for a second consecutive year is 0.79, the likelihood of remaining on the list drops to 0.52 over a five-year period. This uncertainty in company reputation necessitates actions by companies, such as issuing high-quality management earnings forecasts.[12]

3.2 Research design

Following extant literature, we measure company voluntary disclosure activities using management earnings forecasts.[13] To test the hypothesis, we estimate the following empirical model (where *i* and *t* are company and fiscal year indicators, respectively):

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[10] Because our company reputation construct does not refer to specific aspects of a company's ability to create value, we do not examine the association between voluntary disclosure and components of the MA score. Moreover, the MA component data are not published in *Fortune Magazine*.

[11] See, for example, Bowen et al. (2010), Cao et al. (2012, 2015), Kim et al. (2012), Erkens and Bonner (2013), and Donelson et al. (2024).

[12] In analytical models, uncertainty is a necessary condition for repeated games because without uncertainty, a player's type is fully revealed in one round and further signaling is unnecessary (Noe 2012).

[13] See, for example, Waymire (1985), King et al. (1990), Frankel et al. (1995), Nagar et al. (2003), Chen et al. (2008), Choi et al. (2010, 2011), and Cao et al. (2017).

$$
\begin{aligned}
&Management\ Earnings\ Forecast_{i,t} \\
&\quad = \beta_0 + \beta_1 Reputation_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 MTB_{i,t} + \beta_4 SEG_{i,t} + \beta_5 RET_{i,t} \\
&\quad + \beta_6 NEG\_RET_{i,t} + \beta_7 STD\_RET_{i,t} + \beta_8 INST\_CNT_{i,t} + \beta_9 INST\_PCT_{i,t} \\
&\quad + \beta_{10} AF_{i,t} + \beta_{11} ABILITY\_DLM_{i,t} + \beta_{12} ABILITY\_ADJROA_{i,t} \\
&\quad + \beta_{13} CEO\_HOLD_{i,t} + \beta_{14} EQUITY_{i,t} + \beta_{15} RD\_INT_{i,t} + year\ fixed\text{-}effects \\
&\quad + \varepsilon_{i,t}.
\end{aligned}
\qquad [1]
$$

The dependent variable, *Management Earnings Forecast*, is *ISSUE*, *FREQ*, or *ACCURACY*. First, to examine the issuance of management earnings forecasts, we use *ISSUE*—an indicator variable set to one if the company provides at least one management earnings forecast in fiscal year *t*, and zero otherwise.[14] In addition, we construct a measure of forecast issuance that differentiates good-news forecasts from bad-news forecasts. Specifically, *ISSUE_NEWS* distinguishes between company-years with only bad-news forecasts, only good-news forecasts, both good- and bad-news forecasts, and no forecasts. We define a management forecast as good (bad) news if it is higher (lower) than the contemporaneous consensus analyst forecast. Second, to examine the frequency of management earnings forecasts, we use *FREQ*, which is the number of forecasts issued during fiscal year *t*. We also construct frequency measures of good- and bad-news forecasts: *FREQ_GN* and *FREQ_BN*, where *FREQ_GN* (*FREQ_BN*) is the number of good (bad)-news forecasts issued during fiscal year *t*. Last, to examine the accuracy of management earnings forecasts, we use *ACCURACY*, which is the negative-signed absolute difference between management EPS forecast and actual EPS, both from the Institutional Brokers' Estimate System (I/B/E/S), scaled by the prior month's closing stock price from I/B/E/S.[15]

[14] We only consider quantitative management earnings forecasts because the measurement of good(bad)-news management forecasts requires comparing the forecasts to analyst consensus forecasts.
[15] Alternatively, in an untabulated test, we scale the forecast accuracy by the absolute value of the median analyst forecast at the beginning of the fiscal year, and our inferences do not change.

Our independent variable of interest is *Reputation*, which proxies for company reputation. *Reputation* can be binary or continuous. For the binary measure, we use an indicator variable, *MA*, set to one when the company is on the MA List in fiscal year *t*, and zero otherwise. For the continuous measure, we use *MA_SCORE*, which is the company's score from the MA List (where a higher score indicates a higher reputation) and set it to zero for companies not on the MA List in the year.[16] A positive coefficient on *MA* (*MA_SCORE*) would support our hypothesis.

We control for company characteristics that are likely to be correlated with the demand for voluntary disclosure. We control for size (*SIZE*) because large firms make more voluntary disclosures (Kasznik and Lev 1995). To control for the demand for voluntary disclosure related to firms' growth opportunities and complexity (Frankel et al. 1995; Hui et al. 2009), we include the market-to-book ratio (*MTB*) and the number of segments (*SEG*). Because research finds an association between disclosure and performance (Lang and Lundholm 1993; Nagar et al. 2003; Bergman and Roychowdhury 2008; Chen et al. 2008), we include stock performance (*RET* and *NEG_RET*).[17] We control for stock return volatility (*STD_RET*) because prior research documents that volatility affects voluntary disclosure.[18] We control institutional ownership (*INST_CNT* and *INST_PCT*) because companies generally provide more and higher-quality disclosures when institutional ownership is high (Ajinkya et al. 2005; Karamanou and Vafeas

[16] As a robustness check, we use lagged company reputation measures rather than contemporaneous measures. In the untabulated results, we find a positive and significant association between one-year-lagged *MA_SCORE* and the two measures of issuance (*ISSUE* and *ISSUE_NEWS*) and the frequency of bad-news forecasts (*FREQ_BN*). However, when the dependent variable is *FREQ* or *FREQ_GN*, the coefficient on lagged *MA_SCORE* is positive but not statistically significant.

[17] In untabulated results, our inferences hold using five-year measures of stock performance and volatility.

[18] Lang and Lundholm (1993) and Chen et al. (2008) find that stock return volatility is positively associated with forecast issuance, consistent with companies with greater information asymmetry being more likely to provide voluntary disclosures. However, Nagar et al. (2003) finds a negative association between stock return volatility and forecast issuance, presumably because managers are less able or willing to provide earnings forecasts when information uncertainty is high.

2005; Boone and White 2015). We also control for analyst following (*AF*) because analysts can pressure companies to improve disclosure quality (Lang and Lundholm 1993; Ajinkya et al. 2005; Bergman and Roychowdhury 2008; Choi et al. 2010, 2011).

