

A research study analyzes the disclosure of corporate press releases

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This is an example of a corporate press release. Credit: UC3M

The decision to emit a press release to inform about the annual financial report of a company does not depend on its economic performance, contrary to what one would think, according to research being carried out at Universidad Carlos III de Madrid, which analyzes these types of communiques in Spain and the United Kingdom.

The press releases studied by the researchers are those from companies listed on the [stock exchange](#) which voluntarily inform about their annual financial report. What is noteworthy among the conclusions drawn, and contrary to what one might think, is that the decision to disclose these releases is not associated with positive or negative company performance. "The probability that a press release pertains to a company

with negative financial results is the same as for a company with positive results", noted the UC3M Professor, Encarna Guillamón, one of the authors of the study, which was recently published in the *International Business Review*.

The explanation found by the researchers for this result is that companies with negative performances are just as interested in press releases in an effort to improve their image, by including positive and optimistic information in these releases. "Given that they are voluntary and that there are no external auditors controlling their content, the directors can decide at their own discretion to include in them what they believe to be opportune, even using them to manipulate the reader's perception of a company performance", Professor Guillamón remarked, who is from the UC3M Department of Business Economics.

Differences by countries

This study was also carried out to compare the situation of this type of news release in [Spain](#) with the United Kingdom, a country which discloses more press releases than our country. According to the researchers, this could be due to the fact that in Spain, companies are mainly financed by banks, and for that reason, revealing voluntary information in order to attract clients is not as important. In the case of the [United Kingdom](#), on the other hand, financing stems chiefly from capital markets, for which investors require information in order to make decisions. "In addition", she added, "there are cultural factors that lead us to think that English companies are more inclined to voluntarily reveal information."

This study focuses on press releases because of their high level of distribution and scope, as when they are sent to the media, they are able to reach a wider audience than a company's annual report. "Due to this characteristic of being massively distributed, it is possible that the

influence of press releases in public perception is greater than other means of disseminating accounting information", Guillamón stated. Emitting this type of communiqués has other advantages, because the information reduces the agency problems between the owners (for example, the stockholders) and company directors. "This happens because the asymmetry of the information between directors and stockholders is reduced and it acts as a system to control the behaviour of the former and the narrows the gap between the interests of both parts", she further explained. In addition, with these releases being voluntary, companies can include information that cannot be distributed in other reports and which could be of interest to stockholders and potential investors.

In order to carry out this study, researchers gathered press releases from all of the Spanish companies which are listed on the stock exchange in a given year, and defined diverse variables which could affect the decision to reveal information such as concentration of property or the size of a company, the existence of an investor relations department, financial performance, etc. Lastly, using a logistic regression, they analyzed the probability of a company publishing a press release or not in relation to these variables.

Provided by Carlos III University of Madrid

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