

Corporate Managers' Perspectives on Forward-Looking Guidance: Survey Evidence

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Abstract: To provide insights into the guidance practices of publicly traded companies, we survey 357 corporate managers and conduct nine in-depth interviews, including managers of both guiding and non-guiding firms. The most common reasons managers cite for providing guidance are to satisfy analyst and investor demands for guidance and to manage analysts' expectations. Managers of firms that guide say they are relatively unconcerned about possible proprietary or litigation costs of guidance; in contrast, managers of non-guiding firms are much more likely to indicate that litigation risk is a substantial concern. Most managers report that their firms issue conservative guidance, with 60% of managers saying their private expectation lies above the midpoint of their public guidance range and less than 7% saying it lies below this midpoint. Managers say they are unconcerned about guidance inducing short-termism in corporate decision-making, despite their belief that increased analyst and investor short-termism is a primary consequence of providing guidance. Our findings offer several other unique insights relevant to the voluntary disclosure literature.

JEL Classification: D80, D82, G14, G17, M40, M41

Keywords: guidance, forward-looking information, voluntary disclosure, management forecasts

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1. Introduction

Management guidance is now pervasive. Prior literature shows that guidance moves stock prices (Patell 1976; Waymire 1984; Lev and Penman 1990; Billings, Jennings, and Lev 2015), affects analysts' forecasts (Waymire 1986; Cotter, Tuna, and Wysocki 2006; Kim and Song 2014), and is issued with a variety of motivations in mind (Aboody and Kasznik 2000). Guidance has been the topic of considerable debate among academics and practitioners, and some argue that it adversely affects managers' real decisions.¹

To better understand managers' perspectives on guidance, we survey 357 corporate managers and conduct nine follow-up interviews with individuals directly involved in their firms' external disclosure decisions. Our survey offers several key advantages. First, we address several guidance-related questions that are beyond the reach of archival research. For example, while managers issue guidance for external consumption, their private beliefs about their firms' prospects and how these beliefs compare to their publicly issued guidance are unobservable. Without systematic survey evidence, academic researchers must rely on anecdotal evidence to inform their beliefs about managers' perspectives. Second, even when archival studies provide evidence of the consequences of guidance, it is difficult to know whether observed consequences are those intended by managers. Third, our survey allows us to investigate the *relative* importance of the determinants and consequences of guidance by giving managers an opportunity to rank-order their responses, something difficult to accomplish with archival work. Fourth, we survey managers of firms that choose to guide as well as those that choose *not* to guide, which provides a more complete view of how managers perceive the costs and benefits of guidance. Finally, survey evidence helps us better understand and interpret archival evidence, in part because it provides

¹ Dimon and Buffett (2018) argue that “(c)ompanies frequently hold back on technology spending, hiring, and research and development to meet quarterly earnings forecasts,” and link this directly to quarterly EPS guidance.

additional detail about the institutional setting. This triangulation is especially helpful when addressing disclosure questions, for which it is often difficult to find strong quasi-experimental settings (Armstrong, Kepler, Samuels, and Taylor, 2022).

While our survey covers much ground, we highlight several principal insights. First, our results indicate that guidance is more prevalent than what is available from machine-readable databases, which extends related archival work (Chuk, Matsumoto, and Miller 2013; Mayew, Pinto, and Wu, 2023). While over 80% of our respondents indicate that their firms provide guidance, *I/B/E/S* reports guidance for only 58% of the firms in our sample. In terms of the amount of guidance, our median respondent indicates that their firm issues guidance for three metrics; *I/B/E/S* reports a median of only one guidance metric for these firms. *I/B/E/S* also appears to capture relatively little longer-horizon guidance (i.e., for 2-5 years ahead) even though 30% of managers in our sample indicate that their firms provide this type of guidance (Call, Esplin, and Miao 2021).

Second, although the literature has long pointed to proprietary costs as a significant deterrent to disclosure (Verrecchia 1983), only 13% of managers whose companies issue guidance say they are concerned that guidance conveys proprietary information to competitors, and only 6% indicate that proprietary costs would cause them to suspend or end the practice of issuing guidance. Managers of companies that do *not* issue guidance are also relatively unconcerned with possible competitive costs of guidance. Our results thus suggest that guidance may not be a good proxy for studies seeking to examine the association between proprietary costs and voluntary disclosure (Bamber and Cheon 1998; Rogers and Stocken 2005; Li 2010; Frankel, Lee, and Lemaiyan 2018; Park, Sani, Shroff, and White 2019). Follow-up interviews confirm that proprietary concerns are not top of mind for most managers.