Because company reputation could reflect managerial reputation or ability, which can, in turn, affect management forecasts (Pae et al. 2015; Hribar and Yang 2016), we include the managerial ability measures from Demerjian et al. (2012) (*ABILITY_DLM*) and Rajgopal et al. (2006) (*ABILITY_ADJROA*).[19] We also control for CEO ownership of the company's common stock (*CEO_HOLD*) because managerial ownership can align managers' disclosure preferences with those of shareholders (Nagar et al. 2003; Hui et al. 2009). We include an *ex post* measure of external financing (*EQUITY*) from Francis et al. (2008) because companies increase disclosure when raising funds from external sources (Ruland et al. 1990; Clarkson et al. 1992, 1994; Lang and Lundholm 2000). We include research and development intensity (*RD_INT*) to control for the relation between proprietary information and voluntary disclosure (Wang 2007). To mitigate the effects of outliers, we winsorize all continuous variables at the 1st and 99th percentiles of their distributions. Additionally, we include year-fixed effects to control for macroeconomic factors and use robust standard errors clustered by company. Finally, we include firm-fixed effects to control for persistent, latent firm characteristics.[20]

3.3 Sample selection

Our sample period begins in 1999 (the first year that management earnings forecast data are available in I/B/E/S) and ends in 2018. We start with the 2,000 companies from Compustat

[19] We obtain the *ABILITY_DLM* data from https://peterdemerjian.weebly.com/managerialability.html.
[20] We do not cluster standard errors by firm when including firm-fixed effects because, according to Cameron and Miller (2015), doing so distorts the standard errors.

with the largest revenues.[21] Consistent with prior research, we exclude financial services and utility companies (i.e., companies with SIC codes 4900-4999 and 6000-6999) because the disclosure policies of highly regulated companies differ from those of other companies (Karamanou and Vafeas 2005). We also omit foreign companies because they are not eligible for inclusion on the MA List. We then match this initial sample with the hand-collected MA scores, price data from the Center for Research in Security Prices (CRSP), accounting data from Compustat, and management and analyst forecast data from I/B/E/S. We omit companies that are missing the data necessary to calculate variables in our regression models. Applying these requirements yields a sample of 13,565 company-year observations from 1999 through 2018, 4,394 of which are on the MA List.[22] Table 1 details the sample selection process.

3.4 Descriptive statistics

Table 2, Panel A presents descriptive statistics for the key variables; the last column compares MA and non-MA companies. Although we discuss the sample means, we obtain similar inferences using sample medians. The top portion of the panel provides our reputation measures. The binary measure *MA* indicates that 32.4 percent of the sample appears on the MA List (4,394 company-year observations), and the continuous *MA_SCORE* has a mean of 2.086 (the mean for the MA companies is 6.436).

Panel A also presents the management earnings forecast measures. 60.1 percent of sample companies issue earnings forecasts. Compared with non-MA companies, the likelihood of MA companies issuing earnings forecasts is significantly higher (by 9.1 percentage points).

[21] Ideally, the initial sample should be the *Fortune 1000* because MA companies are selected from this set. However, we do not have historical data on the *Fortune 1000* companies for our full sample period. Because the *Fortune 1000* are selected primarily based on revenues, we approximate this set by limiting our potential sample to large companies.

[22] As a robustness check, we estimate our models using this MA subsample. In addition, we explicitly account for the selection of company-year observations onto the MA List by using a Heckman selection model. The untabulated results are somewhat weaker than those based on the full sample, but the inferences are robust.

Concerning the content of management earnings forecasts, 16.1 (7.4) percent of companies issue only bad-news (good-news) forecasts, whereas 36.6 percent issue forecasts of both types. MA companies are significantly more likely than non-MA companies to issue bad-news forecasts. Finally, sample companies issue an average of 2.835 EPS forecasts in a year, and the average MA company issues significantly more EPS forecasts than non-MA companies (by 0.562). MA companies also issue more good-news and more bad-news forecasts than non-MA companies. Overall, MA companies provide more frequent management earnings forecasts than non-MA companies.

The remainder of the panel provides descriptive statistics for the control variables. Compared with its non-MA counterpart, the average (mean) MA company is significantly larger (by $21.1 billion), has a higher market-to-book ratio (by 0.715), and reports more segments (by 0.211). Although the average market performance of MA and non-MA companies is not significantly different, MA companies are less likely to experience negative stock returns (by -2.8 percentage points) and their stock returns are less volatile (by -0.256). Finally, compared to non-MA companies, the average MA company has more institutional investors (although these investors own a lower proportion of the company's stock), more analysts following, a more capable CEO, is less likely to issue securities and has higher research and development intensity.

Panel B provides correlations between company reputation and management earnings forecasts. Consistent with higher-reputation companies providing higher-quality voluntary disclosure than other companies, we find a positive association between company reputation (both *MA* and *MA_SCORE*), the issuance of management forecasts (*ISSUE, ISSUE_NEWS*), and the frequencies of management forecasts (*FREQ*, *FREQ_GN*, and *FREQ_BN*).

4 EMPIRICAL RESULTS

4.1 Company reputation and the issuance of management earnings forecasts

Table 3 provides the results from estimating model [1] to test whether the likelihood of issuing management forecasts varies with company reputation. In Panel A, the dependent variable *ISSUE* is binary, so we estimate the model using logit regression. Although our discussion below focuses on the binary reputation measure (*MA*, see Columns (1.i) and (1.ii)), results from using the continuous reputation measure (*MA_SCORE*, see Columns (2.i) and (2.ii)) yield the same inferences. Regardless of whether we include fixed effects, the estimated coefficients on *MA* are positive and statistically significant (at 0.314 and 0.654, respectively; both *p*s < 0.01), suggesting that higher-reputation companies are more likely to issue management earnings forecasts.

Regarding the control variables, many of which control for demand for voluntary disclosure, we find that companies with weaker stock performance (*RET*), less volatile stock returns (*STD_RET*), and higher analyst following (*AF*) are more likely to forecast earnings. Given the inclusion of control variables and the significant coefficients on company reputation, we conclude that demand for disclosure alone is unlikely to account for the observed relations between company reputation and management earnings forecasts.[23]

In Panel B, we distinguish between three cases: bad-news-only forecasts, good-news-only forecasts, and both forecast types (Columns (1.i)-(1.iii), respectively), as well as the implicit default: no forecasts. The coefficient on *MA* is positive and significant across all three cases

[23] Due to the nonlinear nature of logit regressions, we formally test their goodness of fit (GoF). For the models with year-fixed effects (Columns (1.i) and (2.i)), the GoF tests ("P-values for model fit") do not reject the null that the model fits well at the 5% confidence level. For the models with firm- and year-fixed effects (Columns (1.ii) and (2.ii)), although the GoF tests reject the null, the "Area under the ROC curve" indicates that the model's ability to predict the dependent variable *ISSUE* is highly accurate.

(*p*s < 0.01 for bad news only and for both types of news; $p < 0.1$ for good news only). The tests for equality of the coefficients on *MA* suggest that the coefficients are not different across the three cases, indicating that companies with higher reputations are more likely to issue forecasts (relative to the default case of no forecasts).

In summary, the results in Table 3 indicate that companies with higher reputations are more likely than other companies to forecast earnings after controlling for other factors that affect the decision to issue management earnings forecasts. This improved voluntary disclosure takes the form of both good- and bad-news earnings forecasts.

