

Can “I” and “We” in Accounting Disclosures Influence Investors’ Perceptions of Manager
Credibility and Investment Decisions?

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Abstract

Can “I” and “We” in Accounting Disclosures Influence Investors’ Perceptions of Manager Credibility and Investment Decisions?

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I contribute to a growing literature on the role of managers’ language choices in financial reporting by studying whether managers’ pronouns influence investor judgments and decisions. I study the impact of managers’ use of I-statements and we-statements in spoken disclosures on investors’ perceptions of manager credibility, which decompose into perceptions of manager competence and trustworthiness. I predict and find that investors perceive managers who use we-statements as more competent than managers who use I-statements, all else being equal. I also show that the presence of a past trust-violating event, like an earnings restatement, impacts investors’ reactions to pronouns. When a trust-violating event has occurred, I predict and find evidence consistent with investors perceiving managers who use we-statements as less credible

than managers who use I-statements. Overall, this study contributes to a literature on language and reputation repair by indicating that managers' use of pronouns influence both investors' reactions to a disclosure and perceptions of manager credibility following an earnings restatement.

“As silly as it sounds, pronouns matter. Whenever possible...substitute ‘we’ for ‘I.’”

- Sheryl Sandberg, Chief Operating Officer of Facebook, in her New York Times Bestseller book Lean In.

1. Introduction

Managers increasingly use accounting disclosures to communicate not only the numerical facts of financial performance but also their qualitative insights about the firm to investors.¹ Because the component units of these qualitative discussions are words, an emerging accounting literature studies how managers’ language impacts investor behavior. These studies have generally focused on investors’ reactions to content words (e.g., nouns, adjectives, and verbs) (Li 2008; Li 2010c; Davis, Pigor and Sedor 2012; Davis, Ge, Matsumoto and Zhang 2014; Hales, Kuang, and Venkataraman 2011). I contribute to this emerging literature by showing that the way managers use function language (e.g, pronouns, articles, conjunctions)—which does not state any information about performance—impacts investor judgments and decisions about both the firm and the manager. Specifically, I examine the influence on investors of managers’ use of first-person singular pronouns (e.g., I, me, my), which I refer to as I-statements, versus first-person plural pronouns (e.g., we, our, ours), which I refer to as we-statements. My central research question asks whether managers’ use of pronouns impacts investor’s perceptions of managers and firms in accounting disclosures. Additionally, I examine whether managers’ use of pronouns impacts investor’s perceptions of managers and firms in crisis communications – disclosures issued after a trust-violating event like an earnings restatement has occurred.

I focus on the choice of pronouns because, unlike managers’ use of content language, managers’ use of pronouns is less likely to be dictated by the meaning of the message but rather

¹For example, annual reports contain such disclosures in the Management Discussion and Analysis Section of the report, as well as in the Letter to Shareholders. Quarterly earnings calls include a considerable management discussion section where managers share their thoughts on the current firm performance and forward-looking strategic implications.

dictated by the style of the manager. Because managers have considerable latitude to substitute I- and we-statements without changing the content of the message, (Groom and Pennebaker 2002), exposure to I- and we-statements may subtly influence individuals' behavior without conveying new content (Pennebaker 2011). I predict investors will perceive managers who use we-statements in lieu of I-statements as more credible, all else being equal, providing evidence on the normative statements several articles and books in the popular press have made to this effect (Wall Street Journal 2013; Mindell 2001; Griffin 2008; Denning 2007). My first prediction arises because theory predicts investors may view managers who use we-statements as representing a group of individuals rather than just the manager and more likely to maximize shareholder utility versus manager utility. My second prediction is that investors are more likely to rely on disclosures issued by managers who they perceive as more credible and my third hypothesis is that reliance on disclosures increases investment.

To provide evidence on how I-statements and we-statements influence investors, I construct a 2 x 2 between-subjects experiment where I vary managers' pronoun usage (I-statements vs. we-statements) and the existence of a prior breach of trust in the relationship between investors and managers (presence of a prior earnings restatement vs. absence of an earnings restatement). One hundred and ninety-two participants recruited from Amazon.com's Mechanical Turk labor force listen to an audio conference call excerpt containing my experimental manipulation, provide judgments on their perceptions of the manager and make investment decisions. I measure how I-statements and we-statements affect perceptions of management credibility (and its two components, perceptions of competence and trustworthiness), reliance on disclosure and investment decisions. My experimental design

allows me to provide evidence on the impact of pronouns on both firm-level outcomes (investment decisions) and manager-level outcomes (support of continued employment).

I find that investors perceive managers who use I-statements as less credible than managers who use we-statements in the absence of a prior trust-violating event. Further, when a trust-violating event like an earnings restatement has occurred, I find evidence that investors perceive managers who use I-statements as more credible than managers who use we-statements. Overall, my results support my first hypothesis.

Although my results indicate that investors' perceptions of credibility influence their reliance on the disclosure (consistent with my second hypothesis), I find less conclusive evidence that reliance on disclosure impacts investment (my third hypothesis). I find little evidence that the amount investors allocate towards a firm is influenced by managers' use of pronouns. However, I find evidence that investors are less confident in their investment decision and less willing to rely on the given disclosure when making an investment decision when managers use we-statements following a trust-violating event than when managers use I-statements. Additionally, investors are more confident in their investment allocation and more willing to rely on the given disclosure when making an investment decision when managers use we-statements in the absence of a trust-violating event than when managers use I-statements.

My study contributes to the academic literature in the following three ways. First, I contribute to a broad literature investigating the impact of the language used in disclosures on investor behavior. I build on prior studies focused on content language (Hales et al. 2011; Rennekamp 2012; Li 2008; Davis et al. 2012; Li 2010c; Davis et al. 2013; Henry 2008) by studying how investors react to language that does not convey content: pronouns. My study broadens the language choices that influence investors to include function language, building on

prior studies on function language (Dikolli, Mayew, and Steffen 2014; Loftus and Tanlu 2014). Further, whereas psychology studies have used archival methods to document differences in pronoun usage across settings (see Pennebaker 2011 for a review), I provide evidence on the cognitive mechanisms through which individuals are influenced by I-statements and we-statements (namely, perceptions of manager credibility).

Additionally, I contribute to the literature on reputation repair by studying how managers' language choices in crisis communications impact investors' trust in managers. Events that violate investors' trust in managers (e.g., earnings restatements) have significant consequences for both the firm and the manager involved. For instance, accounting restatements impact market valuations (Dechow, Sloan and Sweeney 1996; Palmrose, Richardson, and Scholz 2004; Karpoff, Lee and Martin 2008a), cost of capital (Hribar and Jenkins 2004; Kravet and Shevlin 2010) and litigation risk (Files, Swanson and Tse 2009). Managers often lose their jobs after trust violations occur (Desai, Hogan, and Wilkins 2006; Karpoff et al. 2008b) and even audit committee members can suffer adverse career outcomes (Srinivason 2005). Because trust-violating events have significant consequences for firms and managers, research has investigated whether managers' disclosure choices during and after the trust violation impact the effect of the news on investors (Files, Swanson and Tse 2009; Elliott, Hodge and Sedor 2012; Chakravarthy, deHaan, and Rajgopal 2014). I add to this literature by providing evidence that managers' pronoun usage in disclosures can impact investor perceptions of managers' credibility, thus contributing to the literature on trust repair by showing the consequences of managers' pronoun usage on credibility after a trust-violating event.

I also contribute to a growing literature investigating investors' reactions to spoken disclosures. While spoken disclosures like conference calls have become more common, few

studies have investigated how the spoken nature of these disclosures influences investors (Hobson, Mayew and Venkatachalam (2012) and Mayew and Venkatachalam (2012) are notable exceptions). Personal pronouns may exert a larger influence on investors' decisions in a spoken disclosure setting than in a written setting (Asay, Libby and Rennekamp 2014) because investors may associate managers with spoken disclosures more than with written disclosures, amplifying the effect of pronouns.²

My results also inform practice by informing managers that their pronoun usage influences their relationship with investors and can be used to impact perceptions of credibility after a trust violation. Also, I apprise investors of the subtle, and likely undetected, impact of managers' function language on their judgments and decisions.

The remainder of this paper is organized as follows: Section 2 discusses the relevant literature and develops my hypotheses, Section 3 discusses the research design, Section 4 discusses results of hypothesis testing, Section 5 discusses supplemental testing, and Section 6 concludes.

2. Background and Hypothesis Development

a. Management's Use of Pronouns in Conference Calls

Since Core (2001) encouraged researchers to study language in the context of disclosure quality, a growing accounting literature has focused on managers' language choices in financial disclosures (e.g., language complexity (Li 2008), tone (Davis et al. 2012), language vividness (Hales et al. 2011), language readability (Rennekamp 2012), and uncertainty language (Demers

²Asay et al., (2014) show that investors' reactions to the news contained in written disclosures varies based on managers' use of third-person (e.g., "the company," "its") or first-person (e.g., "I", "our") pronouns. My study complements Asay et al., (2014) by investigating the influence of first-person singular (I-statements) and first-person plural (we-statements) pronouns in spoken disclosures in both the presence and absence of a trust-violating event (e.g., earnings restatement). Additionally, Asay et al., (2014) state that a potential alternative explanation for their results is that features that associate managers with messages impact credibility. My study provides evidence that investors' perceptions of management's credibility are influenced by pronouns.

and Vega 2010)). Language choices studied in the current accounting literature focus on managers' use of content language, defined as words conveying content like nouns, verbs, adjectives, etc. (Pennebaker 2011). Specifically, the accounting literature has focused on managers' use of adjectives and verbs (which appear directly in studies on tone, language vividness and uncertainty language as well as indirectly in studies on linguistic complexity and readability). Because content language is used to communicate the meaning of messages, it is perhaps unsurprising that investors react to managers' use of content language in disclosures. I investigate whether investors react to managers' use of the second type of language, function language which is used functionally or grammatically to communicate. Function language includes articles (e.g., a, an, the), conjunctions (e.g., and, or, so), pronouns (e.g., I, me, we), prepositions (e.g., of, on, in), and auxiliary verbs (e.g., is, do, can).

Function language is a particularly important type of language to study because it has the ability to affect investors' perceptions of managers. While managers' use of content language is often primarily shaped by the message the manager wishes to share, an individual's use of function language is unique to each individual, as unique as a signature or fingerprint (Pennebaker, Mehl and Niederhoffer 2003). Because an individual's use of function language is unique to that person and relatively constant across time (Pennebaker et al. 2003; Pennebaker and King 1999; Mehl and Pennebaker 2003), function language can be used to identify authorship (Lee 2013; Stramatatos 2009).

