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Opportunistic disclosure in press release headlines

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Abstract

This paper examines managerial, self-serving, disclosure practices in the headlines of press releases announcing annual results. Headlines are a framing feature that can be used to capture and retain attention with the ultimate intention of affecting the thoughts and feelings of readers, thus influencing their opinions. Therefore, headlines have a key role in a company's communication strategy. Using a large sample of Spanish listed companies for the years 2005 and 2006, we provide evidence of persistent impression management in press release headlines. Companies, irrespective of whether they perform well or badly, are inclined to stress good news and downplay bad news. Companies with very small profits report surprising amounts of good news. We provide evidence that companies are selective in the performance figures they include in the headlines of press releases. In particular, the disclosure of profits or sales figures in press release headlines is also associated with earnings performance. Finally,

we find that larger firms are more likely to issue press releases than smaller ones, consistent with the theory that highly visible firms face a greater demand for information transparency.

Keywords:

headlines impression management opportunistic disclosure press releases prominence voluntary disclosure

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Notes

However, the two theories are not necessarily mutually exclusive and may overlap. Incremental information may itself deliberately be selected by management for impression management purposes. In this paper, we investigate which theory is most consistent with the evidence.

We are grateful for the work of Clarke (2010) in this respect where he outlines this literature.

For example, Bowen et al. (2005) investigate only releases that contain pro forma measures, focusing on emphasis. Similarly, Gordon et al. (2010) investigate only releases that include accounting restatements.

The large number of investment companies registered on the Madrid Stock Exchange are excluded due to their specific legal accounting framework and the nature of their activities.

Abnormal accruals are a potentially better measure of accounting discretion. However, we do not use them because our sample includes financial firms and their accrual accounting is non-comparable to that of other firms.

As a sensitivity check, we repeated the analyses excluding financial firms and found similar results.