4.2 Company reputation and the frequency of management earnings forecasts

Table 4 provides the results from estimating model [1] to test whether the frequency of management forecasts varies with company reputation. In Panel A, the dependent variable is the frequency of all management forecasts, regardless of type (*FREQ*). We discuss the results that use the binary reputation measure (*MA*, see Columns (1.i)-(1.ii)), but the inferences hold using the continuous measure (*MA_SCORE*, see Columns (2.i)-(2.ii)). Regardless of whether we include fixed effects, the coefficients on *MA* are positive and significant (at 0.322 ($p < 0.05$) and 0.322 ($p < 0.01$), respectively), indicating that higher-reputation companies issue more earnings forecasts on average. Results for the control variables are comparable to those in Table 3. Finally, in Panel B, where we examine the frequencies of good- and bad-news forecasts separately, we find that higher-reputation companies issue more bad-news forecasts than other companies, but not more good-news forecasts (Columns (1)-(2)).

4.3 Company reputation and the accuracy of management earnings forecasts

Next, we examine the association between company reputation and the accuracy of management forecasts (*ACCURACY*). We perform this analysis at the forecast level because

ACCURACY is forecast-specific. Because the forecast horizon likely affects the forecast accuracy, we control for the number of days between the forecast date and the fiscal period-end date (*HORIZON*).[24]

Table 5 presents the results. In the full sample (Columns (1)-(2)), the coefficients on *MA* and *MA_SCORE* are both positive, but only the coefficient on *MA_SCORE* is marginally significant ($p < 0.10$). However, using the MA subsample (where only the continuous *MA_SCORE* is valid; Column (3)), the coefficient on *MA_SCORE* is positive and significant (0.017; $p < 0.01$). This result indicates that MA companies with higher reputations issue more accurate forecasts than companies with lower reputations. Among the control variables, consistent with Ajinkya et al. (2005), the coefficient on *HORIZON* is negative and highly significant, indicating that earlier management forecasts are less accurate than later ones.

5 ADDITIONAL ANALYSES

5.1 Management forecasts when companies are added or dropped from the MA List

One concern about our results is the potential endogenous relation between reputation and disclosure quality. The documented relations in Tables 3 and 4 may occur because companies' voluntary disclosures improve company reputation, because company reputation improves voluntary disclosures, or both. To alleviate this concern, we test whether management forecasting behavior changes for companies added to or dropped from the MA List. These tests control for time-invariant, company-specific characteristics that could affect voluntary disclosure decisions and reputation but are not in our model.

We identify 141 companies that appear on the MA List in year *t* and the two subsequent

[24] In untabulated analyses, we perform this test at the fiscal year level. Specifically, we construct the dependent variable as the average forecast accuracy for all forecasts issued by the company during the year and construct the measure for forecast horizon in a similar manner. The inferences are robust.

years (years t+1 and t+2) but do not appear on the MA List in the prior two years (years t−1 and t−2). We create an indicator variable, *ONLIST*, set equal to one for these observations, and zero otherwise. We also identify 189 companies that did not appear on the MA List in year t and the two subsequent years but appeared on the MA List during the two prior years. We create an indicator variable, *OFFLIST*, set equal to one for these observations, and zero otherwise. Finally, we identify 5,992 control observations with no change in MA listing status from year t−2 through year t+2. We use these three subsamples to examine whether companies added or dropped from the MA List differ in forecasting behavior relative to companies that do not change MA listing status.[25] Here, we convert the dependent and control variables to changes, calculated as the average in years t+1 and t+2 minus the average in years t−1 and t−2, and estimate the following changes model:

$$\begin{aligned} &Change\ in\ Management\ Earnings\ Forecast_{i,t} \\ &\quad = \beta_0 + \beta_1 ONLIST_{i,t} + \beta_2 OFFLIST_{i,t} \\ &\quad + Changes\ in\ Control\ Variables\ from\ model\,[1] + \varepsilon_{i,t}. \end{aligned} \qquad [2]$$

We present the results in Table 6, Panel A. Consistent with expectations, the coefficient on *ONLIST* is positive and significant when the dependent variable is Δ*ISSUE* (Column (1): 0.069; $p < 0.01$), indicating that, compared to companies not experiencing a change in MA listing status, companies added to the MA List are more likely to begin issuing earnings forecasts after their addition to the MA List. The coefficients on *ONLIST* are also positive and statistically significant for the good and bad news forecast issuance variables (Columns (2)-(3), indicating that higher-reputation companies are more likely to issue both types of forecasts. In addition, the results for forecast frequency (Columns (4)-(6)) indicate that companies tend to make more

[25] Because we require data for leading and lagging years, the sample period for this test is shortened to 2001 through 2015.

frequent earnings forecasts, especially bad-news forecasts, as their reputations improve.

In contrast, compared with companies not experiencing a change in MA listing status, companies dropped from the MA List are more likely to discontinue making earnings forecasts (Columns (1)-(3)) and issue significantly fewer earnings forecasts (Columns (4)-(6)). Finally, in untabulated analyses, we compare changes in forecasting behavior for companies added to the MA List with changes in forecasting behavior for companies dropped from the MA List (so we drop companies with no change in MA listing status). The coefficients on *ONLIST* are positive for all six dependent variables and are significant for Δ*FREQ* and Δ*FREQ_BN*. These findings indicate that companies added to the MA List tend to increase their forecasting activity relative to companies dropped from the MA List. Overall, these results take advantage of changes in MA status to provide more direct evidence that company reputation impacts voluntary management disclosure.

5.2 Company reputation versus managerial ability

Research finds that management's ability influences their company's voluntary disclosure choices (Bamber et al. 2010; Baik et al. 2011; Pae et al. 2015; Hribar and Yang 2016). Although company reputation and managerial ability are likely to be related, the two constructs are distinct, as is their potential influence on companies' voluntary disclosures. Companies can build their reputations and disclosure styles over many years and even decades, but an individual manager's influence is relatively short. Although the median CEO tenure for S&P 1500 firms is approximately 5 to 6 years (Peters and Wagner 2014), some companies have appeared on the MA List for much longer, reflecting the long-lasting nature of company reputation.[26] Consistent

[26] A manager's impact on company policies is likely to be even shorter than her tenure because it takes time to establish new practices. For this reason, studies that examine management's impact on corporate finance policies (e.g., Bertrand and Schoar 2003) or on voluntary disclosure (e.g., Bamber et al. 2010) require that sample observations have management tenure of least three years.

with a significant company-specific effect on earnings forecasts that is incremental to a manager-specific effect, Yang (2012) finds that the company's forecasting history subsumes its manager's forecasting history in determining the market reaction to earnings forecasts. Therefore, we argue that the company could shape voluntary disclosure practices even after controlling for the influence of management.