Moreover, function language is processed automatically, allowing it to act as a powerful and largely undetectable influence. As a result of individuals' frequent exposure to function language, function language is processed automatically (unconsciously) in the front part of the brain while content language is primarily processed intentionally (consciously) in the back part

of the brain).³ Because function words are processed automatically and most people are unaware of their exposure to them, function words have been dubbed “stealth words” (Pennebaker 2011). The automatic processing of function language gives it the ability to influence individuals without individuals being aware of its influence.

Because pronouns are one of the most frequently used types of function language in accounting disclosures when managers share their insights into firm performance, I focus my study on managers’ use of pronouns – specifically, first person singular pronouns (e.g., I, me, my, mine, which I collectively refer to as I-statements) and first person plural pronouns (e.g., we, us, our, ours, which I collectively refer to as we-statements). Although I-statements and we-statements are not perfect substitutes, any individual who functions as part of a larger collective of individuals (e.g., a manager of a firm) has considerable latitude to substitute I-statements and we-statements (Groom and Pennebaker 2002). Individuals frequently use I-statements to refer to the actions of multiple individuals. For instance, managers may use I-statements to refer to the whole company or a group of individuals (e.g., the executive management team), such as “my estimate” as a substitute for an estimate devised by numerous individuals or “my strategy” as a substitute for a strategy that was determined and enacted by the entire executive team. Similarly, managers can use we-statements to refer to just the manager, such as “our feelings are” as a substitute for the manager’s feelings and “we anticipated” as a substitute for the manager’s anticipation.^{4,5} This potential for substitution allows I-statements and we-statements to provide insights to investors about managers because they are a product of managers’ choices and not constrained by the content of the disclosure. Thus, I investigate whether pronouns influence

³ For example, the 20 most frequently used function words (e.g., I, and, the, you) represent about 30% of the total words that people hear, read, and use (Pennebaker 2011).

⁴ Note that the substitution of I-statements and we-statements is grammatically correct across many contexts.

⁵ Managers may also be able to substitute phrases such as “the company” or “they” in lieu of “we” or “our.” Investors may perceive such substitution as managers dissociating themselves from the company (Asay et al., 2014).

perceptions of managers. Because perceptions of managers may impact investors' perceptions of firms, I also investigate whether managers' pronoun usage impacts perceptions of the firm. I state my first research question as follows:

RQ1: Does managers' use of pronouns in accounting disclosures influence investor perceptions of the manager and the firm?

Current research on pronouns in psychology has focused on correlating language usage (including pronouns) with characteristics of the speaker (Pennebaker 2011 for a review) using archival methods. To my knowledge, mine is the first study to experimentally test whether changes in pronouns influence receivers' perceptions of the sender of a message. Further, whereas the accounting research has investigated how managers' language in disclosures relates to firm, performance, and manager characteristics, I test whether, holding those characteristics constant, managers' pronouns influence investors.

When a trust-violating event like a restatement occurs, investors are likely to be more attentive to managers' accounting disclosures. Accounting restatements can result from errors (which may suggest competency-based trust-violations) or as the result of deliberate actions on the part of managers (which may suggest integrity-based trust-violations). Often, when restatements are announced, the reason for the restatement (e.g., error, misreporting, etc.) is unclear and must be determined through an investigation. During this period of investigation, managers must continue to communicate with investors, regarding firm performance news or the outcome of the investigation, for example. I term these communications "crisis communications" because they are issued while the firm is experiencing an accounting-related crisis. Because managers' use of pronouns may exert a different impact on investors during an accounting crisis, my second research question is as follows:

RQ2: Does managers' use of pronouns in accounting disclosures exert a different influence on investor perceptions of the manager and the firm when used in a crisis communication than when used in a regular communication?

In the following sections, I explore these research questions further to develop my hypotheses which are summarized in Figure 1 Panel A. My first hypothesis discusses the impact of pronouns on credibility (Link 1) by examining how pronouns impact both components of credibility in the absence and presence of a trust-violating event. My second hypothesis discusses the impact of credibility on investors' reliance on disclosures (Link 2). My third hypothesis predicts that investors' reliance on disclosures impacts investment decisions (Link 3).

b. Pronoun Use and Investors' Perceptions of Manager Credibility

When investors are faced with an accounting disclosure that they are trying to understand, source credibility impacts how investors react to the disclosure. Source credibility involves the evaluation of the source of a message by the recipient of that message and has been studied by scholars since Aristotle proposed that source credibility was an important element of persuasive communication (McCroskey and Young 1981). Because managers issue accounting disclosures (i.e., managers are the source of accounting disclosures), investors' assess managers' credibility just as they would assess the source of any message.

Mercer (2004; 2005) argued that managers' credibility to issue accounting disclosures was comprised of perceptions of managers' competence (which refers to managers' expertise in reporting accounting information) and perceptions of managers' trustworthiness (which refers to assessments of managers' character). To hypothesize about the impact of pronouns on perceptions of managers' credibility, I separately examine the impact of pronouns on perceptions of managers' competence and trustworthiness.

Because first person plural pronouns (we-statements) imply the actions or opinions of more than one individual, individuals using we-statements are generally perceived as more competent than individuals using I-statements (Mindell 2001). We-statements imply a consensus of opinion (Mindell 2001), which suggests that other individuals are in agreement with the speaker. This implication of consensus is persuasive to investors because of the additional credibility the group consensus lends the manager. By using I-statements when we-statements can be substituted (e.g., in a group setting), managers may give the impression that they are either unaware of the consensus of other team members or that they have opinions or beliefs that deviate from the consensus. These impressions lower perceptions of the manager's competence (Mindell 2001).

Additionally, frequent use of I-statements may imply that managers are maximizing their own personal utility rather than the utility of shareholders by suggesting that the manager makes decisions in accordance with his or her own preferences rather than in accordance with shareholders' preferences (Mindell 2001). Because the manager is tasked with stewardship over the firm, investors may perceive managers who make decisions according to their own preferences as less trustworthy managers.

Investors expect managers to make decisions to maximize shareholder value, a reasonable expectation given the widespread use of contracting incentives and corporate governance mechanisms that communicate this expectation to managers. When managers make accounting disclosures using language that suggests that managers are acting in their own best interests (rather than in the best interests of shareholders), investors may perceive those managers using I-statements as less trustworthy because they have violated investors' expectations for their behavior.

I predict that all else equal, I-statements generally harm perceptions of managers' competence, but I am also interested in understanding the impact of I-statements on the second component of credibility, trust. Consistent with prior research, I define trust as "a psychological state in which one accepts vulnerability based on positive expectations regarding the intentions or behaviors of others" (Elliot et al. 2012, 516; Rousseau, Sitkin, Burt and Camerer 1998). Both affect (feelings) and cognition (beliefs) impact trust (Flores and Soloman 1997; Tomlinson and Mayer 2009). When the behavior of others is consistent with the positive expectations of an individual over time, trust increases (Brockner, Seigel, Daly, Tyler and Martin 1997).

I do not expect I-statements to impact investors' perceptions of trust. Investors may not have clear expectations about managers' use of I-statements in conference calls because different managers may use function language and pronouns differently. Therefore, it is not clear whether investors would form expectations of managers' pronouns in accounting disclosures. If investors don't form expectations of managers' pronouns, managers' cannot violate expectations and trust is unaffected. Therefore, I conclude that when no trust-violating event has occurred, pronouns may not influence perceptions of trust.

Overall, theory suggests that investors will perceive managers who use I-statements as less competent than managers who use we-statements because I-statements reflect the opinions of an individual rather than a group and suggest manager utility maximization rather than shareholder utility maximization. Because I-statements decrease perceptions of competence without impacting perceptions of trust, I-statements decrease credibility.

c. Pronoun Use and Perceptions of Management's Credibility: Crisis

Communication Setting

When trust-violating events occur, I do not expect managers' language to influence perceptions of competence, as I expect perceptions of competence to be primarily influenced by managers' actions following the trust-violation rather than language. However, I do expect managers' language to influence perceptions of trust for reasons that I explore below.

Trust is damaged when another's behavior is inconsistent with one's positive expectations (Hilton, Fein and Miller 1993; Brockner et al. 1997). Examples of behaviors that may violate trust include breaking rules, failing to keep promises, and abusing authority (Bies and Tripp 1996). I argue that earnings restatements are inconsistent with investors' positive expectations about an investee firm and its management and therefore violate investors' trust. Trust violations prompt individuals to investigate the cause of the violation (Tomlinson and Mayer 2009) and to examine the violator's intentions, motives, and character (Tomlinson and Mayer 2009; Hilton et al. 1993).

Perceptions of manager credibility are particularly important when a trust-damaging event occurs and managers must communicate with investors as the event unfolds (e.g., crisis communication). After a trust-violating event occurs, managers may seek to increase their credibility with investors to avoid the possibility they will lose employment at their firm. In the case of accounting crises, these fears are justified: 93% of managers identified as responsible parties for financial misrepresentation lose employment at their firm (Karpoff et al. 2008b) and 60% of firms restating earnings experience turnover at least one top executive in the 24 months following the restatement (Desai et al. 2006).⁶ Additionally, even if the manager does not lose his or her job after a trust-violating event, investors may place less reliance on the manager's

⁶Increased management turnover following a restatement can be observed whether the restatement was a result of an error or an irregularity, although turnover following errors is lower than turnover following irregularities (Hennes, Leone, and Miller 2008). For instance, Hennes et al., find that 49% (64%) of CEOs (CFOs) of firms experiencing irregularities are replaced in the 13-month period surrounding the irregularity, while 8% (12%) of CEOs (CFOs) of firms experiencing errors are replaced in the 13-month period surrounding the error.

disclosures than they did before the trust violation occurred. Therefore, managers may seek to rebuild their disclosure credibility after a trust violation has occurred.

In the wake of trust violations such as earnings restatements, managers may offer excuses in response to actual or anticipated questions about their behavior (Schlenker, Pontari and Christopher 2001). Although it is difficult to separate excuses from legitimate explanations for past events, managers who blame others are generally viewed as more deceitful and of lower character than managers who accept blame for the event (Pontari, Schlenker and Christopher 2002). Because beliefs about another's character are a key component of trust (Fuller, Serva and Benameti 2007), investors may perceive managers who blame others for their behavior as less trustworthy than managers who accept blame for their behavior.⁷

If managers' primary objective is to maintain investors' trust, managers do not want to be perceived as avoiding personal blame when *announcing* a trust-violating event (Kim, Dirks, Cooper and Ferrin 2006).⁸ However, prior literature has not directly addressed how managers should use language *after* the trust-violating event. After trust-violating events, investors expect managers to offer explanations for the event. Because managers are involved in financial reporting, investors hold managers responsible for accounting-related trust-violations, consistent with the manager turnover observed after earnings restatements. While investors may expect explanations from managers about the trust-violation, managers may be either reluctant or unable to offer explanations immediately following the event due to either legal considerations or incomplete investigations. Therefore, managers often must issue accounting disclosures conveying current-period financial reporting results without including information about the

⁷I assume that investors place at least some blame for an accounting restatement on managers' actions, which is consistent with the increased manager turnover following a restatement.

