CPA Research Speaker Series (Accounting)

Alberta School of Business
Department of Accounting, Operations, and Information Systems

Presents:

Matthew DeAngelis
Georgia State University

Topic:

Manager, Convince Thyself: The Effect of Disclosure Narratives on Managers' Own Perceptions

Friday, November 30, 2018
2:00pm – 3:30pm
BUS Room 4-04 (CA Conference Room)

ABSTRACT

We extend extant research on managerial overconfidence by providing evidence that managers alter their own perceptions as they construct disclosure narratives to alter the perceptions of others. We conduct an experiment in which we pair participants as either a manager or investor and manipulate whether the manager solicits investment from investor with a disclosure narrative, and find, consistent with our theoretical predictions, that managers providing narratives are significantly more overconfident in their future performance than managers that do not. However, we only find an increase in overconfidence when the manager exhibits overconfidence prior to narrative construction. We also provide evidence that overconfident managers use more certain language in their narratives and that higher narrative certainty is associated with higher overconfidence. Our study contributes to prior literature by examining behavioral effects of disclosure, in this case on managers' perceptions and decision-making, and on the sources of managerial overconfidence.

(Copies of the paper are available in the AOIS Department offices)