To examine how company reputation influences management earnings forecasts after controlling for managerial ability, we modify the changes analyses in Section 5.1 by excluding observations with a CEO change from year t-2 through year t+2.[27] We then re-estimate the changes model [2]. The results in Table 6, Panel B are comparable to those reported in Panel A: the coefficient on *ONLIST* is positive, and when the dependent variable is Δ*ISSUE_GN*, it is significant; the coefficient on *OFFLIST* is negative, and when the dependent variable is Δ*ISSUE*, Δ*ISSUE_GN*, or Δ*FREQ*, it is significant. Whereas these results, in connection with those in Panel A, suggest that top executive turnover affects management forecasting behavior, they also show that changes in company reputation plays a distinctive and prominent role even after controlling for top executive turnover.[28]

5.3 Complex relations between company reputation and management earnings forecasts

Recent studies document an inverted U-shaped relation between financial performance and management earnings forecasts, where both high and low-performing companies withhold earnings forecasts (Ajinkya et al. 2005; Baik et al. 2011; Aghamolla et al. 2021). Because company reputation is related to financial performance, examining whether a similarly complex

[27] For a small number of observations, we cannot determine with certainty whether there was a CEO change in year *t*-2 through year *t*+2 because we do not have data available. However, our inferences are not sensitive to how we treat these observations, specifically, whether we (i) keep them in the sample; (ii) drop them from the sample; (ii) create an indicator variable, *UNCERTAIN*, which is set to one for these observations, and zero otherwise (as suggested in Maddala (1977) and Greene (2003) and used in prior accounting studies (e.g., Hanlon et al. 2003).
[28] We thank an anonymous reviewer for this insight.

relation exists between company reputation and management earnings forecasts is informative.

Table 7, Panel A shows the percentage of companies forecasting earnings in five (ten) reputation groups, as measured by MA scores, and the percentage for companies not on the MA List. The percentage is lowest for Group 0 (not on the MA List), at 57.1%. It steadily rises with increases in reputation for Quintile 1 (with the lowest MA scores), at 59.1%, through Quintile 4, at 71.3%, but falls to 66.1% for Quintile 5 (with the highest MA scores). The pattern is similar across decile groups. The mean frequency of management forecasts by group shows similar patterns. These descriptive statistics indicate a nuanced and complex relation between company reputation and voluntary disclosure.

Therefore, we modify our empirical models explaining the issuance of management forecasts (Table 3) and the frequency of management forecasts (Table 4) to incorporate this non-linearity. Specifically, because the relation between management forecasts and reputation for companies with top MA scores is distinct from that for other companies, we include indicator variables *TOP_20PCT* and *TOP_10PCT*, which equal one for companies with MA scores in the top quintile and decile, respectively, and zero otherwise. As an alternative, following Aghamolla et al. (2021) and Aghamolla and Smith (2023), we include the squared *MA_SCORE* to allow for a potential quadratic relation between disclosure and reputation. Table 7, Panel B reports the regression results.

Our discussion focuses on management forecast issuance (Columns (1)-(3)) because the inferences from management forecast frequency (Columns (4)-(6)) are similar.[29] In Column (1),

[29] In Table 3, Panel A, we estimate the model with the binary dependent variable *ISSUE* using logit regression. Because logit regression is itself nonlinear, it does not accommodate a quadratic term or an interaction term in a straightforward way. Therefore, we estimate this model with *ISSUE* as the dependent variable using ordinary least squares (OLS) regression. To confirm the appropriateness of this choice, we reproduce Table 3, Panel A using OLS and find that the inferences hold. In addition, we inspect the predicted values of *ISSUE* and find that 99.8% fall within the [0, 1] range.

the coefficient on *MA_SCORE* remains positive and statistically significant (0.012; $p < 0.01$), whereas the coefficient on *MA_SCORE×TOP_20PCT* is negative but not statistically significant. These results suggest that the positive and linear relation discussed in Section 4.1 is robust, even after accounting for the different disclosure behaviors of companies in the top reputation group. The inferences from Column (2) are largely similar to those from Column (1), although the coefficient on *MA_SCORE×TOP_10PCT* is marginally significant ($p < 0.1$). In Column (3), the coefficients on *MA_SCORE* and MA_SCORE^2 are not statistically different from zero, although their signs are consistent with an inverted U-shape. This finding indicates that, unlike the relation between management forecasts and financial performance, a quadratic (inverted U-shape) relation does not describe the relation between management forecasts and company reputation. Moreover, although companies with the highest reputations are less likely to forecast earnings, we continue to find a robust linear relation between company reputation and management forecast after controlling for this group of companies.

5.4 Alternative measurement of company reputation

Another concern could be that annual MA scores do not reflect the long-term nature of company reputation. The sticky nature of MA scores should partially alleviate this concern. However, to address it more directly, we measure the length of a company's higher-reputation status, calculated as the number of sample years to date that the company has appeared on the MA List. In untabulated analyses, we find that companies with longer MA status issue more forecasts. However, we do not find that the accuracy of their forecasts differs from the accuracy of forecasts issued by companies that more recently joined the MA List.

5.5 Company reputation and management forecast precision

In untabulated analyses, we also investigate the association between management's

choice of forecast precision and company reputation. Managers can issue forecasts with varying degrees of precision. Forecast types include point forecasts (the most precise form), range forecasts, and qualitative forecasts (the least precise form).[30] Managers can also use a combination of these forms. More precise management forecasts could indicate greater confidence about firm prospects because more precise forecasts make deviations between forecasts and realizations more evident. Consistent with this reasoning, prior research suggests that when determining the precision of their forecasts, managers attempt to reduce the likelihood that investors could perceive their forecasts as incorrect, presumably to minimize litigation risk (Choi et al. 2010; Du et al. 2011). However, forecast precision can be nuanced. For example, a point estimate can be a lower bound rather than the most likely outcome. Because of this, it is challenging to form expectations about the relation between forecast precision and company reputation, making these analyses exploratory.

Following Baginski and Hassell (1997), Bamber and Cheon (1998), and Choi et al. (2010), we set forecast precision (*PREC*) to two for point forecasts, one for range forecasts, and zero if the company does not issue quantitative forecasts.[31] We average multiple forecasts made in a fiscal year using the forecast frequencies as weights. We find positive and significant coefficients on both of our primary reputation measures when *PREC* is the dependent variable.

6 CONCLUSION

This study examines the association between company reputation and voluntary disclosure decisions. On the one hand, higher-reputation companies may provide more and

[30] Point forecasts provide a specific numeric estimate (for example, "EPS of $1.10 are expected"), range forecasts are bounded at either or both ends (for example, "EPS will be between $0.80 and $0.90" and "EPS will be less than $1.23"), and qualitative forecasts are statements like "we expect to report a loss" and "earnings will be better next year."

[31] Unlike the First Call data, which was used in earlier studies but has since been terminated, the I/B/E/S Guidance data contains only quantitative management forecasts. This prevents us from distinguishing between cases without any forecasts and those with only qualitative forecasts or from including qualitative forecasts in our dataset.

higher-quality voluntary disclosures because this practice signals their higher quality, is consistent with their commitment to protecting shareholder interests, and reflects the greater pressure that they face to adopt practices that are perceived to benefit shareholders. On the other hand, higher-reputation companies may avoid forecasting earnings to reduce pressures to manage earnings to meet optimistic forecasts or reduce the litigation risk associated with inaccurate forecasts.