⁸Managers may have other objectives that suggest alternative linguistic incentives, such as a desire to avoid legal liability.

trust-violating event.

When investors don't receive any information about the trust-violation in the current disclosure, they may make inferences about the violation based on the current disclosure. I propose that in this post-event period, investors may unconsciously make judgments about managers' trustworthiness from any disclosures managers provide, even when managers' language is not specific to the trust-violation. Investors may perceive managers who use I-statements as making no attempt to avoid blame for the past events and perceive them to be more trustworthy (Newman, Pennebaker, Berry and Richards 2003). Additionally, investors may perceive managers who use we-statements as deliberately disassociating themselves from any personal blame for the past event and perceive those managers as less trustworthy (Pennebaker and Lay 2002). For this reason, I predict that after trust-violating events, investors perceive managers who use we-statements as distancing themselves from the trust-violating event. Investors would then perceive managers who use we-statements after trust-violating events as less trustworthy than managers who use I-statements. Because I-statements decrease perceptions of trustworthiness without impacting perceptions of competence, I-statements decrease credibility after trust-violating events.

Overall, I predict that in the absence of a trust-violating event, investors perceive managers who use I-statements as less credible than managers who use we-statements. In the presence of a trust-violating event, investors perceive managers who use I-statements as more credible than managers who use we-statements. This suggests that the impact of pronouns on perceptions of credibility varies based on whether a trust-violating event has occurred (see Figure 1 Panel B). My first hypothesis predicts the interactive effect of pronouns on credibility as follows (depicted as Link 1 in Figure 1 Panel A):

H1: When a trust-violating event has not occurred (occurred), investor perceptions of manager credibility will be lower (higher) when managers use I-statement than when managers use we-statements.

H1 assumes that investors will perceive managers using I-statements as making no attempt to avoid blame and will result in higher credibility than managers using we-statements (i.e., the “responsibility effect”). An alternative viewpoint is that I-statements may reinforce the connection between the manager and the trust-violating event to investors, resulting in lower perceptions of managers’ credibility as investors more closely associate the trust-violating event with the manager (e.g., hold the manager more culpable for the trust-violating event). Under this alternative, investors’ increased association between managers and the trust-violating event that would result from managers’ I-statements would lead to lower credibility than managers using we-statements (i.e., the “association effect”).

However, I do not expect this alternative viewpoint to apply to an accounting setting. In an accounting setting, investors already closely associate managers for accounting-related trust-violating events as managers hold responsibility for financial reporting. As managers are already held accountable for the event, pronoun use will have little incremental impact on how closely investors associate managers with the trust-violation. Overall, I expect the responsibility effect is likely to dominate the association effect in this specific setting.

d. The Impact of Credibility on Disclosure Reliance and Investment Decisions

I argue that reliance on disclosures increases as perceptions of management credibility increase. All else equal, information with higher source credibility is more likely to be persuasive to listeners (McCroskey and Young 1981). In an accounting context, investor perceptions of management credibility are related to managers’ ability to issue financial

accounting disclosures. When investors perceive that managers are more credible at issuing financial accounting disclosures, investors are more likely to rely on the disclosure when making investment decisions.⁹ For instance, Jennings (1987) attributes the cross-sectional variation in analyst reactions to management forecasts to differences in management's credibility, controlling for forecast accuracy, consistent with the idea that market participants are more likely to rely on disclosures from managers they perceive to be credible. I explicitly test the link proposed by Jennings (1987) to provide evidence on whether investors' reliance on disclosures increases as perceptions of managers' credibility increases. Therefore, I make the following prediction (depicted as Link 2 in Figure 1 Panel A):

H2: Investors increase reliance on accounting disclosures as perceptions of management credibility increase.

When corporate ownership is separate from control, managers are able to opportunistically appropriate investors' resources for their own benefit through excessive pay, high perquisite consumption, poor investment decisions and underinvestment, and blatant theft and fraud (Shleifer and Vishny 1997; Bushman and Smith 2001; Davidson and Stevens 2013). Accounting disclosures alleviate two significant economic problems investors face when making investment decisions about firms operated by managers, the "information" problem and the "agency" problem (Healy and Palepu 2001). The "information" problem refers to the asymmetric information about firm value known to managers and investors. Accounting disclosures help resolve the information problem by reducing information asymmetry. The

⁹ Note that this construct of reliance is different than prior accounting research on reliability which focus on standard setters' definitions of reliance to convey how well an economic transaction is depicted (Kadous, Koonce and Thayer 2012; Maines and Whalen 2006). In contrast, I use reliance to refer to investors' incorporation of information from accounting disclosures into their investment decisions.

agency problem refers to the potential for managers to expropriate investors' funds. Accounting disclosures help resolve the agency problem by revealing information about managers' activities. In both cases, the ability of the accounting information to resolve the problems faced by investors will depend on investors' reliance on the accounting disclosure.

Investors' reliance on accounting disclosures facilitates investment decisions because investors' can use accounting information to reduce the information and agency problems. When investors are unable to rely on accounting disclosures issued by managers, investors may be less willing to invest in a company, or may invest less in a company due to the information and agency problems. Reliance is an input into the investment decision process, and any investment decision is affected by investors' reliance on accounting information to resolve the agency and information problems. Because reliance on disclosure impacts investment decisions, I make the following prediction (depicted by Link 3 in Figure 1 Panel A):

H3: Investment will increase as investors' reliance on disclosure increase.

Note that H3 assumes that the disclosure contains information that decreases the agency and information problem. If the disclosure contained information that aggravated the agency and information problem, investment will decrease as investors' reliance on the disclosure increases. However, in my experiment, the disclosure contains information about current-period performance that decreases the agency and information problem. For this reason, I expect H3 to hold in my experiment. Additionally, I assume that the information in the accounting disclosure is positive which increases investment, but if the information in the accounting disclosure was negative, investment would decrease. My experimental materials contain positive information to simplify interpreting results.

3. Research Design

a. Design Overview and Participants

To test my predictions, I use an experiment with a 2 x 2 between-subjects design with pronouns (Pronouns: I-statements and We-statements) and the existence of a prior earnings restatement (Restatement: Past Restatement; No Restatement) as manipulated independent factors (see Figure 2 Panel A). The Pronouns manipulation allows me to test whether managers' use of personal pronouns influences investors' judgments and perceptions. From a theory perspective, the Restatement manipulation allows me to test whether the influence of Pronouns on investors' judgments varies in the presence of a trust-violating event, as well as provides evidence on the impact of pronouns on judgments following an earnings restatement.

My experimental approach allows me to hold factors other than management's use of personal pronouns constant. This is important because personal pronoun usage may be associated with other factors (e.g., deceptive financial reporting practices (Larcker and Zakolyukina 2012) or the news in a disclosure (Li 2010a, 2010b)) that are difficult to control in an archival setting. Because archival studies observe the joint effect of managers' pronoun usage and incentives on market reactions, a controlled experimental setting helps isolate the impact of pronouns on investors' judgments. Additionally, archivally studying the link between credibility and language choices is difficult because, from a linguistic perspective, new information is not limited to new information about firm performance but also includes new information about managers' linguistic styles.^{10,11}

¹⁰For instance, the market reaction during a conference call can be attributed either to changes in investor perceptions of management credibility or new information given by management during the conference calls. As managers often discuss information not provided in audited financial statements or in earnings announcements, it would be difficult to attribute a market reaction to changes in credibility alone.

¹¹Because new information in conference calls can include new information about managers' linguistic styles, controlling for the direction and magnitude of the earnings surprise is not sufficient to address this research question. Instead, researchers would need to control for other linguistic characteristics of speech that are difficult to identify. In an experimental setting, linguistic characteristics of speech other than pronoun use can be held constant between

Experimental materials were randomly assigned to 200 participants recruited from Amazon.com's Mechanical Turk (AMT) platform. AMTs are an online labor force that can be recruited to perform human intelligence tasks. AMTs are frequently used in social science research because the participant pool is large, at least as representative of the U.S. population as other frequently used participant pools (e.g., undergraduate students; Mason and Suri 2012), and can be incentivized and motivated to pay attention to materials due to the review and rating system on the AMT platform (Ferrell, Grenier and Leiby 2014). To verify that AMTs are an appropriate participant pool for social science research, a variety of prior psychology studies have been replicated using AMTs as participants (Paolacci, Chandler and Ipeirotis 2010; Horton, Rand and Zeckhauser 2011). Additionally, prior accounting studies (Rennekamp 2012; Asay et al. 2014) have used AMTs to proxy for individual investors.

To participate, I require Mechanical Turks to be 18 years old or older, reside in the United States, and consider themselves fluent in English. On average, participants were 35 years old and had 14 years of full-time work experience. At the time of the experiment, participants had completed an average of 2.5 accounting classes and 2.3 finance classes.¹² Overall, 56% of participants indicated that they have made investment decisions in the past and 77% of participants indicated that they plan to make investment decisions in the future. Therefore, these participants should have sufficient knowledge to act as nonprofessional investors, listen to a conference call excerpt, and make judgments about a firm and its manager.

I focus on nonprofessional investors in this study because about 41 million

conditions allowing me to attribute any changes in investor judgments and decisions to changes in manager pronoun use.

¹²83% of participants have completed at least some college coursework and 57% of participants have earned at least a bachelor's degree. 45% of participants have not taken any accounting or finance classes, while 55% of participants have taken at least one accounting class. Additionally, 18% of participants report working in either accounting or finance professions and 14% of participants report having participated in a conference call (including listening to a conference call).

nonprofessional investors exist in the U.S. (Securities Industry Association 2002) and nonprofessional investors are more likely to base their assessments of management's competence and trustworthiness on management's public disclosures than professional investors. Professional investors are likely to have access to management through a variety of other channels such as conferences (Bushee, Jung and Miller 2011) through which they can form assessments of management's competence and trustworthiness. Therefore, my research question may be most relevant to nonprofessional investors because nonprofessional investors are more likely to rely on managers' statements in publicly available conference calls to assess managers' credibility than professional investors.

