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Rising Scholars Conference
Accounting I Student Research Presentations

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Leo is a PhD candidate in accounting at Emory University expected to graduate in May 2022. His research focuses on how features of accounting disclosures, both formal and informal, influence users' judgment and decision making. Before starting his doctoral studies, Leo held positions in the Brazilian federal government and judiciary system with responsibilities related to planning, budgeting, and auditing. He has also been on the faculty of the largest university in Brazil, the Federal University of Rio de Janeiro.

ABSTRACT:

Do Managers' Nonnative Accents Influence Investment Decisions?

Reactions to earnings calls are sensitive to subtle features of managers' speech, but little isknown about the effect of nonnative accents in this setting. Nonnative-accented CEOs may avoidholding calls in English for fear of investors' negative stereotypes. However, theory indicatesthat stereotypes from the CEO position and nonnative accents conflict, and that the process ofreconciling conflicting stereotypes requires effortful processing. We use a series of fourexperiments to test each link of the causal chain that we hypothesize based on this theory. Wedemonstrate that motivated investors reconcile conflicting stereotypes by inferring exceptionalqualities, such as hard work and determination, that positively affect their impressions ofnonnative-accented CEOs and, hence, of the company as an investment. We also show that,because bad news stimulates effortful processing, investors receiving bad (versus good) news aremore likely to form a positive image of nonnative-accented CEOs and their companies.

Keywords: Earnings conference calls; investment decisions; nonnative accents; impressions of CEOs

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The name is Ash. I am a 5th year doctoral student at Michigan State University - on the market this year. My research focuses on managerial accounting with an emphasis on experimental and archival methods. Apart from work, I enjoy dancing, reading, and watching movies.

ABSTRACT:

Firm Responses to the Content and Emotions Expressed in Social Media Word Of Mouth

This study examines how the content and emotional type of feedback expressed through social media channels influences 1) firm revenues and consumer purchasing decisions, 2) firm quality outcomes, and 3) firm operational and resource allocations. Social media word of mouth (SWOM) is a contemporary source of feedback that has achieved prominence in the past decade. SWOM can not only speedily reach billions of customers, but sentiments embedded in them can also provide important information about consumer perceptions and the extent to which current performance is consistent with customer expectations. SWOM can therefore influence willingness to purchase, and impact future revenues and profits. Accordingly, organizations can use SWOM as an essential element of their management control system (MCS). However, feedback is only useful if it contains decision facilitating information. Using psychology theory and textual analyses methods, I focus on the cognitive content and emotional type of SWOM. With a tool to linguistically interpret web scrapings of millions of social media posts for 19 US airlines from 2007-2019, I identify SWOM feedback about five quality-related themes and classify them based on their emotional type.

Results indicate that negative (non-negative) quality-related SWOM is associated with lower (higher) revenues and fewer (greater) passengers in a future period. Importantly, negative quality-related SWOM is associated with lower delays, fewer diversions, and lesser taxiing time -in a future period all important quality outcomes for airlines. These effects are concentrated in airlines that are most affected by changes to consumer purchasing decisions. No significant association is found between non-negative quality-related SWOM and quality of service. Finally, airlines reduce (increase) the levels of some of their operations in response to negative (non-negative) quality-related SWOM. Negative quality-related SWOM is also associated with lower airfare in a future period. In terms of resource adjustments, negative (non-negative) quality-related SWOM is associated with an increase (decrease) in quality failure and quality signaling costs. Anecdotal evidence from the field is consistent with the empirical findings. SWOM has little to no effect on the above outcomes when it does not have decision-facilitating information.

My study makes several contributions. First, I add to the literature in accounting that has looked at the role of feedback and its features in improving performance and affecting decision making processes. Second, I contribute to the literature on quality management practices in the broader framework of management control systems. I identify a source of feedback, namely, quality-related emotional SWOM, that can act as a management control tool for organizations. Third, while researchers have largely focused on how customer sentiments in social media affects consumers and external stakeholders such as investors, I contribute to the relatively scant literature on the relationship between social media sentiments and firm choices. Fourth, my study contributes to the nascent literature in marketing about the influence of SWOM on product quality choices. Finally, I shed light on operational decisions that are altered in response to quality-related emotional SWOM. My study opens avenues for future research on how SWOM feedback can interact with other control practices to affect firm quality and operational outcomes.

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Pinar Gencer is a Ph.D. student in accounting at the University of Texas at Dallas. She is particularly interested in research at the intersection of accounting and labor economics. In her free time, she enjoys lifting weights and dancing salsa.

ABSTRACT:

Do Executive Incentive Plans Help Curb Corporate Misconduct?

I document the economy-wide extent of corporate violations related to nonfinancial stakeholders and the associated incentives provided in executive bonus plans. The last decade has seen a sharp rise in corporate violations related to employees, consumers, and the environment in the United States; approximately one violation every two hours. 45% of the publicly traded firms have a violation history, reaching to $255 billion loss in penalties over 2000-2020. Roughly 86% of firms violated regulations more than once. Using firm-level violation data collected from several government agencies over 2000-2020, I show that managers are less likely to violate regulations when their bonus plans place less emphasis on expenses, a practice referred to as “cost shielding”, and when their bonus plans include regulatory compliance goals. I find that the link between cost-shielding incentives and violations is (1) weaker in firms with better corporate governance, (2) weaker in firms that operate in non-competitive industries, and (3) stronger in firms with less monopsony power. In additional tests, I document that the number of employment-related violations decreases after managers receive an employee-related CSR goal for the first time.

My paper contributes to a small literature studying the impact of firms' financial incentives on the risks faced by nonfinancial stakeholders. Rose (1990) finds that lower profit margins are associated with worst safety performance among small airline carriers. Kini et al. (2014) find that firms' adverse financial position leads to severe product recalls. Cohn and Wardlaw (2016) find that increased leverage and negative cash flow shocks adversely impact the investment in workplace safety. Caskey and Ozel (2017) find that managers compromise workplace safety in attempts to meet earnings benchmarks. Unlike these papers, I focus on incentives that root from compensation plans and address the risks faced by a larger set of nonfinancial stakeholders (e.g., employees, consumers, and the environment). My paper is also related to the growing literature studying the role of bonus plans in communicating corporate objectives (e.g., Guay et al., 2019; Bloomfield et al., in press) by providing evidence of a previously undocumented link: offsetting incentives to violate regulations. Additionally, my paper adds to the emerging debate on the effectiveness of CSR goals by documenting that employee-related CSR goals in bonus plans alleviate employment-related violations. My analyses do not cover the confidential court settlements of corporate violations, suggesting the actual link between executive incentives and corporate violations may be bigger.