We measure company reputation using the reputation scores from *Fortune Magazine*'*s* MA List and company voluntary disclosure using properties of management earnings forecasts. We find that companies with higher reputations are more likely than other companies to issue management forecasts and that they issue more forecasts, especially forecasts that are more pessimistic than analyst consensus forecasts. We also find that among companies on the MA List, those with higher reputations issue more accurate forecasts.

In robustness checks and additional analyses, we examine the impact of changes in company reputation and management forecast characteristics. We find that when compared to the other companies, those added to (dropped from) the MA List are more (less) likely to initiate earnings guidance and more (less) likely to increase the frequency of their forecasts, consistent with a causal effect of company reputation on management forecasting behavior. We also rule out the possibility that managerial ability explains management forecasting behavior. Next, we confirm that our findings still hold after controlling for the tendency for companies with the highest reputations to withhold forecasts and that they are robust to alternative variable measurements. Lastly, we find that companies with higher reputations make more precise forecasts, indicating management's confidence in their ability to predict future EPS.

Overall, our findings add to the literature on voluntary disclosure by identifying a unique factor that motivates companies to provide high-quality management earnings forecasts. Prior studies demonstrate that company reputation significantly affects some company behaviors, including financing outcomes and mandatory financial reporting. We demonstrate that company reputation is also important for voluntary disclosure decisions and, thus, affects the information environment.

APPENDIX. VARIABLE DEFINITIONS

Variable name	Definition
Dependent variables (note that the measure include both annual and quarterly management EPS forecasts)	
ACCURACY	The absolute difference between the I/B/E/S actual EPS and management's forecast of EPS, scaled by the stock price at prior month's end, times -1.
FREQ	The number of management earnings forecasts issued during fiscal year *t*.
FREQ_ BN (*FREQ_GN*)	The number of bad(good)-news forecasts issued by management during fiscal year *t*, where a forecast is coded as good news if it is higher than the contemporaneous analyst consensus forecast, and bad news otherwise.
ISSUE	An indicator variable set to one if the company provides a management earnings forecast in fiscal year *t*, zero otherwise.
ISSUE_NEWS (*ISSUE_BN*, *ISSUE_GN*)	*ISSUE_NEWS* distinguishes between four types of company-year observations: those with: (i) only bad-news forecasts, (ii) only good-news forecasts, (iii) both good- and bad-news forecasts, and (iv) no earnings forecasts. *ISSUE_BN* (*ISSUE_GN*) is set to one if the company provides at least one bad(good)-news forecast in fiscal year *t*, and zero otherwise. Bad(good)-news forecasts are defined in *FREQ_BN* (*FREQ_GN*) above.
Reputation measures	
MA	An indicator variable set to one if the company appears on *Fortune's Magazine's* "*America's Most Admired Companies*" List (MA List) in year *t*, and zero otherwise.
MA_SCORE	The company's score from the MA List in the year (where a higher score means a better reputation) and set to zero for companies not on the MA List in the year.
ONLIST (*OFFLIST*)	An indicator variable set to one if the company appears on the MA List in years t, t+1, and t+2 (t-1 and t-2) but is not on the MA List in years t-1 and t-2 (t, t+1, and t+2), and zero otherwise.
TOP_20PCT (*TOP_10PCT*)	An indicator variable set to one if a company's MA score is in the top quintile (decile) in year *t*, and zero otherwise.
Control variables	
ABILITY_DLM	The managerial ability measure from Demerjian et al. (2012), downloaded from https://peterdemerjian.weebly.com/managerialability.html.
ABILITY_ADJROA	The industry-adjusted return on assets over the past three years or the CEO's tenure if shorter, following Rajgopal et al. (2006), where return on assets is net income before extraordinary items [IB] divided by the start-of-year total assets [AT].
AF	The natural logarithm of one plus the number of analysts following the company, except in Table 2 where it is not logged.
CEO_HOLD	The proportion of common stock held by the CEO.

Variable name	Definition
EQUITY	An indicator variable set to one if the company issues common or preferred shares [SSTK] exceeding 20 percent of its beginning market capitalization during the year, and zero otherwise.
HORIZON	The number of days between the management earnings forecast and the fiscal period end date.
INST_CNT	The natural logarithm of one plus the number of institutional investors holding the company's stock at the end of the fiscal year, except in Table 2 where it is not logged.
INST_PCT	The percentage of outstanding shares held by institutional investors.
MTB	The market capitalization divided by common equity [CEQ], both at the end of the fiscal year.
NEG_RET	An indicator variable set to one if *RET* is negative, and zero otherwise.
RD_INT	Research and development expenditures [XRD], scaled by start-of-year total assets [AT].
RET	The buy-and-hold return on the company's common stock during the past fiscal year.
SEG	The number of business segments.
SIZE	The natural logarithm of market capitalization (in $ millions), except in Table 2 where it is not logged.
STD_RET	The average standard deviation of daily common stock returns during fiscal years *t*-4 through *t*; multiplied by 100 when used in regression.

Note: COMPUSTAT items are followed by variable names [in square brackets].

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Table 1. Sample Selection

Description	Observations (company-years)
1. Extract the initial sample	
The largest 2000 firms from Compustat based on the prior year's revenues, from1999 through 2018	40,000
Less observations:	
Financial institutions or utilities	(12,943)
Without matches in CRSP or I/B/E/S	(8,767)
Foreign firms	(183)
Initial sample	18,107
2. Construct the final sample	
Less observations:	
Missing necessary accounting and price data	(1,334)
Missing other required data	(3,208)
Final sample	13,565
On the MA List	4,394

This table presents the sample selection process. See further details in Section 3.3.

Table 2. Descriptive Statistics

Panel A: Summary Statistics for Key Variables

	Full Sample (N = a13,565)					MA vs. non-MA
	Mean	Std. Dev.	Q1	Median	Q3	(Diff. in means)
Reputation						
MA	0.324	0.468	0.000	0.000	1.000	n/a
MA_SCORE	2.085	3.054	0.000	0.000	5.810	n/a
Management forecasts						
ISSUE	0.601	0.490	0.000	1.000	1.000	0.091***
ISSUE_NEWS						
Bad news only (1)	0.161	0.368	0.000	0.000	0.000	0.044***
Good news only (2)	0.074	0.262	0.000	0.000	0.000	0.004
Both types of news (3)	0.366	0.482	0.000	0.000	1.000	0.044***
FREQ	2.835	3.172	0.000	2.000	5.000	0.562***
FREQ_GN	1.683	2.250	0.000	1.000	3.000	0.458***
FREQ_BN	1.152	1.742	0.000	0.000	2.000	0.104***
Control variables						
SIZE ($ mil.)	14,300	31,957	1,601	3,922	11,178	21,116***
MTB	3.653	4.567	1.552	2.435	3.989	0.715***
SEG	3.561	2.235	2.000	3.000	5.000	0.211***
RET	0.132	0.432	-0.121	0.096	0.322	-0.005
NEG_RET	0.379	0.485	0.000	0.000	1.000	-0.028***
STD_RET	2.361	1.170	1.583	2.081	2.808	-0.256***
INST_CNT (unlogged)	360.89	313.25	170.00	261.00	437.00	242.85***
INST_PCT	0.763	0.200	0.678	0.806	0.904	-0.048***
AF (unlogged)	13.932	8.263	7.000	13.000	19.000	4.774***
ABILITY_DLM	0.021	0.163	-0.086	-0.028	0.088	0.072***
ABILITY_ADJROA	0.011	0.058	-0.020	0.008	0.041	0.013***
CEO_HOLD	0.014	0.043	0.001	0.002	0.006	-0.002***
EQUITY	0.010	0.099	0.000	0.000	0.000	-0.006***
RD_INT	0.022	0.045	0.000	0.000	0.023	0.004***