Third, corporate managers offer differing perspectives on how the risk of securities litigation affects their guidance practices (Skinner 1994, 1997; Field, Lowry, and Shu 2005). Respondents whose companies issue guidance express relatively little concern about possible litigation; only 9% of these managers say they are *very much* concerned about the possibility of shareholder litigation, and less than 10% see shareholder litigation as a very likely outcome of reporting earnings that fall short of guidance. In contrast, 47% of managers whose companies do *not* issue guidance say they would be *very much* concerned about shareholder litigation as a result of guidance. These results suggest that litigation risk affects guidance practices for some managers, as suggested by archival work (e.g., Billings, Cedergren, and Dube 2021). In addition, we find that both guiding and non-guiding managers are concerned about reporting results that fall short of guidance, which suggests that the reputational costs of negative surprises may be more important than litigation risk for some managers (Skinner 1997; Field et al. 2005).²

Fourth, because outsiders only observe publicly issued guidance, it is difficult for researchers to know (a) whether these disclosures reflect managers' private, unbiased expectations about their firms' prospects, and (b) how managers establish a guidance range from internal expectations. Our findings suggest that managers typically set guidance conservatively; over 60% (7%) of managers indicate that their company issues a guidance range for which their internal projection is above (below) the midpoint. An additional 24% of managers indicate that their internal earnings expectation is likely to be above the upper bound of their firm's guidance range. These findings indicate that managers intentionally build in a cushion and reinforce the conclusion

² Skinner (1994) suggests that managers seek to avoid negative earnings surprises, either because they can lead to potentially costly stockholder litigation or because they can adversely affect managers' reputation with analysts and other market participants. While much subsequent work focuses on litigation risk, the extent to which reputation effects explain the preemptive disclosure of bad news receives relatively little attention.

that the upper bound of a range forecast may be a better estimate of managers' earnings expectations than the midpoint (Ciconte, Kirk, and Tucker 2014).

Fifth, our results highlight the difficult task managers face in balancing analyst and investor demands for guidance with the associated short-term pressures. Managers indicate that an important concern with guidance is that investors and analysts become too focused on short-term results; 41% (37%) of these managers say they are *very much* concerned about investor (analyst) short-termism as a result of issuing guidance; only 11% (9%) say they are *not at all* concerned. However, only 9% of guiding managers say they are *very much* concerned about guidance leading managers to make operating and investment decisions that prioritize short-term targets over long-term value maximization, and only 6% are *very much* concerned that guidance encourages financial reporting decisions aimed at meeting guidance. These results may explain why many public companies continue to provide guidance despite criticism that “quarterly earnings guidance often leads to an unhealthy focus on short-term profits at the expense of long-term strategy, growth, and sustainability” (Dimon and Buffett 2018).³ In contrast, managers of companies that do *not* issue guidance say they would be much more concerned about these consequences of company-issued guidance.

Managers perceive significant negative consequences of failing to meet guidance, and issue conservative guidance to give themselves leeway to mitigate unexpected shortfalls and to encourage analysts to issue beatable forecasts (Richardson, Teoh, and Wysocki 2004). Managers say it is vital to meet earnings guidance—79% of managers say it is *very important* to meet their most recently issued earnings guidance, higher than the 62% (59%) who indicate it is *very*

³ Lu and Skinner (2023) report that the horizon of guidance has increased over time, from predominantly quarterly EPS guidance in the early 2000s to annual guidance of top-line revenues and earnings in more recent years. Shifting away from quarterly EPS guidance likely weakens the link between guidance and “myopic” real decisions, such as cutting R&D expenditures to meet-or-beat quarterly EPS targets.

important to meet the analyst consensus (earnings for the same quarter in the prior year). These findings represent a modest departure from prior literature that documents the most important benchmark is earnings for the same quarter in the prior year (Graham, Harvey, and Rajgopal 2005) although guidance has become more prevalent since their survey (Billings et al. 2015; Lu and Skinner 2023).

Our study sheds light on several other topics. While most archival work on guidance focuses on *earnings* guidance, we find that many managers whose firms provide guidance do not provide earnings guidance and instead provide other forms of guidance, often sales guidance. One possibility is that managers have become sensitive to well-publicized concerns about the purported link between guidance—particularly quarterly EPS guidance—and myopic decision-making (e.g., Buffett and Dimon, 2018) and have moved away from earnings guidance.⁴

Our results indicate that most managers (90%) take a “bottom-up” approach to preparing guidance by rolling up individual business unit projections into firm-level guidance. In addition, managers are miscalibrated about their ability to accurately forecast their firm’s future earnings performance. Despite archival evidence that firms report results within their firms’ initial guidance range only 30% of the time (Jensen and Plumlee 2020; Hribar, Huseman, and Melessa 2021), almost 90% of respondents indicate they are at least 70% confident reported earnings will fall within their initial guidance range.⁵ These findings are consistent with research documenting that managers are miscalibrated about their forecasting ability (Ben-David, Graham, and Harvey 2013; Dichev, Huang, Lee, and Zhao 2023).

⁴ This is consistent with evidence in Lu and Skinner (2023), discussed above.

⁵ When we link our respondents to their firms’ *I/B/E/S* data, we find that their historically reported results fall within their initial guidance range only 31% of the time.

Our survey provides insights into why most managers now bundle guidance with earnings announcements (Anilowski, Feng, and Skinner 2007; Rogers and Van Buskirk 2013), a question inherently difficult to address with archival data. We find that a primary motivation for bundling is to allow managers to have fuller discussions of their firms' prospects during quarterly earnings calls, consistent with Rogers and Van Buskirk's (2013) explanation for the increase in bundling after Reg FD. In follow-up interviews, managers say that bundling facilitates more open discussion in private meetings with investors and analysts around earnings announcements. Managers also indicate that bundling allows them to manage the tenor of the news around earnings announcements and helps investors and analysts understand the information in other disclosures, consistent with the findings of Hsu and Wang (2021).