Experimental materials were completed by 197 participants. Participants received a minimum payment of \$1.00 for participation in this experiment. On average, participants completed this experiment in 10 minutes, resulting in a minimum effective hourly wage for participation of \$6.00. This wage is above the median reservation wage reported in Horton and Clinton (2010) of approximately \$1.38. Because the experimental manipulation contains an audio file and I want participants to listen and attend to the audio manipulation, I offer participants a bonus of up to \$0.30 for correctly answering three questions about information contained in the conference call excerpt. One hundred and ninety-seven participants earned at least \$0.20 in bonus earnings by answering at least 2 of the 3 bonus questions correctly and 176 participants earned the entire \$0.30 in bonus earnings by answering all 3 bonus questions correctly, providing strong evidence that participants attended to the audio file containing the experimental manipulation.

b. Experimental Materials and Procedures

Figure 2 Panel B outlines the experimental procedure. Each participant is given

background information about a fictional technology company, Webtex.¹³ Participants are also told either that Webtex has never restated earnings in the past, or that Webtex restated earnings for the prior fiscal year.¹⁴ Before proceeding in the experiment, participants must correctly identify whether Webtex restated earnings for the prior fiscal year. I require participants to correctly answer this question before proceeding to the conference call excerpt to replicate a real-world setting where investors are informed of an earnings restatement in prior quarters and to ensure that participants attend to the Restatement manipulation.¹⁵ Participants in both conditions are also apprised of the current quarter's earnings.

Next, participants listen to an audio excerpt from the Management Discussion portion of Webtex's conference call that accompanies the earnings announcement containing the Pronouns manipulation shown in Appendix 1. The audio excerpt was recorded by a male voice actor with experience producing corporate recordings and commercials. The voice actor was instructed to keep all vocal characteristics (e.g., emphasis, rhythm, tone, etc.) constant between the I-statement and We-statement recordings, and both recordings are the same length.

After listening to the conference call excerpt, participants are asked to make an investment decision, assess their perceptions of management's competence and trustworthiness and report their support of the continued employment of Webtex's CEO Joe Smith. Participants then answer a series of demographic questions about their investment experience, work

¹³Note that Webtex's fictional financial information is based on a real technology company's financial information.

¹⁴The experimental materials do not define an earnings restatement. Results show that participants invest less when an earnings restatement has occurred (Table 7 Panel B reveals a main effect of Restatement in the ANOVA ($F=1.81$, $p=0.18$, two-tailed) and Table 7 Panel A shows that mean Investment is lower in the Past Restatement conditions than the No Restatement conditions). These results are consistent with participants investing less when uncertainty about cash flows is higher due to the restatement and provide reassurance that participants understand the definition of a restatement

¹⁵My second research question investigates the impact of pronouns in a crisis communication setting. I operationalize the crisis communication setting by informing participants of the accounting restatement before they listen to the accounting disclosure. During the conference call excerpt, the manager does not discuss the accounting restatement, which allows me to keep the content language in both the Past Restatement and No Restatement condition identical while still inducing participants to view the disclosure as a crisis communication. .

experience, and coursework. Finally, participants are debriefed and informed of their bonus earnings.

c. Measured Dependent Variables

To measure competence and trustworthiness, I use a series of questions adapted from Mercer (2005), who developed measures for perceptions of management's competence and trustworthiness from two "widely accepted source credibility scales" (McCroskey 1966; Leathers 1992). The first three questions ask participants to evaluate management's ability, knowledge, and qualifications for providing disclosures, which Mercer (2005) summed to create a measure of participant perceptions of management's competence. However, my measure of Competence differs from Mercer's (2005) measure. I collect data for all three questions but my measure of Competence includes only Able and Knowledgeable based on the results of factor analysis. The correlation coefficient between Able and Knowledgeable is 0.833 (Table 1 Panel B; $p=0.00$), while the correlation coefficients between Qualified and Able and Qualified and Knowledgeable are 0.540 ($p=0.00$) and 0.520 ($p=0.00$), respectively (see Table 1 Panel B for correlation coefficients).

I conduct further analysis to determine if the three measures capture the same underlying construct. Results of factor analysis suggest that Able, Knowledgeable and Qualified relate to two components. Untabulated exploratory principal component analysis reveals that Able, Knowledgeable, and Qualified explains 75.80% (eigenvalue = 2.274), 18.67% (eigenvalue = 0.560), and 5.53% (eigenvalue = 0.166) of the total shared variation between the three variables, respectively. Examining the scree plot shown in Figure 3, Panel A reveals a substantial drop in the magnitude of the eigenvalues after the first two components, suggesting that two components best explains the data. To confirm this interpretation, I conduct confirmatory factor analysis and

examine the rotated two-factor component matrix shown in Table 2, Panel C, which shows the correlations between each variable and the two factors. Able, Knowledgeable and Qualified all positively load on Component 1 (loadings of 0.92, 0.92, and 0.76, respectively), but only Qualified loads on Component 2 (loading of 0.65).¹⁶ To determine which variables comprise the two components of Competence, I use an Oblimin rotation pattern matrix. Table 2, Panel D, shows the rotated two-factor pattern matrix and shows that Able and Knowledgeable comprise Component 1 (loadings of 0.94 and 0.97, respectively) while Qualified comprises Component 2 (loading of 1.00).¹⁷ This evidence suggests that Able and Knowledgeable relate to the same underlying construct while Qualified relates to a different underlying construct. Overall, I find that Qualified loads on a different factor than Able and Knowledgeable.

Because Qualified loads on a different component than Able and Knowledgeable, I conclude that Qualified relates to a different construct than Able and Knowledgeable. One reason why Qualified may be unrelated to the Competence construct is that participants may not have been sure how to respond to the question measuring Qualified.¹⁸ I do not include Qualified in my composite measure of Competence because of the evidence that Qualified is not associated with other measures of Competence. Therefore, my measure of Competence in all subsequent analyses and discussions contains only two components, Able and Knowledgeable and excludes Qualified.

The last three questions ask participants to evaluate management's honesty, trustworthiness, and truthfulness, creating a measure of participant perceptions of management's trustworthiness. Trust consists of three variables, Trustworthy, Honest and Truthful. These

¹⁶ Loadings of 0.40 and above considered substantive (Fabriger, Wegener, MacCullum, and Strahan 1999).

¹⁷ For this analysis, loadings above 0.30 are considered substantive (Fabriger et al. 1999)

¹⁸ This explanation which is consistent with the observed mean Qualified responses (reported in Table 4, Panel A) which are concentrated around the midpoint of the 9-point Likert scale in all four conditions.

three variables are highly positively correlated. The correlation coefficient between Trustworthy and Honest is 0.91 ($p=0.00$), Trustworthy and Truthful is 0.83($p=0.00$) and Honest and Truthful is 0.87 ($p=0.00$) (see Table 1 Panel B). Analysis of the scree plot shown in Figure 3, Panel B, suggests that retaining two components is appropriate as the scree plot shows a sharp decline in eigenvalues after two components. However, after I conduct confirmatory factor analysis with two components, I conclude that only one component is correlated with the three Trust variables. I make this conclusion based on the rotated two-factor component matrix shown in Table 3, Panel C, which shows that only Component 1 contains substantive loadings. Trustworthy, Honest and Truthful all load on Component 1 (loadings of 0.96, 0.97, and 0.94, respectively) and no variables load substantively on Component 2.¹⁹ Therefore, I conclude that all three Trust variables relate to the same underlying construct and I include Trustworthy, Honest and Truthful in my measure of Trust in all subsequent discussion and analysis.

Because participant perceptions of management's competence and trustworthiness comprise participants' perceptions of management's credibility, I create a summed measure of participants' perceptions of management's credibility by summing responses to the two components of Competence (Able and Knowledgeable) and the three components of Trust (Trustworthy, Honest, and Truthful) (see Table 1 Panel A for questions).

I measure Reliance by asking participants to indicate their agreement with the statement "I was willing to rely on the conference call excerpt when I made my investment decision" on a 9-point Likert scale with endpoints labeled "strongly disagree" and "strongly agree" where higher scores indicate agreement. I also capture participants' investment decisions. After providing participants with Webtex's conference call excerpt and current quarter's earnings, I measure the amount of a fictional \$5,000 investment portfolio participants allocate to Webtex's

¹⁹ Loadings of 0.40 and above considered substantive (Fabriger et al.1999).

stock rather than a risk-free asset.²⁰

4. Results

a. Comprehension Checks

I use one comprehension check question to determine whether participants are attentive to the experimental materials. I asked participants to verify who was speaking during the conference call excerpt. Five participants failed the comprehension check question and I exclude them from my tabulated results, resulting in a final sample of 192 participants.

I do not use manipulation checks for two reasons. First, because pronouns are generally processed unconsciously (Pennebaker 2011), I do not expect participants to introspectively identify the impact of pronouns on their judgments and decisions. Second, because participants will be unable to identify the impact of language on their judgments and decisions, manipulation checks are less reliable measures than behavior observations (which are observed in the experimental task) (see Nisbett and Wilson (1977) for a discussion). However, I do use software to verify the intensity of I-statements and we-statements used in the experimental materials for each condition providing evidence of successful pronoun manipulation that does not rely on participant's unconscious processes.²¹ Third, because participants must identify their assignment to either the No Restatement or Past Restatement condition before listening to the conference call excerpt, conducting a Restatement manipulation check would be redundant.

b. Tests of H1

My first hypothesis predicts that when a trust-violating event has not occurred (occurred), investor perceptions of manager credibility will be lower (higher) when managers use I-

²⁰Participants cannot change any answers given earlier in the experiment after viewing these questions.

²¹Linguistic Inquiry and Word Count textual analysis software results reveal that 52% of the words in my experimental instrument are function words, 23% of the words are pronouns, and 17% the words are I-statements or we-statements in both the We-statement and I-statement condition.

statements than when managers use we-statements. I find evidence consistent with an interactive effect of Pronouns and Restatement on Credibility, supporting H1. Table 4, Panel B, presents the relevant analysis of variance (ANOVA), which indicate that the interaction effect is statistically significant ($F=2.83$, $p=0.09$, two-tailed). Figure 4 presents the observed pattern of means of Credibility by experimental condition, which depicts the predicted interactive effect. Also consistent with H1, Credibility is higher in the We-statement condition than the I-statement condition in the absence of an earnings restatement (means of 35.36 and 33.29, respectively) and this difference is significant at the 10% one-tailed significance level (Table 4 Panel A; $t=1.49$, $p=0.14$, two-tailed).²² Credibility is not different in the We-statement condition than the I-statement condition in the presence of an earnings restatement (means of 33.35 and 34.72, respectively) (Table 4 Panel A; $t=0.92$, $p=0.36$, two-tailed). Overall, these results suggest that I-statements, relative to we-statements, are credibility-enhancing in the presence of trust-violating events like earnings restatements but credibility-reducing in the absence of trust-violating events.