Panel B. Correlations

	Reputation						
(*N* = 13,565)	*MA*	*MA_SCORE*	*ISSUE*	*ISSUE_NEWS*	*FREQ*	*FREQ_BN*	*FREQ_GN*
Reputation							
MA		0.986***	0.087***	0.064***	0.083***	0.095***	0.039***
MA_SCORE	0.986***		0.093***	0.072***	0.094***	0.106***	0.035***
ISSUE	0.087***	0.093***		0.861***	0.878***	0.789***	0.686***
ISSUE_NEWS	0.064***	0.072***	0.861***		0.780***	0.776***	0.870***
FREQ	0.083***	0.098***	0.878***	0.897***		0.879***	0.786***
FREQ_BN	0.095***	0.106***	0.789***	0.776***	0.879***		0.477***
FREQ_GN	0.028***	0.035***	0.539***	0.870***	0.786***	0.477***	

See Table 1 for the sample construction. Variables are defined in the Appendix. Panel A shows summary statistics for key variables. Panel B presents Pearson correlations between key variables in the lower left and Spearman correlation coefficients in the upper right. *** indicates significance at the 1 percent level using two-tailed tests.

Table 3. Reputation and the Issuance of Management Earnings Forecasts

Panel A: Management Forecast Issuance

	Dependent Variable: *ISSUE*			
Independent variables	(1.i)	(1.ii)	(2.i)	(2.ii)
Reputation				
MA	0.314***	0.654***		
	(3.27)	(6.25)		
MA_SCORE			0.050***	0.101***
			(3.24)	(6.09)
SIZE	-0.186***	0.241***	-0.192***	0.227**
	(-2.68)	(2.60)	(-2.76)	(2.45)
MTB	0.036***	-0.008	0.036***	-0.009
	(3.54)	(-0.84)	(3.52)	(-0.92)
SEG	-0.042*	-0.007	-0.042*	-0.007
	(-1.83)	(-0.23)	(-1.83)	(-0.23)
RET	-0.259***	-0.463***	-0.259***	-0.464***
	(-3.55)	(-4.04)	(-3.56)	(-4.06)
NEG_RET	-0.128**	-0.127	-0.129**	-0.127
	(-2.30)	(-1.38)	(-2.31)	(-1.38)
STD_RET	-0.443***	-0.155***	-0.443***	-0.155***
	(-10.16)	(-3.20)	(-10.15)	(-3.20)
INST_CNT	0.124	0.207**	0.123	0.214**
	(1.47)	(1.96)	(1.46)	(2.03)
INST_PCT	0.668**	-0.584	0.668**	-0.606*
	(2.25)	(-1.62)	(2.24)	(-1.68)
AF	0.331***	0.701***	0.334***	0.704***
	(3.50)	(6.10)	(3.53)	(6.13)
ABILITY_DLM	-0.717***	0.472	-0.718***	0.463
	(-2.64)	(1.54)	(-2.65)	(1.51)
ABILITY_ADJROA	0.559	2.724***	0.530	2.692***
	(0.70)	(3.06)	(0.67)	(3.03)
CEO_HOLD	-1.995*	1.025	-2.017*	1.010
	(-1.80)	(0.87)	(-1.81)	(0.85)
EQUITY	-0.297	-0.256	-0.298	-0.259
	(-1.42)	(-0.71)	(-1.43)	(-0.72)
RD_INT	5.060***	-1.173	5.070***	-1.211
	(3.04)	(-0.44)	(3.05)	(-0.46)
Fixed effects	Year	Firm, year	Year	Firm, year
Pseudo R^2	0.073	0.377	0.073	0.377
P-value for model fit	0.066	0.000	0.068	0.000
Area under the ROC curve	0.683	0.888	0.683	0.888
N	13,565	8,694	13,565	8,694

Panel B: Good- and Bad-news Management Forecast Issuance

	Dependent Variable: *ISSUE_NEWS*					
(*N* = 13,565)	Bad news only	Good news only	Both types of news	Bad news only	Good news only	Both types of news
Independent variables	(1.i)	(1.ii)	(1.iii)	(2.i)	(2.ii)	(2.iii)
Reputation						
MA (+)	0.396***	0.206*	0.276***			
	(3.89)	(1.51)	(2.51)			
MA_SCORE (+)				0.065***	0.032*	0.044***
				(3.97)	(1.46)	(2.54)
Control variables	Same as Panel A					
P-value for the equality of the coefficients on *MA* (*MA_SCORE*)	0.174			0.129		
Fixed effects	Year			Year		
Pseudo R^2	0.069			0.069		
P-value for model fit	0.059			0.015		
Area under the ROC curve	0.902			0.890		

This table reports the results from estimating model [1]. In Panel A, the dependent variable *ISSUE* is binary and the model is estimated using logit regression. In Panel B, the dependent variable *ISSUE_NEWS* is a multilevel categorical variable and we estimate the model using multinomial logit regression. We describe the sample construction in Table 1 and define variables in the Appendix. *T*-statistics, in parentheses, use standard errors clustered by company, except for in Panel A when we include firm-fixed effects. ***, **, * indicate significance at the 1, 5, and 10 percent levels, respectively, using two-tailed tests other than for the reputation measures (*MA* and *MA_SCORE*), where tests are one-tailed. In Panel A, "*P*-value for model fit" is from the Pearson goodness-of-fit test, where the null is that a model fits well. When we include firm-fixed effects (Columns (1.ii) and (2.ii)), 4,835 observations are dropped from the sample because there is no within-firm variation in the dependent variable for these companies. In Panel B, "*P*-value for model fit" is from the Hosmer-Lemeshow goodness-of-fit test. We test the equality of the coefficients on *MA* (*MA_SCORE*) using two-sided Wald tests.