We also find that managers' perceptions of the costs and benefits of guidance revolve around their interactions with sell-side analysts and investors (Kothari 2001; Cotter et al. 2006; Brown, Call, Clement, and Sharp 2015). One manager described the necessity of managing expectations, stating that "headlines get written about disappointing earnings by a penny or two." Almost 60% of managers believe that sell-side analysts are more likely to increase scrutiny of the company if earnings fall short of guidance. Another manager observed that "[guidance] controls almost every conversation you have ... you always have to be conscious of if you're saying something that is materially different from any guidance you have out."

This study contributes to the literature in several ways. First, our survey yields important insights into how managers think about guidance, including their motivations for issuing guidance and their expectations regarding its consequences. Managers' perceptions around disclosure issues help shape their firms' information environments but are difficult to observe using archival data. In addition, our evidence that managers' guidance is typically conservative informs research that

uses guidance as a proxy for managers' private expectations. We also contribute more broadly to the guidance literature by documenting differences between the guidance our respondents say they issue and that available from machine-readable databases such as *I/B/E/S*.

Our study adds to the ongoing discussion regarding the extent to which quarterly EPS guidance contributes to short-termism. While our results show that an important consideration for managers who provide guidance is heightened investor and analyst fixation on short-term results, our findings also suggest managers of companies that provide guidance do not believe that guidance induces short-termism in their firms' real decisions.

2. Survey Methodology and Interviews

2.1 Subject pool

We surveyed CFOs, investor relations professionals, and other executives responsible for the investor relations functions at publicly traded companies. We started with firms in the *Compustat-CRSP* universe with non-missing market value of common equity as of fiscal year-end 2019. We then searched each company's most recent quarterly earnings release and recorded the name and email address of the designated representative. If our first search did not yield a contact, we searched the company website for the relevant information. Because insiders are likely more informed about the guidance practices and incentives at their company than outsiders, we excluded external representatives (i.e., outsourced investor relations).⁶ This process resulted in 3,643 email addresses for 3,606 unique publicly traded companies listed on U.S. exchanges.

⁶ Including external representatives in our sample would potentially lead to a lack of independence across observations, as external IR companies commonly represent multiple clients. To the best of our knowledge, prior academic surveys of IROs did not impose this restriction. This difference may explain why our final sample of 3,643 email addresses is smaller than that of Brown, Call, Clement, and Sharp (2019), who employ a similar process and identify contact information for 4,213 IR professionals at public companies.

Our subject pool includes all publicly traded companies and, therefore, differs from other surveys on guidance, such as the National Investor Relations Institute (NIRI) surveys, which solicit responses from NIRI corporate members. Further, NIRI surveys are intended to “provide benchmarking data for best practices” (NIRI 2014) and so focus primarily on whether, how often, and which metrics firms guide. In contrast, we investigate the inputs and processes into guiding, managers’ private beliefs about their own guidance, and perceptions about meeting/beating and the pressure to do so, among other issues. Further, our survey focuses solely on financial guidance (i.e., forward-looking projections of financial statement metrics), whereas NIRI surveys also include non-financial measures.⁷ Nevertheless, some overlap exists in that both surveys ask why managers guide; we compare those results where relevant.

2.2. Survey design and delivery

Our survey instrument consists of three distinct sections; Figure 1 depicts its structure. We first ask questions to gather general information about the firm’s guidance practices; responses to these questions allow us to present each respondent with questions most relevant to their firm’s guidance practices throughout the survey. Specifically, we ask managers whether their firm provides guidance and, if so, the type(s) and horizon of guidance it provides.⁸ We summarize these responses in Tables 2 and 3. For respondents who indicate that their company issues some form of guidance, we ask a series of questions about their company’s guidance practices, including questions that address the intended audiences of guidance, the costs and benefits of guidance, and the process for determining and issuing guidance (Tables 3-10). We also ask managers about the

⁷ The NIRI surveys define financial guidance as all quantitative economic estimates of a company’s performance including earnings or EPS, revenue, cash flow, EBITDA, operating income, gross margin, expenses, CAPEX, and tax rate, and define non-financial guidance as any information about current market or business conditions that has the potential to impact company performance and is not typically reflected in a company’s financial statements.

⁸ We use “manager” to refer to company-designated respondents for guidance-related questions. Most respondents are Investor Relations Officers (64%) or Chief Financial Officers (23%). Our respondents indicate they have significant responsibility for managing their firms’ guidance practices.

effects of the COVID-19 pandemic on their firm’s guidance practices (Tables 11 and 12). For those who indicate that their firm issues *earnings* guidance, we ask where their private earnings expectations lie relative to the range they issue, why they might guide optimistically or conservatively, their confidence that reported earnings will fall within the guidance range, and the consequences of missing guidance (Tables 13-17). For respondents who indicate their firm does not issue guidance, we ask questions designed to assess their perspectives on the costs and benefits of guidance (Tables 18-19). We ask all participants to provide certain demographic information. We present each set of questions to survey participants sequentially, with some randomization in the order of the questions within each set (see below).

