

THE HONG KONG POLYTECHNIC UNIVERSITY DEPARTMENT OF MANAGEMENT AND MARKETING

Departmental Research Seminar



Going off script:

The level of spontaneity of executive talks and
divergence of investors' opinions

By

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Time : 10:30 am – 12:00 nn

Venue : M802

Abstract

This research examines the influence of executives' verbal communications on the divergence of investors' opinions. Prior research has shown that publicly available information about a company increases investors' ability to assess the company's fundamental value and reduces differences in investors' valuations. Hence, opinions of investors converge (diverge) when differences of opinion decrease (increase) with more (less) publicly available information. Whether and to what extent the manner in which executives deliver their talks influences investor opinion divergence remains unexplored. Focusing on the spontaneity of talks delivered by executives, we argue that greater spontaneity increases the chances of inadvertent information disclosure to investors and hence is negatively associated with investor opinion divergence. We also argue that the effect of talk spontaneity on investors' opinion divergence will be amplified when investors have a greater demand for information (as would be the case for firms with higher earnings uncertainty), but the opposite will be true if there are other reliable sources of information (as would be the case for firms covered by more analysts). Using a unique research design and second-by-second intraday stock trading data from 10,642 conference calls of publicly listed firms between 2002 and 2012, we found strong support of our predictions.

Dr Vivian Guo received her master degree in Business Administration and her Ph.D. degree in Strategic Management. With a focus on the behavioral foundation of strategy, her research focuses on two related topics: strategic communication and interfirm competition. Her work has been published at leading management journals such as the *Academy of Management Journal*. Her dissertation won the Best Ph.D. Paper Award at the Strategic Management Society Annual Conference and BPS Division Distinguished Student Paper Award at the Academy of Management Annual Meeting. Before entering academia, she worked in human resource management and journalism positions.

All interested are welcome.



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