Because credibility has two components, Competence and Trust, I separately discuss the impact of Pronouns and Restatement on each component. Although the two components are highly correlated (Cronbach's alpha = 0.92), I am interested in whether the manipulated variables affect both competence and trust or whether one component is primarily responsible for the observed relation between the manipulated variables and Credibility. I find statistical evidence that Pronouns and Restatements impact Competence but I find little statistical evidence that the manipulated variables impact Trust.

Results suggest that perceived competence is lower when managers use I-statements instead of we-statements in the absence of a trust-violating event but that Competence is higher

²²Because Hypothesis 1 is a directional prediction, one-sided t-tests are appropriate. However, for the sake of uniformity, all tables report two-sided p-values.

when managers use I-statements instead of we-statements in the presence of a trust-violating event. A 2 x 2 ANOVA reveals a statistically significant interaction of Pronouns and Restatement on Competence ($F=2.87$, $p=0.09$, two-tailed) (Table 4 Panel B). When no restatement has occurred, participants in We-statement condition judge Competence to be higher than participants in the I-statement condition (means of 14.55 and 13.37, respectively), on average, and this difference is statistically significant (Table 4 Panel A; $t=2.03$, $p=0.02$, one-tailed). When a restatement has occurred, participants in the We-statement condition judge Competence to be lower than participants in the I-statement condition (means of 13.79 and 14.09, respectively), on average, but this difference is not a statistical difference ($t=0.46$, $p=0.33$, one-tailed). Overall, I conclude that pronouns impact investor perceptions of competence. Because the components of Competence also reveal information about investors' perceptions, I discuss the impact of the manipulation on those components (Able and Knowledgeable) in a section below.

I find no evidence of an effect of the manipulated variables on the aggregate measure of Trust. Table 4, Panel B, reports the results of a 2 x 2 ANOVA with Trust as the dependent measure. The interaction effect of Pronouns and Restatement on Trust is not significant ($F=2.24$, $p=0.14$, two-tailed). Although participants' perceptions of Trust are higher in the We-statement condition than in the I-statement condition (means of 20.70 and 19.91, respectively) in the absence of a restatement, this difference is not statistically significant ($t=0.94$, $p=0.18$, one-tailed). Participants' judgements of manager's Trust is lower in the We-statement condition than in the I-statement condition in the presence of a restatement (means of 19.56 and 20.63, respectively), again directionally consistent with my predictions. However, this difference is not a statistical difference ($t=1.18$, $p=0.12$, one-tailed). Overall, I find little statistical evidence at

conventional levels that investors view managers who use I-statements as less trustworthy than managers who use we-statements in the absence on a trust-violating event. Although there is little evidence that the manipulated variables impact the aggregate measure of Trust, I discuss the impact of Pronouns and Restatement on the components of Trust (Trustworthy, Honest and Truthful) and find statistical support for one of its components in a section below.

c. Analysis of Manipulation on Components of Competence

Because my measure of Competence includes two components (Able and Knowledgeable), I examine the impact of the manipulation on each component. A 2 x 2 ANOVA with Able as the dependent measure shows a statistically significant main effect of Pronouns on Able (Table 5 Panel B; $F=2.84$, $p=0.09$, two-tailed). However, but the interaction effect of Pronouns and Restatement on Able is not significant (Table 5 Panel B; $F=1.64$, $p=0.20$, two-tailed). In addition, I find a significant interaction effect of Pronouns and Restatement on Knowledgeable ($F=9.10$, $p=0.05$, two-tailed), as well as a main effect of Pronouns on Knowledgeable ($F=4.72$, $p=0.03$, two-tailed). Overall, these results suggest that one component of Competence (Knowledgeable) exhibits a significant interaction effect of Pronouns and Restatement.

d. Analysis of Components of Trust

I then investigate the impact of the manipulated variables Pronouns and Restatement on the three components of Trust: Trustworthy, Honest, and Truthful. Relevant ANOVAs are reported in Table 6, Panel B. Pronouns and Restatement appear to have a statistically significant interactive effect on Truthful ($F=3.01$, $p=0.08$, two-tailed), but not on Trustworthy ($F=1.25$, $p=0.26$, two-tailed) or Honest ($F=2.03$, $p=0.16$, two-tailed). Although the observed cell means in Table 6, Panel A, are directionally consistent with I-statements decreasing perceptions of trust in

the absence of a restatement but increasing perceptions of trust in the presence of a restatement for all three components, none of the differences in cell means are significant at the 10% two-tailed significance level. Overall, I observe an interaction between Pronouns and Restatement for one component of Trust, Truthful.

e. Tests of H2

My second hypothesis predicts that investors increase reliance on disclosures as perceptions of manager's credibility increase. Results indicate that Credibility is positively correlated with Reliance (correlation coefficient=0.72, $p=0.00$; untabulated), providing support for H2.

In addition to discussing the relation between Credibility and Reliance, I discuss the relation between my manipulated variables (Pronouns and Restatement) and the variable-of-interest in H2, Reliance. Table 7, Panel B, reports ANOVA results indicating a main effect of Pronouns ($F=2.16$, $p=0.14$, two-tailed) and Restatement ($F=2.66$, $p=0.10$, two-tailed) on Reliance, as well as an interaction effect ($F=3.28$, $p=0.07$, two-tailed). I then conduct ANCOVA including Credibility as a covariate on Reliance. I find a significant main effect of Credibility (Table 8 Panel A; $F=195.16$, $p=0.00$, two-tailed) on Reliance and no main effect or interaction effect of the manipulated variables. Together these two analyses present evidence consistent with Pronouns and Restatement impacting Reliance through Credibility, supporting Link 2 in Figure 1, Panel A. Overall, these results provide support for my second hypothesis.

f. Tests of H3

Hypothesis 3 predicts that investment increases as one's reliance on disclosures increases. Reliance and Investment are positively correlated (correlation coefficient =0.49, $p=0.00$; untabulated), providing directional evidence for H3.

To complement my discussion of the relation between Reliance and Investment, I also discuss the relation between my manipulated variables (Pronouns and Restatement) and Investment. This analysis also allows me to provide some evidence on RQ1 and RQ2 as investment decisions reflect investors' perceptions of the firm. Table 7, Panel B, presents ANOVA results indicating that the interaction of Pronouns and Restatement on Investment is not statistically significant ($F=0.02$, $p=0.89$, two-tailed). I conduct ANCOVA of Pronouns and Restatement on Investment with Reliance as a covariate. Table 8, Panel B, shows the significant main effect of Reliance on Investment (Table 8 Panel B; $F=58.51$, $p=0.00$, two-tailed). Overall, I find no evidence that Pronouns directly impact Investment, but I do find that Reliance impacts Investment, supporting H3. I also find direct evidence that Pronouns and Restatement affect Reliance.

In addition to my measure of Investment, which asks participants to complete an investment allocation task, I also measure participants' confidence in their investment decision. Table 9, Panel B, reports ANOVA results showing a main effect of Restatement on Confidence ($F=5.32$, $p=0.02$, two-tailed), as well as an interaction effect of Pronouns and Restatement on Confidence ($F=3.48$, $p=0.06$, two-tailed). Simple effects tests reported in Table 9, Panel A, further indicate that participants are more confident in their investment decision in the We-statements condition than in the I-statements condition when no restatement occurs ($t=1.37$, $p=0.09$, one-tailed) but less confident in the We-statements condition than in the I-statements condition when Past Restatement occurs ($t=1.23$, $p=0.11$, one-tailed). Together, these results suggest that both the existence of a prior trust-violating event and managers' use of pronouns impact investors' confidence in their investment decisions. The impact of Pronouns and Restatement on Confidence suggests that while I find no evidence that pronouns influence

investment decisions, pronouns do impact investors' feelings about their investment decisions.

g. Conclusions of RQ1 and RQ2

My two research questions are whether pronouns influence investor perceptions of the firm and manager and whether this influence changes when used in a crisis communication. I conclude that there is strong evidence that pronouns influence investors' perceptions of managers but less evidence that pronouns influence investors' perceptions of firms. I find that pronouns influence investors' perceptions of manager credibility, which seems to be driven by perceptions of manager competence, suggesting that pronouns influence investors' perceptions of managers. I also find evidence that the influence of pronouns on investors' perceptions of managers varies in a crisis communication. In the absence of a crisis communication, I-statements decrease perceptions of credibility, but I-statements increase perceptions of credibility when used in a crisis communication.

However, I find less compelling evidence that pronouns directly influence investors' perceptions of the firm. Specifically, I find little evidence that investment decisions are influenced by pronouns. While investment decisions incorporate perceptions of the manager and the firm, the lack of evidence that pronouns impact investment decisions suggests that pronouns may have less influence on investors' perceptions of firms. Taken together, results suggest that pronouns influence investor perceptions of managers but I find little evidence that pronouns influence investor perceptions of the firm.

5. Supplemental Analysis

a. Pronouns and Manager Association with Firm Performance

To provide evidence into how investors associate managers' usage of I-statements and we-statements with the firm's performance, I ask participants to indicate whether they perceive

Joe Smith to be avoiding blame for the restatement or distancing himself from the restatement. Specifically, I ask participants to indicate their agreement with the statement “I think Joe Smith is avoiding blame for Webtex’s earnings restatement for the year ended December 31, 2012” (Avoiding Blame) and “I perceive Joe Smith to be distancing himself from Webtex’s earnings restatement for the year ended December 31, 2012” (Distancing). I measure agreement on a 9-point Likert scale with endpoints labeled “strongly agree” and “strongly disagree” where higher scores indicate agreement. In untabulated analysis, I find no statistical difference between pronouns and Avoiding Blame ($t=0.52, p=0.60$, two-tailed). Additionally, I find no statistical difference between pronouns and Distancing ($t=0.97, p=0.33$, two-tailed). Overall, this evidence suggests that pronouns do not impact whether investors more closely associate managers with a trust-violating event.

b. Pronouns and Support of Managers’ Continued Employment

Because managers can face job loss after a trust-violating event, I investigate whether pronouns impact investors’ support of the continued employment of a manager. I find that in the presence of a past restatement, mean assessments of Continued Employment for participants in the We-statement condition are lower than in the I-statement condition (means of 6.70 and 7.21, respectively) and that difference is statistically significant ($t=1.59, p=0.06$, one-tailed). As shown in Table 9, I find strong evidence that Restatement moderates the relation between Pronouns and Continued Employment. The results of ANOVA presented in Table 9, Panel B, indicate an interaction effect of Pronouns and Restatement on Continued Employment ($F=5.12, p=0.02$, two-tailed). Overall, these results show that investors exhibit more support for the continued employment of managers who use I-statements rather than we-statements in the presence of a trust-violating event. Additionally, my results indicate that this relation reverses in

the absence of a trust-violating event – investors exhibit less support for the continued employment of managers who use I-statements rather than we-statements when no earnings restatement has occurred.