The majority of our survey questions solicit responses on a 7-point Likert scale ranging from 0 to 6. We randomized the ordering of items within a given question unless there was a natural sequence as described below. Each table reports responses in descending order based on the average rating for a given item, and our discussion of survey results focuses on the percentage of respondents answering at the extremes.⁹ We display Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons (Brown et al. 2015) and report the percentage of respondents who answer at the extremes (5 or 6, 0 or 1) of the Likert scale. We allowed respondents to continue with the survey if they chose not to answer a particular question.

We staggered the launch of our survey across June 2 and June 3, 2021, sending an email to all those in our subject pool that contained an invitation to participate in the survey, along with a unique access link. To encourage participation, we pledged to donate to one of four charities for

⁹ In some instances we explore cross-sectional variation in survey responses. To do this, we link respondents to *Compustat*, *CRSP*, or *I/B/E/S* data for their firm’s most recent fiscal-year end prior to survey launch. For these tests, we regress survey responses on analyst following, leverage, litigation risk (Kim and Skinner, 2012), market-to-book, market capitalization, institutional ownership, profitability, and sales growth. We discuss some of these results in Section 4, where appropriate.

each completed survey and gave participants the option to choose among those charities. We sent reminder emails to respondents and made follow-up phone calls to a random subset of individuals in our subject pool to encourage further participation. We received survey responses from 357 managers, for a response rate of 9.8%, which is comparable to prior surveys of corporate managers. We closed the survey on June 25, 2021.

2.3 Interviews

At the end of our survey, we gave managers the opportunity to be contacted for a follow-up interview. Ninety-three managers indicated they were willing to be contacted, and we conducted nine interviews to add context to our survey results and to gain additional insight into managers' perspectives on guidance. We made audio recordings of six of these interviews and took detailed notes for the remaining three.¹⁰

3. Demographics and Sample Description

3.1 Demographics of respondents and non-respondents

Relative to non-respondents, those who participated in our survey represent firms that are larger, have more analysts following, are more likely to issue guidance, have more institutional ownership, and are more profitable; our average responding (non-responding) firm has a \$1.8 (\$1.0) billion market capitalization and is followed by 4.5 (3.4) sell-side analysts (untabulated).¹¹ Because larger firms are disproportionately represented in academic research, the respondent firms are comparable to those commonly examined in other settings.

¹⁰ The nine respondents we interviewed represent six of the ten primary industries listed in our survey instrument: seven are male, they have a median of seven to nine years of experience both in their current role and with their employer, and seven are employed at a company with a market capitalization between \$1B and \$10B.

¹¹ An important determinant of whether an individual in our subject pool participated in our survey was whether the invitation was sent to an individual, rather than a generic, email address (e.g., john.smith@abc.com vs. investorrelations@abc.com).

Table 1 reports demographic information for survey participants along with certain firm characteristics.¹² Investor relations officers (IROs) are the most common respondents, constituting 64.1% of the sample, followed by Chief Financial Officers (CFOs), at 23.2%. About one-quarter (27.0%) of respondents have a CPA, while 43.3% have an MBA (12.2% have a CFA). About 40% of respondents have been in their current role for ten or more years, which suggests considerable institutional knowledge at their current company. The industries most represented in our sample are financials (20.7%), healthcare (15.5%), and information technology (13.9%). Around half (48.5%) of respondents are from firms with market capitalization between \$1B and \$10B; another 20.2% are from companies with market capitalization exceeding \$10B; the remaining are from smaller firms. We tabulate demographic information for non-guiders separately (as a percentage of all non-guiders) to better understand the types of firms and managers that choose not to issue guidance. Although these statistics are based on only 59 responses, relative to the guiding firms in our sample, non-guiding firms tend to be smaller, are concentrated in the financial services industry, have lower analyst coverage, and their respondents are more often CFOs.¹³

3.2 Initial questions on general guidance activities

Our survey first asks a series of questions about the firm's general guidance practices, including whether it provides guidance, the types of guidance it provides, and the horizon of guidance. These questions shed light on overall guidance practices and allow us to direct participants to questions most relevant to their firm's existing guidance practices.

The majority of respondents indicate their firm issues some form of guidance; 83.5% of respondents say their firm normally issues guidance or other forward-looking information

¹² 34 respondents did not provide demographic information.

¹³ When we merge the survey data with archival data, we also see that non-guider firms have lower analyst following, smaller market capitalization, less institutional ownership, higher leverage, and lower profitability.

(including outlook, aspirational goals, or targets),¹⁴ slightly lower than what NIRI reports in its surveys (2014, 2016).¹⁵ This percentage is substantially higher than the guidance frequencies evident from *I/B/E/S* data for the *Compustat* universe, for which only 30% of firms issue guidance.¹⁶ We direct respondents who indicate that their firm does not issue guidance (the remaining 16.5%) to a series of questions for non-guiders (see Tables 18-19).

