

SESSION 1: FINANCIAL ACCOUNTING AND REPORTING

DATE: THURSDAY, FEBRUARY 22

TIME: 1:30 – 3:00 PM

**Firm and Industry Specialization as a Determinant of
Analyst Forecast Accuracy: A Comparative Evaluation of Firms with Different
Diversification and Growth Levels**

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ABSTRACT: Our study examines the affect of business segment industry specialization as a supplement to portfolio complexity on forecast error and Tobin's q. After controlling for diversification and growth potential, forecast error is negatively related to business segment industry specialization. Diversification (high growth firms) increases (decreases) forecast error. High growth, focused firms are associated with noncomplex portfolios and business segment industry specialization. Within a simultaneous equation model, forecast error does not predict the firm's Tobin's q; however, Tobin's q does predict whether analysts forecast accurately.