Statement of Research

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1. Research

Since entering the doctoral program at the University of Iowa, I have developed a strong interest in archival and analytical research in financial accounting. My research focuses primarily on information intermediaries, but as a result of extensive discussions and readings I also incorporate the role of pragmatics in financial market disclosures into my research.

In my job-market paper [1], **"Do Analyst Teams Issue Higher Quality Forecasts? Evidence from Analyst Reports,"** I investigate differences in the quality of forecasts issued by teams as compared to forecasts issued by solo analysts, answering the call from Ramnath, Rock and Shane (2008) to provide more insight into the analyst forecasting environment. This research serves to inform regulators, investors, and fellow researchers on the impact of a common but largely overlooked (Brown and Hugon, 2009) tool used by analysts in the forecasting process. As I/B/E/S frequently lists analyst teams under only the lead analyst name, I hand collect more than 17,000 analyst reports from ThomsonOne to determine whether analyst teams issue higher quality forecasts than their solo peers. I find that analyst teams issue forecasts that contain higher forecast errors than their solo peers prior to 2000 but contain lower forecast errors after 2000, and the difference in quality is not attributable to the tendency for teams to follow different types of firms. In addition, the effects of teamwork vary both with the size and over the life of the team. I conclude that teams issue forecasts that statistically differ from their solo peers in ways that are predicted by the team literature. My findings suggest that ignoring the presence of analyst teams may lead to incorrect inferences regarding the effect of regulation, analyst experience, and changes in aggregate forecast error over time.

The next project also reflects my interest in information intermediaries, and in particular whether analyst forecast bias is necessarily evidence of incentive or preference based biases. In my working paper [2], **"Probability Weighting and Analyst Bias: Theory and Evidence,"** co-authored with Cristi Gleason (University of Iowa), and Mark Penno (University of Iowa), we examine whether belief-based probability weighting provides a compelling explanation for analyst forecast bias for firms with skewed forward looking earnings distributions. To do so, we form a representation of the forecasting process and use this representation to motivate our hypotheses. Using a difference in differences test, we find that analysts of firms whose information environment deteriorated followed Regulation Fair Disclosure issued more biased forecasts in the post-FD period. We also find that our representation of the forecasting process allows us to predict the forecast error distribution documented by Abarbanell and Lehavy (2003). This paper advances a theory which does not rely on perverse incentives or preference-based biases to explain analyst forecast bias.

My work in process is informed by my interest in the application of pragmatics to financial market disclosures. In a work-in-process [3], examining the use of informal language in analyst reports, my co-author Bradford Hepfer (Texas A&M) and I plan to utilize and expand upon the data set collected for my dissertation to explore whether language used in analyst reports can indicate attempts by the analyst to rectify 'misalignment'. In a second project with Mark Penno (University of Iowa) we plan to apply the concept of disclosure relevance to investigate when the choice to disclose may be evidence of misleading behavior.

2. References

[1] Job-Market Paper: "Do Analyst Teams Issue Higher Quality Forecasts? Evidence from Analyst Reports."

[2] "Probability Weighting and Analyst Bias: Theory and Evidence" with Cristi Gleason and Mark Penno

[3] The use of informal language and alignment in analyst reports with Bradford Hepfer.

[4] A theory of disclosure relevance with Mark Penno.