Table 4. Reputation and the Frequency of Management Earnings Forecasts

Panel A: Management Forecast Frequency

(*N* = 13,565)	Dependent Variable: *FREQ*			
Independent variables	(1.i)	(1.ii)	(2.i)	(2.ii)
Reputation				
MA	0.322**	0.322***		
	(2.16)	(5.07)		
MA_SCORE			0.052**	0.051***
			(2.14)	(5.01)
SIZE	-0.048	0.266***	-0.055	0.259***
	(-0.48)	(5.06)	(-0.54)	(4.92)
MTB	0.051***	-0.005	0.051***	-0.005
	(4.88)	(-0.88)	(4.86)	(-0.90)
SEG	-0.077**	-0.059***	-0.077**	-0.059***
	(-2.47)	(-3.20)	(-2.46)	(-3.22)
RET	-0.200**	-0.076	-0.201**	-0.076
	(-2.46)	(-1.13)	(-2.47)	(-1.14)
NEG_RET	-0.099	0.017	-0.099	0.016
	(-1.37)	(0.31)	(-1.37)	(0.29)
STD_RET	-0.589***	-0.114***	-0.589***	-0.114***
	(-11.75)	(-4.07)	(-11.75)	(-4.07)
INST_CNT	0.218*	0.096	0.217*	0.098
	(1.69)	(1.60)	(1.68)	(1.63)
INST_PCT	0.518	-0.249	0.519	-0.254
	(1.33)	(-1.12)	(1.33)	(-1.14)
AF	0.326***	0.404***	0.329***	0.406***
	(2.69)	(6.26)	(2.72)	(6.29)
ABILITY_DLM	-1.040**	0.249	-1.041**	0.246
	(-2.51)	(1.33)	(-2.51)	(1.32)
ABILITY_ADJROA	-0.653	2.696***	-0.682	2.669***
	(-0.64)	(5.04)	(-0.67)	(5.00)
CEO_HOLD	-3.436***	0.383	-3.459***	0.382
	(-2.82)	(0.65)	(-2.84)	(0.65)
EQUITY	-0.300	-0.260	-0.301	-0.260
	(-1.25)	(-1.32)	(-1.26)	(-1.33)
RD_INT	3.301**	-1.812	3.316**	-1.823
	(1.98)	(-1.31)	(1.99)	(-1.32)
Fixed effects	Year	Firm, year	Year	Firm, year
Adjusted R^2	0.119	0.583	0.119	0.583

Panel B: Good- and Bad-news Management Forecast Frequency

	Dependent Variable			
(*N* = 13,565)	*FREQ_GN*	*FREQ_BN*	*FREQ_GN*	*FREQ_BN*
Independent variables	(1)	(2)	(3)	(4)
Reputation				
MA	0.030	0.292***		
	(0.46)	(2.93)		
MA_SCORE			0.004	0.048***
			(0.36)	(2.97)
Control variables	Same as Panel A			
Fixed effects	Year	Year	Year	Year
Adjusted R^2	0.081	0.097	0.081	0.098

This table reports the results from estimating model [1]. In Panel A, the dependent variable is *FREQ* and we estimate the model using OLS regression. In Panel B, the dependent variables are *FREQ_GN* and *FREQ_BN* and we estimate the model using seemingly unrelated regression. The sample and the independent variables are the same as in Table 3. *t*-statistics, in parentheses, use standard errors clustered by company, except for when we include firm-fixed effects, in which case, they use robust standard errors. ***, **, * indicate significance at the 1, 5, and 10 percent levels, respectively, using two-tailed tests other than for the reputation measures (*MA* and *MA_SCORE*), where tests are one-tailed.

Table 5. Reputation and the Accuracy of Management Earnings Forecasts

	Dependent Variable: *ACCURACY*		
	Full Sample		MA Subsample
Independent variables	(1)	(2)	(3)
Reputation			
MA (+)	0.012		
	(1.24)		
MA_SCORE (+)		0.002*	0.017***
		(1.48)	(2.51)
HORIZON	0.014	0.014	-0.265***
	(1.60)	(1.56)	(-10.26)
SIZE	-0.000	-0.000	-0.004
	(-0.14)	(-0.13)	(-0.26)
MTB	-0.003	-0.003	0.001
	(-1.52)	(-1.51)	(1.06)
SEG	0.005	0.005	-0.002
	(0.52)	(0.52)	(-0.66)
RET	-0.004	-0.004	-0.003
	(-0.58)	(-0.59)	(-0.22)
NEG_RET	-0.069***	-0.069***	-0.012
	(-9.25)	(-9.25)	(-1.54)
STD_RET	-0.018*	-0.018*	-0.054***
	(-1.80)	(-1.81)	(-6.98)
INST_CNT	0.088**	0.088**	-0.006
	(2.50)	(2.50)	(-0.31)
INST_PCT	0.005	0.005	0.100*
	(0.38)	(0.39)	(1.91)
AF	-0.018	-0.018	0.024
	(-0.77)	(-0.79)	(1.30)
ABILITY_DLM	0.224***	0.224***	-0.046
	(2.62)	(2.62)	(-1.50)
ABILITY_ADJROA	0.020	0.019	0.418***
	(0.16)	(0.15)	(3.29)
CEO_HOLD	-0.031	-0.031	-0.004
	(-0.81)	(-0.83)	(-0.04)
EQUITY	0.228	0.232*	0.009
	(1.63)	(1.67)	(0.35)
RD_INT	0.024	0.028	0.216
	(0.44)	(0.52)	(1.57)
Fixed effects	Year	Year	Year
Adjusted R^2	0.143	0.143	0.173
N	33,389	33,389	12,121

This table reports the results from estimating model [1] with the dependent variable *ACCURACY*, using OLS regression. The sample is comprised of firm-forecast-year observations with at least one management earnings

forecast. We describe all variables in the Appendix. *t*-statistics, in parentheses, use standard errors clustered by company. ***, **, * indicate significance at the 1, 5, and 10 percent levels, respectively, using two-tailed tests other than for the reputation measures (*MA* and *MA_SCORE*), where tests are one-tailed.

Table 6. The Effect of Changes in Reputation on Changes in Management Earnings Forecasts