6. Conclusion

This study investigates the impact of managers' use of pronouns on investor perceptions of management's credibility and investment decisions. Evidence suggests that managers' use of we-statements relative to I-statements increases investor perceptions of management's credibility in the absence of a trust-violating event, which is consistent with my predictions. I also predict and find evidence consistent with investors perceiving managers using we-statements in the presence of a prior trust-violating event as less credible than managers who use I-statements. Additionally, I hypothesize that investors' reliance on accounting disclosures varies with perceptions of management credibility and that disclosure reliance impacts investment decisions.

My study has limitations that offer avenues for future research to explore. First, my study focuses on the impact of pronouns in spoken disclosures. Future research could explore whether the impact of pronouns on investor judgments is stronger in spoken or written disclosures. Additionally, I study the impact of managers' pronoun usage on judgments and decisions when investors receive a single disclosure on which to base their investment decision. This design choice allows me to isolate the impact of pronouns from factors that influence managers' relationships with investors. However, as investors are likely to make investment decisions based on multiple disclosures, future research could explore how the consistency in managers' use of language across disclosure type and time influences investors. Further, my experimental instrument uses a male manager, which may impact how investors respond to pronouns. Future research could explore whether the impact of pronouns on investor judgments

varies with manager characteristics (such as manager experience, background, education, or age). Because prior literature documents differences in pronoun usage based on gender (O’ Barr 1982; Ng and Bradac 1993; Pennebaker et al. 2003), future research could investigate whether the impact of pronouns on investor judgments varies based on gender. Finally, my study focuses on investor reactions to language that is processed automatically. Future studies could examine whether language that is processed automatically by investors (such as pronouns) results in a different impact on investment decisions than language that is processed consciously (such as content language).

These results contribute to a literature on disclosure style, informative characteristics of conference calls, and how the relationship between investors and managers is impacted by disclosure choices in the presence of trust-violating events. This study also contributes to a growing literature analyzing the text of corporate disclosures by providing the first theory-building experiment which examines the mechanisms through which managers’ language choices impact investors. By doing so, this study answers Li’s (2010c 158) call for future textual analysis research to develop hypotheses that are more closely tied to theory.

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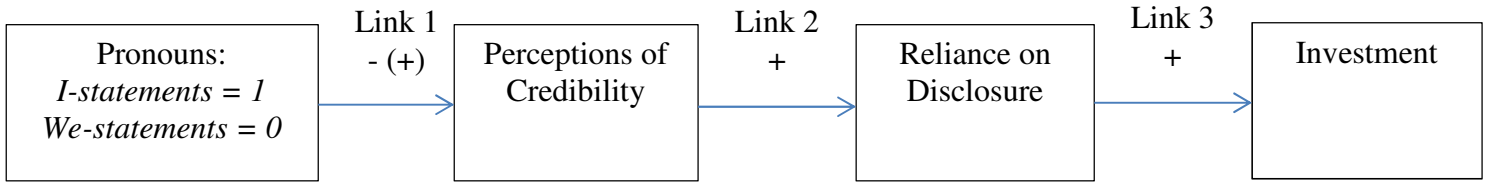
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FIGURE 1
Predicted Relations

Panel A: Prediction Relations in the Absence (Presence) of a Past Trust-Violation



Panel B: Predicted Impact of Pronouns on Credibility

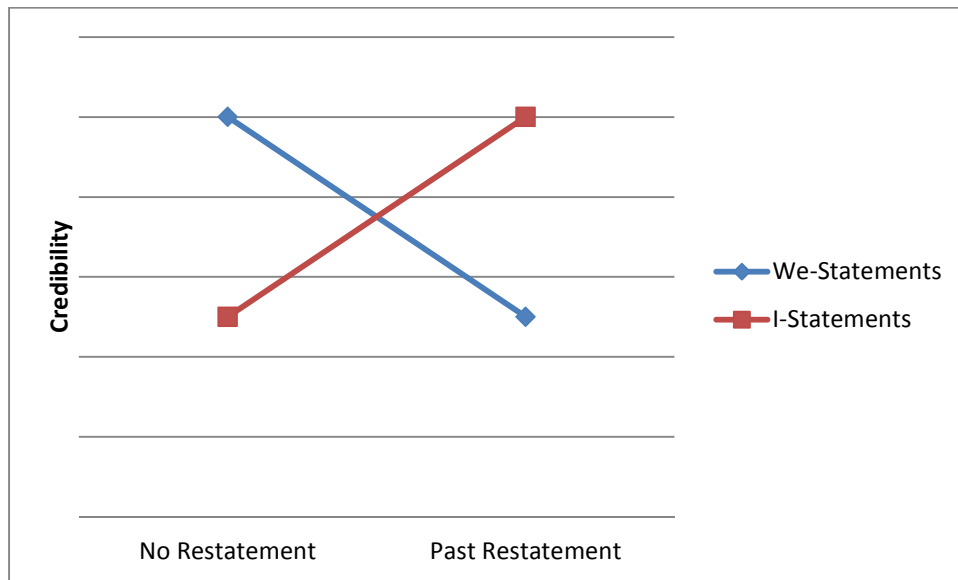


FIGURE 2
Experimental Design and Order of Tasks

Panel A: 2x2 Between-Subjects Design

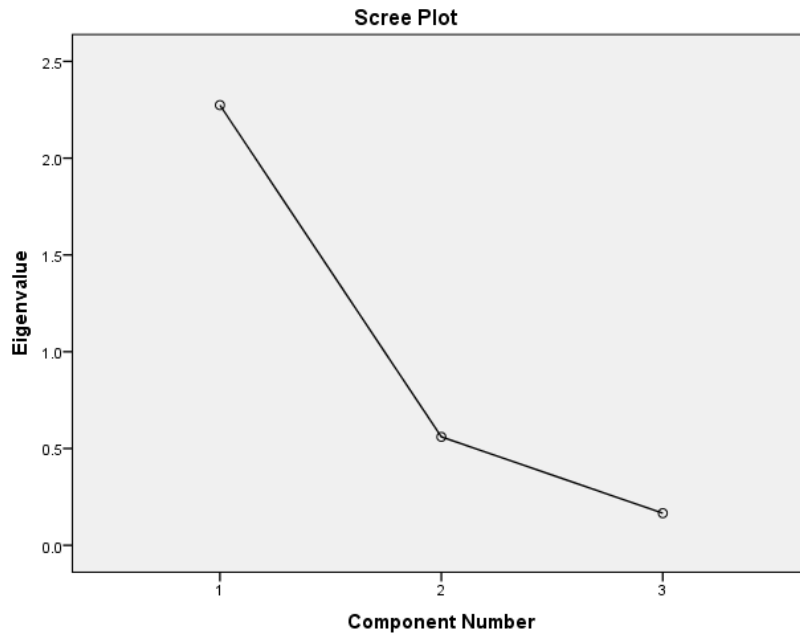
		Restatement	
		No Restatement	Past Restatement
Pronouns	We-Statements	We-Statements/ No Restatement	We-Statements/ Past Restatement
	I-Statements	I-Statements/ No Restatement	I-Statements/ Past Restatement

Panel B: Timeline of Events in Experiment

Experimental Flow						
P's receive background info on firm and Restatement manipulation	>	P's listen to the MD portion of conference call containing Pronouns manipulation	>	P's make investment allocation decision, judgments of credibility, judgments of support of employment and other judgments	>	P's are debriefed and asked comprehension check and demographic questions

FIGURE 3
Scree Plots for Factor Analysis of Competence and Trust

Panel A: Scree Plot of Factor Analysis for Competence



Panel B: Scree Plot for Factor Analysis of Trust

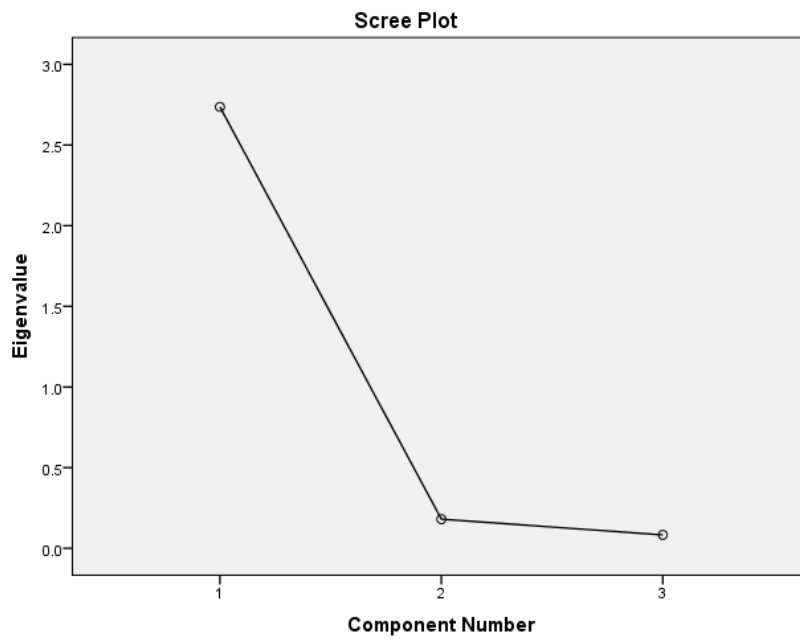
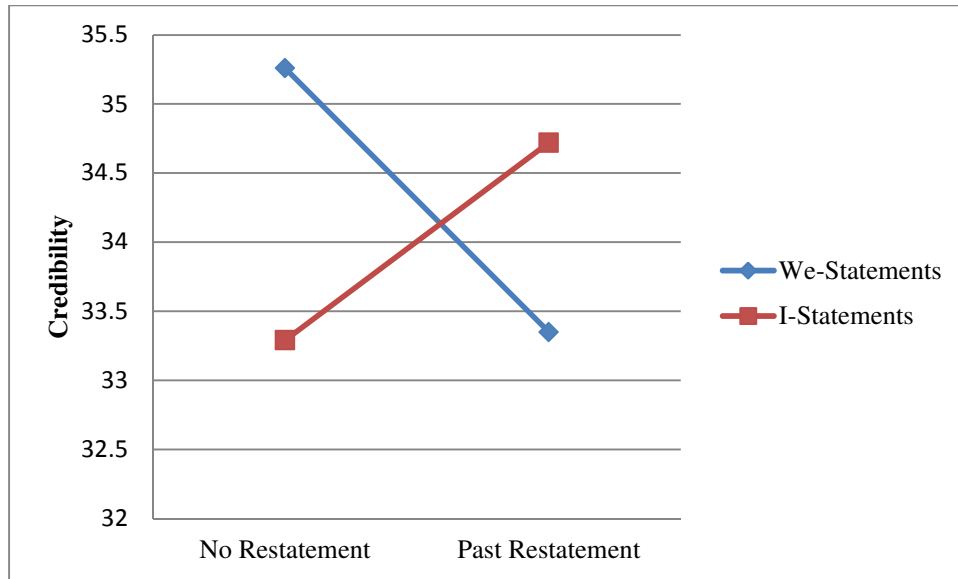


FIGURE 4

Results Indicating Effect of Pronouns and Restatement on Credibility

These figures depict the observed pattern of cell means for the effect of Pronouns and Restatement on Credibility.



