

Motivation

- Public observability of conference calls and analysts' incentives lead to a strategic information exchange *among* analysts
- Analysts' trade-off:

Revealing knowledge in the question results in more accurate (less noisy) answers
(Minson et al. 2018)

Sharing information enables "free-riding"
(in line with Verrecchia 1982, Diamond 1985)

Hypotheses

- Analysts lose (*in relative terms*) from sharing their information endowment as peer analysts can listen to their questions

H1: Information sharing in questions during conference calls is associated with a decline in analysts' relative forecast accuracy.

- Superior analysts care more strongly about keeping their relative information advantage

H2: Superior financial analysts share less information in their questions during conference calls.

Empirical Design

- Analysts' information sharing:* Degree of thematic difference between questions and management presentation

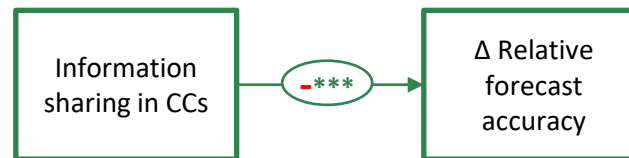
$$Cos Sim_{a,i,t} = \frac{MP_{i,t} * Q\&A_{a,i,t}}{\|MP_{i,t}\| \|Q\&A_{a,i,t}\|}$$

$$InfoQ_{a,i,t} = 1 - Cos Sim_{a,i,t}$$

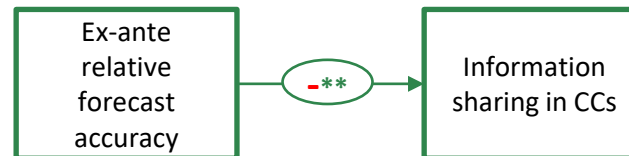
- Analysts' relative forecast accuracy:* Abnormal forecast accuracy before and after conference call (Mayew 2008)

Results

H1:



H2:



- Results also hold for alternative specifications of analysts' ex-ante information advantage (i.e., firm-experience, last conference call participation)

Additional Analyses

- Analysts ask more (less) informative questions when exposed to higher information uncertainty (competition)
- Informative questions positively affect change in absolute forecast accuracy and reduce information uncertainty
- Capital market reacts negatively to information sharing (seeking) by analysts

Contributions

- Analysts' incentives reduce informativeness of conference calls
- Analysts may hinder their peers from learning from their actions

References

- Diamond, D. W. (1985). Optimal Release of Information By Firms. *The Journal of Finance*, 40(4), 1071–1094.
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- Verrecchia, R. E. (1982). Information Acquisition in a Noisy Rational Expectations Economy. *Econometrica*, 50(6), 1415–1430.