Panel A: Using the Listing-Status Sample

	Dependent Variable					
(*N* = 6,322)	Δ*ISSUE*	Δ*ISSUE_GN*	Δ*ISSUE_BN*	Δ*FREQ*	Δ*FREQ_GN*	Δ*FREQ_BN*
Independent variables	(1)	(2)	(3)	(4)	(5)	(6)
ONLIST (+)	0.069***	0.066**	0.093***	0.416**	0.103	0.313**
	(2.51)	(1.97)	(2.85)	(2.06)	(0.75)	(1.93)
OFFLIST (−)	-0.040*	-0.059**	-0.046*	-0.589***	-0.208**	-0.381***
	(-1.33)	(-2.05)	(-1.56)	(-3.68)	(-1.94)	(-3.00)
Δ*SIZE*	0.050***	0.020	0.055***	0.327***	0.022	0.305***
	(3.20)	(1.20)	(3.26)	(3.19)	(0.30)	(4.06)
Δ*RET*	-0.080***	0.054**	-0.138***	0.026	0.470***	-0.443***
	(-3.91)	(2.44)	(-6.05)	(0.20)	(5.16)	(-4.19)
Δ*NEG_RET*	-0.018	-0.042**	-0.019	-0.051	-0.214***	0.163*
	(-1.15)	(-2.36)	(-1.12)	(-0.47)	(-2.83)	(1.85)
Δ*STD_RET*	-0.023***	-0.021***	-0.019***	-0.210***	-0.042	-0.168***
	(-3.63)	(-3.02)	(-2.86)	(-4.75)	(-1.53)	(-5.21)
Δ*SEG*	0.006	0.004	0.003	-0.024	-0.006	-0.017
	(1.29)	(0.71)	(0.56)	(-0.74)	(-0.28)	(-0.59)
Δ*MTB*	-0.003**	-0.003	-0.005***	-0.048***	-0.014*	-0.034***
	(-2.42)	(-1.41)	(-2.96)	(-4.69)	(-1.78)	(-3.68)
Δ*INST_CNT*	0.021	0.005	0.015	-0.019	-0.006	-0.014
	(1.21)	(0.26)	(0.80)	(-0.19)	(-0.07)	(-0.15)
Δ*INST_PCT*	-0.008	0.072	0.015	0.734*	0.275	0.459
	(-0.12)	(0.98)	(0.20)	(1.75)	(1.12)	(1.23)
Δ*AF*	0.018	0.002	0.026	0.230*	0.061	0.169*
	(0.93)	(0.11)	(1.26)	(1.89)	(0.80)	(1.77)
Δ*ABILITY_DLM*	0.081*	0.022	0.055	0.292	0.273	0.019
	(1.74)	(0.38)	(1.08)	(0.87)	(1.21)	(0.06)
Δ*ABILITY_ADJROA*	0.440***	0.404**	0.391**	3.814***	2.137***	1.678**
	(2.94)	(2.48)	(2.39)	(3.90)	(3.32)	(2.30)
Δ*CEO_HOLD*	-0.163	-0.343	-0.051	-1.421	-1.135**	-0.285
	(-0.80)	(-1.60)	(-0.30)	(-1.31)	(-2.30)	(-0.39)
Δ*EQUITY*	0.116*	-0.035	0.119*	0.157	-0.342	0.499*
	(1.85)	(-0.59)	(1.71)	(0.45)	(-1.35)	(1.85)
Δ*RD_INT*	-0.271	-0.181	-0.579**	-5.670**	-3.724*	-1.946
	(-1.38)	(-0.63)	(-2.12)	(-2.45)	(-1.74)	(-1.21)
Adj. R^2	0.041	0.021	0.042	0.046	0.033	0.046

Panel B: Using the Subsample of Companies without CEO Turnover

	Dependent Variable					
(*N* = 3,125)	Δ*ISSUE*	Δ*ISSUE_GN*	Δ*ISSUE_BN*	Δ*FREQ*	Δ*FREQ_GN*	Δ*FREQ_BN*
Independent variables	(1)	(2)	(3)	(4)	(5)	(6)
ONLIST (+)	0.065**	0.096***	0.033	0.413*	0.173	0.240
	(2.05)	(2.33)	(0.73)	(1.50)	(1.04)	(1.12)
OFFLIST (−)	-0.023	-0.066**	-0.047	-0.455**	-0.099	-0.356***
	(-0.60)	(-1.81)	(-1.28)	(-2.27)	(-0.60)	(-2.33)
Control variables	Same as Panel A					
Adj. R^2	0.035	0.016	0.039	0.033	0.025	0.032

The table reports the results from estimating model [2] using OLS regression. *ONLIST* (*OFFLIST*) is set to one for company-year observations where the company appears on the MA List in years *t* to *t*+2 (*t*-2 to *t*) but does not appear on the MA List in years *t*-1 and *t*-2 (*t*+1 and *t*+2), and zero otherwise. We calculate the dependent and control variables as the average in years *t*+1 and *t*+2 minus the average in years *t*-1 and *t*-2. We describe the sample construction for Panel A (B) in Section 6.1 (6.4.1). *t*-statistics, in parentheses, use standard errors clustered by company. ***, **, * indicate significance at the 1, 5, and 10 percent levels, respectively, using two-tailed tests other than for *ONLIST* and *OFFLIST*, where tests are one-tailed.

Table 7. The Complex Relation between Reputation and Management Earnings Forecasts

Panel A. Descriptive Statistics

			Management forecasts	
Group	*N*	MA score	Percentage	Frequency
0 (no MA score)	9,171	0.000	57.1%	2.653
Quintiles				
1 (lowest MA score)	891	5.310	59.1%	2.662
2	887	6.006	66.7%	3.244
3	873	6.431	68.4%	3.330
4	870	6.879	71.3%	3.456
5 (highest MA score)	873	7.592	66.1%	3.395
Deciles				
1 (lowest MA score)	454	5.029	56.4%	2.348
2	437	5.602	62.0%	2.989
3	453	5.904	65.8%	3.183
4	434	6.112	67.7%	3.306
5	440	6.330	66.6%	3.241
6	433	6.535	70.2%	3.420
7	436	6.754	71.8%	3.252
8	434	7.004	70.7%	3.661
9	430	7.307	70.2%	3.721
10 (highest MA score)	443	7.868	62.1%	3.079
Total	13,565	2.085	60.1%	2.835

Panel B. Regression Results

	Dependent Variable					
(*N* = 13,565)	*ISSUE*			*FREQ*		
Independent variables	(1)	(2)	(3)	(4)	(5)	(6)
Reputation						
MA_SCORE (+)	0.012***	0.010***	0.014	0.058***	0.050**	0.062
	(3.60)	(3.15)	(0.80)	(2.39)	(2.04)	(0.52)
MA_SCORE×TOP_20PCT (−)	-0.058			-0.689		
	(-0.88)			(-1.25)		
MA_SCORE×TOP_10PCT (−)		0.107*			0.435	
		(1.50)			(1.00)	
MA_SCORE^2			-0.000			-0.001
			(-0.19)			(-0.08)
TOP_20PCT	0.400			5.036		
	(0.81)			(1.21)		
TOP_10PCT		-0.672			-2.688	
		(-1.49)			(-0.98)	
Control variables	Same as Table 3					
Fixed effects	Year					
Adjusted R^2	0.092	0.091	0.090	0.119	0.119	0.121

In Panel A, each year, we sort companies on the MA List into quintiles (deciles) based on MA scores, where Groups 1 and 5 (10) have the lowest and highest scores. Companies not on the MA List are Group 0. The "Percentage" column shows the percentage of companies issuing management earnings forecasts in a group. The "Frequency" column shows the average number of management earnings forecasts (per company) by group. In Panel B, Columns (1)-(3) report the results from estimating the model in Table 3 and its variations, and Columns (4)-(6) report the results from estimating the model in Table 4 and its variations, all using OLS. *TOP_20PCT* (*TOP_10PCT*) equals one if a company's MA score is in the top quintile (decile) in year *t*, and zero otherwise. MA_SCORE^2 is squared *MA_SCORE*. *t*-statistics, in parentheses, use standard errors clustered by company. ***, **, * indicate significance at the 1, 5, and 10 percent levels, respectively, using one-tailed tests.