APPENDIX 1

Experimental Manipulation

Note: We-Statements condition is shown and I-Statements condition is shown in parentheses. Participants listened to the following manipulation, which was recorded by a male voice actor. The I-Statements recording was 1 minute, 23 seconds long and the We-Statements recording was 1 minute, 26 seconds long.

JOE SMITH, CEO, WEBTEX: “This is Joe Smith speaking, CEO of Webtex. **We’re (I’m)** pleased to report third-quarter revenue of \$37.5 million and net income of \$7.5 million. **We (I)** think the revenue results from new global consumers which **we (I)** added as part of **our (my)** global expansion initiative.

We (I) told you that **our (my)** forecasts showed the retail electronic market would improve, and **we (I)** think **our (my)** predicted improvement occurred. **We (I)** saw falling unemployment rates, which allow consumers greater purchasing power. **We (I)** think the improved economy is good for Webtex and think these are positive developments which make **us (me)** optimistic as **we (I)** look at next quarter.

As for **our (my)** international expansion, **we (I)** think that **our (my)** efforts have been successful. International expansion is one of **our (my)** key strategies that **we are (I am)** pursuing. In **our (my)** opinion, Webtex needs to compete internationally, which **we (I)** think is a growing market.

We’re (I’m) targeting global expansion as **our (my)** key initiative this year because **our (my)** goal is reaching more customers. **We (I)** predict that in the future, **our** global consumers are going to be more important than ever to **us (me)**. So **we’re (I’m)** focused on global expansion. So far, **we’re (I’m)** pretty happy with **our (my)** achievements and **we (I)** think that **our (my)** efforts will continue to be successful.

In conclusion, **we’re (I’m)** expanding globally because **we (I)** think global markets are growing. To do that, **we’ve (I’ve)** undertaken **our (my)** initiatives **we (I)** think have been successful. **We’re (I’m)** also focusing on **our (my)** economic forecasts of demand for products. **We’re (I’m)** feeling good about the impact of **our (my)** actions on **our (my)** future. **We (I)** appreciate your support, and **we (I)** want to thank you for joining **us (me)** today. That concludes **our (my)** comments

TABLE 1
Credibility Instrument

*Participant responses to each question are captured on a 9-point Likert scale with endpoints labeled “1- strongly disagree” and “9- strongly agree.” Able and Knowledgeable are summed to create Competence and Trustworthy, Honest, and Truthful are summed to create Trust. Competence and Trust are summed to create the Credibility measure. This instrument was adapted from Mercer (2005). P-values shown in parenthesis where *** indicates significance at the 1% significance level.*

Panel A: Questions Used to Measure Variables

Competence Questions

- Able I believe that Joe Smith is competent at providing useful disclosures.
- Knowledgeable I believe that Joe Smith has ample knowledge of the factors involved in providing useful disclosures.
- Qualified I believe that few people are as qualified as Joe Smith to provide useful disclosures about Webtex.

Trust Questions

- Trustworthy I believe that Joe Smith is trustworthy.
- Honest I believe that Joe Smith is honest.
- Truthful I believe that Joe Smith is likely to be truthful in his financial disclosures.

Panel B: Correlation Coefficients

	Able	Knowledgeable	Qualified	Trustworthy	Honest	Truthful
Able	1					
Knowledgeable	0.833*** (0.000)	1				
Qualified	0.54*** (0.000)	0.52*** (0.000)	1			
Trustworthy	0.722*** (0.000)	0.664*** (0.000)	0.54*** (0.000)	1		
Honest	0.711*** (0.000)	0.637*** (0.000)	0.499*** (0.000)	0.91*** (0.000)	1	
Truthful	0.713*** (0.000)	0.658*** (0.000)	0.514*** (0.000)	0.826*** (0.000)	0.868*** (0.000)	1

TABLE 2**Factor Analysis for Competence Components: Able, Knowledgeable, and Qualified**

Factor analysis was conducted using the Principal Component Analysis extraction method and the Oblimin rotation method with Kaiser normalization. Rotation converged in 3 iterations. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.65 and the Bartlett's Test of Sphericity is significant ($\chi^2=294.02$, $df=3$, $Sig=0.000$).

Panel A: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.274	75.798	75.798	2.274	75.798	75.798
2	.560	18.672	94.470	.560	18.672	94.470
3	.166	5.530	100.000			

Panel B: Communalities

	Initial	Extraction
Able	1.000	.915
Knowledgeable	1.000	.919
Qualified	1.000	1.000

Panel C: Component Matrix

	Component	
	1	2
Able	.923	-.252
Knowledgeable	.916	-.284
Qualified	.764	.645

Panel D: Pattern Matrix

	Component	
	1	2
Able	.945	.021
Knowledgeable	.969	-.019
Qualified	.000	1.000

Panel F: Structure Matrix

	Component	
	1	2
Able	.956	.543
Knowledgeable	.959	.516
Qualified	.552	1.000

TABLE 3**Factor Analysis for Trust Components: Trustworthy, Honest and Truthful**

Factor analysis was conducted using the Principal Component Analysis extraction method and the Oblimin rotation method with Kaiser normalization. Rotation converged in 7 iterations. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.75 and the Bartlett's Test of Sphericity is significant ($\chi^2=603.83$, $df=3$, $Sig=0.000$).

Panel A: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.736	91.210	91.210	2.736	91.210	91.210
2	.181	6.018	97.228	.181	6.018	97.228
3	.083	2.772	100.000			

Panel B: Communalities

	Initial	Extraction
Trustworthy	1.000	.972
Honest	1.000	.949
Truthful	1.000	.996

Panel C: Component Matrix

	Component	
	1	2
Trustworthy	.955	-.244
Honest	.970	-.086
Truthful	.939	.337

Panel D: Pattern Matrix

	Component	
	1	2
Trustworthy	1.044	-.069
Honest	.779	.223
Truthful	.026	.976

Panel E: Structure Matrix

	Component	
	1	2
Trustworthy	.985	.809
Honest	.967	.879
Truthful	.847	.998

TABLE 4

Impact of Pronouns and Past Restatement on Credibility, Competence and Trust

Note: Excludes comprehension check failures. Credibility is the sum of Competence and Trust. Competence is the sum of Able and Knowledgeable. Trust is the sum of Trustworthy, Honest and Truthful. All reported p-values are two-tailed. *, **, *** indicate two-tailed significance at $p < 0.10$, 0.05 , and 0.01 , respectively.

Panel A: Descriptive Statistics

Pronouns	Dependent Variable: Credibility			Dependent Variable: Competence			Dependent Variable: Trust		
	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>
	No Restatement	Past Restatement		No Restatement	Past Restatement		No Restatement	Past Restatement	
We-Statements	35.26 (6.86) n = 47	33.35 (7.47) n = 43	1.265 0.209	14.55 (2.90) n = 47	13.79 (3.33) n = 43	1.157 0.250	20.70 (4.36) n = 47	19.56 (4.55) n = 43	1.214 0.228
I-Statements	33.29 (6.66) n = 59	34.72 (6.26) n = 43	1.098 0.274	13.37 (3.02) n = 59	14.09 (2.76) n = 43	1.232 0.221	19.91 (4.29) n = 59	20.63 (3.80) n = 43	0.878 0.382
t-stat	1.493	0.922		2.034	0.455		0.935	1.184	
<i>p-value</i>	0.139	0.359		0.044**	0.650		0.352	0.240	

Panel B: ANOVA

Source	Dependent Variable: Credibility				Dependent Variable: Competence				Dependent Variable: Trust			
	Df	MS	F-Stat	p-value	df	MS	F-Stat	p-value	Df	MS	F-Stat	p-value
Pronouns	1	101.24	2.18	0.14	1	36.45	4.03	0.05**	1	16.20	0.89	0.35
Restatement	1	81.62	1.76	0.19	1	13.05	1.44	0.23	1	29.39	1.62	0.21
Pronouns x Restatement	1	131.59	2.83	0.09*	1	25.94	2.87	0.09*	1	40.68	2.24	0.14
Residual	188	46.45			188	9.04			188	18.19		

TABLE 5

Impact of Pronouns and Past Restatement on Able, Knowledgeable, and Qualified

Note: Excludes comprehension check failures. Able is participants' agreement with the statement "I believe that Joe Smith is competent at providing useful disclosures." Knowledgeable is participants' agreement with the statement "I believe that Joe Smith has ample knowledge of the factors involved in providing useful disclosures." Qualified is participants' agreement with the statement "I believe that few people are as qualified as Joe Smith to provide useful disclosures about Webtex." Able, Knowledgeable and Qualified are measured on a 9-point Likert scale with endpoints labeled "strongly disagree" (1) and "strongly agree" (9). All reported p-values are two-tailed. *, **, *** indicate two-tailed significance at p<0.10, 0.05, and 0.01, respectively.