While managers may issue guidance that represents an “aspirational” goal rather than a forecast, our results suggest this is unusual; only 4.8% of respondents who issue guidance say they view guidance as aspirational, whereas 95.2% indicate that their guidance conveys their expectation (forecast) of future performance (untabulated).

Table 2 reports the types of guidance that respondent firms issue. Sales (including sales growth) is the most common form of guidance, issued by 64.4% of guiding firms. This is consistent with Lu and Skinner (2023), who find sales guidance is now the most prevalent form of guidance based on *I/B/E/S* data. The next most frequently guided metrics are CAPEX (47.0%) and cash flow metrics such as EBITDA and free cash flow (41.9%). With respect to EPS guidance, 39.6% of guiding firms provide Non-GAAP or “Street” EPS guidance, 25.8% provide GAAP EPS guidance, while 19.1% provide both; overall, 46.3% of firms that guide issue at least one form of EPS guidance (untabulated).

¹⁴ To assess whether respondents provide guidance, we asked: “Does your company normally provide guidance or other forward-looking information (including outlook, aspirational goals, or targets) for investors or other external parties?”

¹⁵ The frequency of guidance for respondents of NIRI surveys was 90% in 2009, 88% in 2012, and 94% in 2014 and 2016.

¹⁶ This figure is based on the percentage of *Compustat* firms during 2019 that the *I/B/E/S* Guidance Detail File identifies as issuing guidance of any type or time horizon. If we restrict our sample to *Compustat* firms with a valid *I/B/E/S* Ticker, the percentage of firms issuing guidance rises to 48.8%, which is still lower than the guidance frequency identified by our survey and recent NIRI surveys. One potential explanation for this discrepancy is that *I/B/E/S* does not track guidance with a horizon greater than one year; 30.2% of our respondents report issuing forward-looking information covering multiple years. It is also possible that *I/B/E/S* does not collect certain qualitative forms of forward-looking information, which our respondents think of as forward-looking information or guidance. We discuss this further below.

A comparison of guidance activity reported by the survey respondents to that found in *I/B/E/S* for these firms (Column 2) reveals some differences in coverage across metrics. While there is relatively little difference between *I/B/E/S* and survey data for Non-GAAP or “Street” EPS (1.0%), differences are more pronounced for EBIT or operating profit, sales or sales growth, and cash flows. One explanation for these differences is that *I/B/E/S* only captures guidance for which there is a preexisting analyst consensus forecast (Mayew, Pinto, and Wu 2023). Therefore, financial metrics that analysts do not typically forecast are less likely to be captured by *I/B/E/S*, even if firms issue this guidance. We note, however, that *I/B/E/S* provides limited coverage of these metrics for all firms in the *I/B/E/S* database (Column 3). In general, we conclude that (a) our survey participants are generally representative of the types of firms typically examined in the literature, and (b) our sample firms provide guidance for more metrics than what is typically available from *I/B/E/S*.

We also examine the horizon over which firms issue guidance. Table 3 reveals that 81.2% of guiding firms provide annual guidance while 43.6% (30.2%) provide quarterly (multi-year) guidance. These findings are consistent with empirical evidence that, since the mid-2000s, firms have generally moved toward annual and away from quarterly guidance (Lu and Skinner 2023). Comparing these results to *I/B/E/S* coverage for our respondents reveals that differences between survey data and *I/B/E/S* increase monotonically with the guidance horizon. Specifically, the difference between survey and *I/B/E/S* data for quarterly, annual, and multi-year periods is -1.7%, 16.1%, and 21.9%, respectively. While this is perhaps unsurprising given that *I/B/E/S* contains guidance primarily for annual or quarterly horizons, our evidence indicates that a significant fraction of firms provide guidance beyond one year ahead/annual guidance. In addition, the horizon of guidance for our respondents is similar to the NIRI surveys. We provide a more

comprehensive comparison of the guidance reported in our survey to archival sources of guidance data in Section 5.

4. Main Results

4.1 Perspectives of managers whose companies issue guidance

We next ask a series of questions to those respondents whose companies issue guidance. These questions address the costs and benefits of guidance, the process firms follow to develop and issue public guidance, managers' motivation for bundling guidance, and the audiences they have in mind when issuing guidance.

4.1.1 To what extent does your company anticipate the following possible benefits of providing guidance? (Table 4)

We ask respondents about various possible benefits of issuing guidance.¹⁷ Although prior research suggests several potential benefits of guidance, including a higher stock price (e.g., Patell 1976; Penman 1980; Waymire 1984; Miller 2002), a lower cost of capital (Diamond and Verrecchia 1991; Coller and Yohn 1997), enhancing managerial reputation (Williams 1996; Hutton and Stocken 2021), and preempting shareholder litigation (Skinner 1994, 1997; Field et al., 2005; Houston, Lin, Liu, and Wei 2019; Billings et al. 2021), the principal benefits identified by our respondents relate to interactions with capital market participants, particularly sell-side analysts.¹⁸ As we report in Table 4, the benefits of guidance most often indicated by survey participants are managing analyst expectations, satisfying investor demand for guidance, and satisfying analyst demand for guidance.¹⁹ Some managers also believe providing guidance helps

¹⁷ Because Tables 4 and 5 are naturally connected, we always presented them as a pair, in random order.