Panel A: Descriptive Statistics

Pronouns	Dependent Variable: Able			Dependent Variable: Knowledgeable			Dependent Variable: Qualified		
	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>
	No Restatement	Past Restatement		No Restatement	Past Restatement		No Restatement	Past Restatement	
We-Statements	7.21 (1.52) n = 47	6.91 (1.76) n = 43	0.867 0.388	7.34 (1.45) n = 47	6.88 (1.73) n = 43	1.961* 0.053	5.55 (2.19) n = 47	5.47 (1.99) n = 43	0.181 0.857
I-Statements	6.68 (1.67) n = 59	6.98 (1.54) n = 43	0.932 0.353	6.69 (1.53) n = 59	7.12 (1.33) n = 43	1.480 0.142	5.68 (1.92) n = 59	5.72 (2.02) n = 43	0.102 0.919
t-stat <i>p-value</i>	1.689* 0.094	0.196 0.845		2.224** 0.028	1.317 0.191		0.325 0.746	0.578 0.568	

Panel B: ANOVA

Source	Dependent Variable: Able				Dependent Variable: Knowledgeable				Dependent Variable: Qualified			
	Df	MS	F-Stat	p-value	Df	MS	F-Stat	p-value	Df	MS	F-Stat	p-value
Pronouns	1	7.48	2.84	0.09**	1	10.90	4.72	0.03**	1	0.41	0.10	0.75
Restatement	1	2.10	0.80	0.37	1	4.68	2.03	0.16*	1	0.71	0.04	0.84
Pronouns x Restatement	1	4.31	1.64	0.20	1	9.10	9.10	0.05**	1	0.20	0.05	0.82
Residual	188	2.63			188	2.31			188	4.11		

TABLE 6

Impact of Pronouns and Past Restatement on Trustworthy, Honest and Truthful

Note: Excludes comprehension check failures. Trustworthy is participants' agreement with the statement "I believe that Joe Smith is trustworthy." Honest is participants' agreement with the statement "I believe that Joe Smith is honest." Truthful is participants' agreement with the statement "I believe that Joe Smith is likely to be truthful in his financial disclosures." Trustworthy, Honest and Truthful are measured on a 9-point Likert scale with endpoints labeled "strongly disagree" (1) and "strongly agree" (9). All reported p-values are two-tailed. *, **, *** indicate two-tailed significance at $p < 0.10, 0.05, \text{ and } 0.01$, respectively.

Panel A: Descriptive Statistics

Pronouns	Dependent Variable: Trustworthy			Dependent Variable: Honest			Dependent Variable: Truthful		
	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>
	No Restatement	Past Restatement		No Restatement	Past Restatement		No Restatement	Past Restatement	
We-Statements	6.81 (1.50) n = 47	6.56 (1.56) n = 43	0.775 0.441	6.89 (1.54) n = 47	6.49 (1.62) n = 43	1.201 0.233	7.00 (1.47) n = 47	6.51 (1.59) n = 43	1.519 0.132
I-Statements	6.63 (1.41) n = 59	6.86 (1.49) n = 43	0.794 0.429	6.68 (1.46) n = 59	6.88 (1.26) n = 43	0.723 0.471	6.61 (1.59) n = 59	6.88 (1.33) n = 43	0.906 0.367
t-stat	0.635	0.934		0.718	1.246		1.297	1.171	
<i>p-value</i>	0.527	0.353		0.474	0.216		0.193	0.245	

Panel B: ANOVA

Source	Dependent Variable: Trustworthy				Dependent Variable: Honest				Dependent Variable: Truthful			
	df	MS	F-Stat	p-value	Df	MS	F-Stat	p-value	Df	MS	F-Stat	p-value
Pronouns	1	0.86	0.39	0.53	1	1.22	0.56	0.46	1	3.98	1.75	0.19*
Restatement	1	0.64	0.64	0.43	1	3.69	1.70	0.19*	1	5.36	2.36	0.13*
Pronouns x Restatement	1	2.76	1.25	0.26	1	4.41	2.03	0.16	1	6.85	3.01	0.08*
Residual	188	2.21			188	2.18			188	2.27		

TABLE 7

Impact of Pronouns and Past Restatement on Reliance and Investment

Note: Excludes comprehension check failures. Reliance is participants' agreement with the statement "I was willing to rely on the conference call excerpt when I made my investment decision." Reliance is measured on a 9-point Likert scale with endpoints labeled "strongly disagree" (1) and "strongly agree" (9). Investment is the dollar amount of money participants would allocate to Webtex stock if given \$5,000 to allocate between Webtex stock and a risk-free asset. All reported p-values are two-tailed. *, **, *** indicate two-tailed significance at $p < 0.10$, 0.05 , and 0.01 , respectively.

Panel A: Descriptive Statistics

<u>Pronouns</u>	Dependent Variable: Reliance			Dependent Variable: Investment		
	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>
	No Restatement	Past Restatement		No Restatement	Past Restatement	
We-Statements	6.94 <i>-1.51</i> n = 47	6.30 <i>-2.10</i> n = 43	1.670* <i>0.098</i>	2,519.17 <i>-1,335.60</i> n = 47	2,140.28 <i>-1,216.03</i> n = 43	1.37 <i>0.174</i>
I-Statements	6.41 <i>-1.89</i> n = 59	6.74 <i>-1.83</i> n = 43	0.882 <i>0.38</i>	2,368.56 <i>-1,390.35</i> n = 59	2,040.74 <i>-1,370.43</i> n = 43	1.183 <i>0.24</i>
t-stat	1.565	1.036		0.564	0.356	
<i>p-value</i>	<i>0.121</i>	<i>0.303</i>		<i>0.574</i>	<i>0.723</i>	

Panel B: ANOVA

<u>Source</u>	Dependent Variable: Reliance				Dependent Variable: Investment			
	<u>Df</u>	<u>MS</u>	<u>F-Stat</u>	<u>p-value</u>	<u>Df</u>	<u>MS</u>	<u>F-Stat</u>	<u>p-value</u>
Pronouns	1	7.33	2.16	0.14*	1	593,412.59	0.33	0.56
Restatement	1	9.02	2.66	0.10**	1	3,223,685.83	1.81	0.18*
Pronouns x Restatement	1	11.13	3.28	0.07*	1	32,003.71	0.02	0.89
Residual	188	3.4			188	1,782,761.88		

TABLE 8
ANCOVA of Reliance and Investment

*Note: Excludes comprehension check failures. Investment is the dollar amount of money participants Reliance is participants' agreement with the statement "I was willing to rely on the conference call excerpt when I made my investment decision," measured on a 9-point Likert scale with endpoints labeled "strongly disagree" (1) and "strongly agree" (9). All reported p-values are two-tailed. *, **, *** indicate two-tailed significance at $p < 0.10$, 0.05 , and 0.01 , respectively.*

Panel A: ANCOVA of Reliance

Dependent Variable:				
Reliance				
<u>Source</u>	<u>Df</u>	<u>MS</u>	<u>F-Stat</u>	<u>p-value</u>
Pronouns	1	0.58	0.35	0.56
Restatement	1	1.57	0.94	0.33
Pronouns x Restatement	1	1.24	0.74	0.39
Credibility		325.96	195.16	0.00 ***
Residual	187	1.67		
R2	0.52			
Adjusted R2	0.51			
N	192			

Panel B: ANCOVA of Investment

Dependent Variable:				
Investment				
<u>Source</u>	<u>Df</u>	<u>MS</u>	<u>F-Stat</u>	<u>p-value</u>
Pronouns	1	34,776.49	0.03	0.87
Restatement	1	529,680.01	0.39	0.53
Pronouns x Restatement	1	985,645.43	0.72	0.40
Reliance		79,878,906.00	58.51	0.00 ***
Residual	187	1,365,135.44		
R2	0.25			
Adjusted R2	0.24			
N	192			

TABLE 9

Impact of Pronouns and Past Restatement on Confidence and Credit

Note: Excludes comprehension check failures. Confidence is participants' answer to the question "How confident are you in your investment decision?" measured on a 9-point Likert scale with endpoints labeled "extremely unconfident" (1) and "extremely confident" (9). Credit is participants' agreement with the statement "I think Joe Smith is taking credit for Webtex's financial performance for the quarter ended March 31, 2014" measured on a 9-point Likert scale with endpoints labeled "strongly disagree" (1) and "strongly agree" (9). All reported p-values are two-tailed. *, **, *** indicate two-tailed significance at $p < 0.10$, 0.05, and 0.01, respectively.

Panel A: Descriptive Statistics

<u>Pronouns</u>	Dependent Variable: Confidence			Dependent Variable: Credit		
	Restatement		t-stat <i>p-value</i>	Restatement		t-stat <i>p-value</i>
	No Restatement	Past Restatement		No Restatement	Past Restatement	
We-Statements	7.12 (1.42) n = 47	6.40 (1.66) n = 43	2.217** 0.029	5.38 (2.07) n = 47	5.42 (2.03) n = 43	0.092 0.927
I-Statements	6.73 (1.48) n = 59	6.81 (1.43) n = 43	0.273 0.785	6.58 (1.99) n = 59	6.86 (1.61) n = 43	0.759 0.450
t-stat <i>p-value</i>	1.372 0.173	1.227 0.223		3.030** 0.003	3.645*** 0.001	

Panel B: ANOVA

<u>Source</u>	Dependent Variable: Confidence				Dependent Variable: Credit			
	<u>Df</u>	<u>MS</u>	<u>F-Stat</u>	<u>p-value</u>	<u>df</u>	<u>MS</u>	<u>F-Stat</u>	<u>p-value</u>
Pronouns	1	4.16	1.84	0.18	1	37.25	9.88	0.00***
Restatement	1	12.04	5.32	0.02**	1	0.03	0.01	0.93
Pronouns x Restatement	1	7.89	3.48	0.06*	1	0.73	0.19	0.66
Residual	188	2.26			188	3.77		

TABLE 9**Impact of Pronouns and Past Restatement on Continued Employment**

Note: Excludes comprehension check failures. Continued Employment is participants' agreement with the statement "I support the continued employment of Joe Smith as CEO of Webtex." Continued Employment is measured on a 9-point Likert scale with endpoints labeled "strongly disagree" (1) and "strongly agree" (9). All reported p-values are two-tailed. *, **, *** indicate two-tailed significance at $p < 0.10$, 0.05 , and 0.01 , respectively.

Panel A: Descriptive Statistics

		Dependent Variable: Continued Employment		
		Restatement		
Pronouns	No Restatement	Past Restatement	t-stat	p-value
	We-Statements	7.36 (1.24) n = 47	6.70 (1.63) n = 43	
I-Statements	6.95 (1.38) n = 59	7.21 (1.36) n = 43	0.945	0.347
t-stat	1.589	1.575		
p-value	0.115	0.119		

Panel B: ANOVA

		Dependent Variable: Continued Employment			
Source	df	MS	F-Stat	p-value	
Pronouns	1	4.45	2.26	0.13*	
Restatement	1	9.90	5.03	0.03**	
Pronouns x Restatement	1	10.08	5.12	0.02**	
Residual	188	1.97			

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