¹⁸ Consistent with this, the primary motivation for providing financial guidance in the 2014 NIRI survey on guidance is to “ensure sell-side consensus and market expectations are reasonable.”

¹⁹ Although we did not ask about improving reputation with analysts or investors explicitly, in untabulated tests we find that respondent age is negatively correlated with the response “satisfying investor demand for guidance” ($p = 0.055$), consistent with archival research which shows that the propensity to provide forward-looking information varies with management tenure (e.g., Bochkay, Chychyla, and Nanda 2019). Additionally, in cross-sectional tests we

reduce stock volatility, with 38% of respondents saying they *very much* anticipate lower stock volatility as a result of providing guidance.²⁰ Managers believe that without guidance, analysts will be miscalibrated about future results; one respondent stated that “there are so many moving parts to a multi-billion-dollar corporation that can affect EPS. If there isn’t guidance being given, [analysts] will miss on random things.” Another manager indicated that “the worst thing that can happen for a company is to have expectations in the street that are all over the place.”

One prominent theme that emerged from our interviews revolved around the need to avoid surprises; for example:²¹

The market doesn't like surprises. They don't like positive surprises and don't like negative surprises. Especially with the sell-side, some of these guys cover forty to sixty companies on their teams and they have short windows to digest your information and move on. When you disrupt that, it's irritating for them.

Despite much academic research on the effect of voluntary disclosure on information asymmetry, liquidity, and the cost of capital (Coller and Yohn 1997; Leuz and Verrecchia 2000; Kelly and Ljungqvist 2012), fewer than 9% of respondents say they anticipate reduced financing costs from providing guidance. Managers also indicate that improving their reputation with upstream or downstream stakeholders (customers, suppliers) is not seen as an important benefit of issuing guidance. In sum, our findings suggest the main reasons managers provide guidance are to manage sell-side analysts’ expectations and satisfy investor and analyst demands for guidance.

In follow-up interviews, some managers from concentrated industries noted the possibility of using guidance as a tool to strategically communicate with competitors.²² One manager said,

find that respondents from smaller firms rate managing analyst expectations more highly than those from larger firms (t-stat. = 2.46, untabulated).

²⁰ This is similar to the 2014 NIRI survey in which 41% of respondents indicated that “attempts to limit stock volatility” was a reason for providing financial guidance.

²¹ This is consistent with the expectations adjustment hypothesis (Ajinkya and Gift, 1984) under which managers seek to avoid large earnings surprises of either sign.

²² We deliberately chose not to ask about illegal behavior in the survey due to the possibility it might deter respondents from completing the survey.

“you can’t talk to your competitors about what you want to charge. People have gone to jail for that.” Respondents suggested that legal constraints open the door for guidance and conference calls to be a tool for coordination; as one manager put it:

There’s no better way to communicate to your competitors and tell them what you want them to do than talk publicly about it...I’m saying, ‘I see a need for a price increase because costs are increasing, and so we’re planning on taking price increases at the end of the third quarter.’ You just told the whole world, if they want to follow you, then come right along.

This observation provides anecdotal support for recent studies which argue that firms’ financial disclosures and guidance provide an opportunity to tacitly coordinate (Bourveau, She, and Zaldokas 2020; Pawliczek, Skinner, and Zechman 2022).

4.1.2 To what extent is your company concerned about the following possible adverse consequences of providing guidance? (Table 5)

While guidance provides various capital market benefits, we also asked about the potential adverse consequences of issuing guidance and report these results in Table 5. Managers are most concerned about the equity market consequences of guidance, including reporting results that fall short of guidance (and presumably the associated stock price consequences) as well as the potential for guidance to encourage investors and analysts to focus on short-term results.²³ Although some argue that guidance leads to myopic real decisions, fewer than 10% of respondents are *very much* concerned about guidance leading their own company to make operating or investment decisions that prioritize short-term targets over long-run value creation or otherwise expressed significant concern about their company making reporting decisions to meet guidance.

Our results highlight the difficult balance managers must strike between satisfying investor and analyst demands for guidance they believe results in a heightened focus on near-term results,

²³ In untabulated tests, we find that respondents from firms with greater institutional ownership are more concerned about reporting results that fall short of guidance (t -stat. = 2.06).

all while ostensibly remaining unaffected by pressures to engage in business activities that prioritize short-term goals. Here, 41% (37%) of managers say they are *very much* concerned that guidance causes investors (analysts) to focus too heavily on short-term results while only 9% (6%) say they are *very much* concerned with managers making real (reporting) decisions that prioritize short-term results over long-run value maximization. In untabulated tests, we find that managers at firms with relatively lower market capitalization are more concerned about guidance increasing short-termism among investors (t -stat. = 2.41), and that, conditional on market capitalization, higher analyst coverage is associated with investor short-termism resulting from guidance (t -stat. 2.70). Overall, these results suggest that while guidance has the potential to increase short-termism, many managers are aware of these pressures and (presumably) feel they can still make value maximizing real decisions.

In spite of extensive academic discussion of the proprietary costs of disclosure (Wang 2007; Park et al. 2019), only 13% of managers whose firms provide guidance indicated that they are concerned about providing proprietary information to competitors. Managers are also relatively unconcerned that guidance makes their company more susceptible to shareholder activism (Bourveau and Schoenfeld 2017). These results suggest public earnings guidance may not be an appropriate proxy for studies examining the link between voluntary disclosure and proprietary costs (Bamber and Cheon 1998; Rogers and Stocken 2005; Li 2010; Frankel et al. 2018; Huang, Hui, and Li 2019; Park et al. 2019).

Our findings do not imply that *voluntary disclosures*, in general, do not have competitive costs. Therefore, these findings do not refute prior research suggesting that voluntary communication of financial information can lead to competitive harm (e.g., Graham et al. 2005; Brown et al. 2019). Because guidance typically reflects information about aggregate financial

results, such as an EPS guidance range, rather than the performance of individual business segments, our results suggest that managers believe guidance is unlikely to convey useful information to competitors. As one manager put it: “There really isn’t much [private] information to be gained based off of what we would provide out into the marketplace via formal guidance.”

In addition, managers of firms that issue guidance are generally unconcerned about guidance leading to shareholder litigation, with roughly four times as many managers saying they are unconcerned about shareholder litigation arising from guidance (36%) as saying they are concerned (9%). To better understand whether differences in litigation risk affect the cost/benefit tradeoff of providing guidance, we use an archival proxy (Kim and Skinner 2012) to partition respondents into those from firms with high and low litigation risk, and test for differences in responses to the questions reported in Tables 4 and 5. The only significant difference we observe is that managers at firms with high litigation risk more strongly believe that guidance increases the risk of shareholder litigation (untabulated t -stat. = 2.60).²⁴ However, even within the high litigation risk group, only 11% of managers say they are concerned about the company becoming more susceptible to shareholder litigation, while 32% of managers are unconcerned. Thus, our results suggest securities litigation risk is not top of mind for managers of most guiding firms.

Taken together, the results in Tables 4 and 5 suggest that while managers issue guidance primarily to manage analyst expectations and satisfy analysts and investors, they believe that a central drawback of guidance is the possibility that they fail to achieve the guidance and that guidance will encourage analysts and investors to fixate on short-term results.

²⁴ This result suggests managers carefully considered our survey questions and that commonly used measures of litigation risk successfully capture the underlying construct (Kim and Skinner 2012). Additionally, in untabulated cross-sectional tests we find that respondents from larger firms are less concerned about guidance either leading to shareholder litigation (t -stat = 2.30) or providing proprietary information to competitors (t -stat. = 1.80).

4.1.3 How important are the following inputs for determining your company's internal projections of future performance? (Table 6)

Table 6 reports on the inputs firms use to formulate internal projections of future results, which presumably form the basis for external guidance. Managers overwhelmingly indicate that their companies use a “bottom-up” approach to developing guidance, with over 90% of respondents identifying projections made by individual business units as very important to the company's internal expectations. They also indicate that industry and macroeconomic indicators are somewhat important for projecting future performance (33%), whereas only 10% of managers indicate that analysts' forecasts inform their own internal projections of future performance. Expanding upon the importance of industry forecasts (peers) in follow-up interviews, one manager said, “I put together for the board an assessment of what our competitors out there are guiding, because you're in competition to attract capital to your stock,” which suggests some managers keep an eye on what competitors are saying publicly.

4.1.4 To what extent do you have the following audiences in mind when preparing and issuing your company's guidance? (Table 7)

Table 7 reports on who managers see as the most important audiences for guidance. Consistent with the results above, managers view the most important audiences as long-term oriented investors and sell-side analysts—81% (79%) of managers say they have long-term oriented investors (sell-side analysts) in mind when they issue guidance. In addition, with respect to individual retail investors, activist investors, and index or passive funds, more managers said these investors are *not at all* in mind than said they are *very much* in mind. Managers also say that other stakeholders are typically not in mind when preparing and issuing guidance, although employees are rated higher than lenders, competitors, journalists, and others; 18% of respondents say they *very much* have employees in mind. Nevertheless, follow-up interviews suggest a possible

link between guidance and employee incentive compensation. In particular, several interviewees alluded to the fact that some employee compensation is determined by performance relative to guidance, with one respondent indicating that “a lot of our compensation is tied to whatever target goal earnings per share we put out there.” As a result, they indicated that issuing earnings or growth targets that were not realistic is “not fair to the employees.”²⁵ Taken together, our results suggest that when preparing and issuing guidance, companies are primarily concerned with long-term investors and sell-side analysts.

4.1.5 To what extent might the following factors cause your company to suspend or completely end your practice of issuing guidance? (Table 8)

We seek to understand factors that cause companies to suspend or discontinue guidance. Prior empirical research examines firms that cease guidance and attributes this to an uncertain operating environment and/or poor performance (Houston, Lev, and Tucker 2010; Chen, Matsumoto, and Rajgopal 2011). Similarly, the primary reason managers say they would stop guidance is an uncertain operating environment (Kim, Pandit, and Wasley 2016), consistent with the notion that managers are reluctant to issue guidance that later proves to be inaccurate. On the other hand, recent evidence by Lu and Skinner (2023) shows that many firms continue guidance even in uncertain times, including the 2008-09 financial crisis and when COVID-19 struck in 2020.

Somewhat inconsistent with this research, we find that 70% of managers say expected poor future performance is *not at all* likely to cause their company to suspend or discontinue guidance. In addition, although managers highlight concerns that guidance might lead to analyst and investor fixation on short-term results (see Table 5), 38% of managers say that analysts and investors consistently overreacting to guidance is *not at all* likely to cause them to stop providing guidance.

²⁵ Armstrong, Chau, Ittner, and Xiao (2022) examine the relation between the EPS goals used in CEO incentive plans and analysts’ EPS forecasts, focusing on firms where the benchmarks differ.

Table 8 also reveals that managers believe that both proprietary costs and stock price declines when reported results fall short of public guidance are unlikely to motivate their company to discontinue guidance (60%). Perhaps surprisingly, out of nine possible options we gave managers, only the top-rated response—“your company’s operating environment becomes more uncertain and unpredictable”—had more respondents answer that it would *very much* cause them to suspend or end guidance than said it would *not at all* have this effect.

Our findings suggest that outside of extreme circumstances or factors we did not ask about, managers are generally unlikely to stop providing guidance, which underscores the notion that guidance (and disclosure generally) practices are sticky. This conclusion is further reinforced by results reported in Table 12, where 71% of companies report not changing guidance practices as a result of the COVID-19 pandemic.²⁶

4.1.6 To what extent do you believe bundling guidance with earnings announcements results in the following outcomes? (Table 9)

Given the now-prevalent practice of bundling guidance with earnings announcements (Anilowski et al. 2007; Rogers and Van Buskirk 2013; Billings et al., 2015), we ask respondents why they bundle. Table 9 reports that 85% of managers say they *very much* believe bundling allows them to answer questions about guidance in earnings calls. They also suggest providing guidance allows for more open discussion with investors and analysts, with one manager stating: “[When you bundle guidance] your windows start to shorten up so you can have really good conversations right around earnings...but the deeper you go into the quarter, the more careful you’ve got to be.” In fact, 61% of respondents said bundling *very much* allows for open discussions, consistent with a relatively high percentage of respondents to the 2014 NIRI guidance survey indicating that

²⁶ In cross-sectional tests, we find that respondents from firms with greater litigation risk are more likely to say that industry peers suspending guidance would cause them to suspend guidance, suggesting that firms with high litigation risk are more likely to follow industry norms as it relates to guidance practices (*t*-stat. = 2.13, untabulated).

Regulation FD compliance was a reason for providing guidance, a point made by Rogers and Van Buskirk (2013). Underscoring this idea, in cross-sectional tests we find that respondents from firms with more analyst coverage (t -stat. = 2.28) and institutional ownership (t -stat. = 2.40) believe bundling allows their company to answer questions about guidance in conference calls (untabulated). Finally, respondents also said bundling guidance allows them to better control the tenor of the news during earnings announcements and helps users better interpret information in each individual disclosure (Hsu and Wang 2021).

4.1.7 Which of the following parties typically approves guidance before it is issued publicly? (Table 10)

We also asked managers about the internal approval process that takes place before guidance is issued because this process is difficult to observe and there is little evidence about this in the literature. Table 10 reveals that, not surprisingly, 95% (91%) of managers say the CFO (CEO) approves guidance. In contrast, only half of respondents say the board of directors (or a subcommittee) approves guidance while 44% say legal counsel is typically involved.

4.2 Guidance and COVID-19

During the initial months of the COVID-19 pandemic, firms struggled to understand its potential ramifications, leading some companies to retract guidance (Aaron et al. 2021; Hope et al. 2022). At that time, SEC Chairman Jay Clayton and Director of Corporation Finance William Hinman issued a statement to encourage ongoing disclosure:

We urge companies to provide as much information as is practicable regarding their current financial and operating status, as well as their future operational and financial planning...We encourage companies that respond to our call for forward-looking disclosure to avail themselves of the safe-harbors for such statements and also note that we would not expect good faith attempts to provide appropriately framed forward-looking information to be second guessed by the SEC.” (April 8, 2020)

We administered our survey in June 2021, about 15 months after the COVID-19 pandemic began, and asked managers two questions about the implications for guidance. Given that uncertainty encourages some managers to alter their firms' guidance practices (see Table 8), we wanted to learn how commonplace changes to existing guidance were during the pandemic and how ongoing guidance practices changed in its aftermath.

4.2.1 During the initial months of COVID-19 (i.e., March, April, or May of 2020), how, if at all, did your company revise the guidance it had issued prior to the pandemic? (Table 11)

We first ask how the company initially responded to the COVID-19 pandemic with respect to existing guidance.²⁷ Underscoring the gravity of the effect of COVID-19, one manager said that the pandemic “felt like the financial crisis all over again.” As reported in Table 11, 44% of managers say they retracted guidance, while 16% indicate that their company stayed completely silent and 15% proactively reaffirmed prior guidance. For managers who indicated that their company revised guidance, the majority revised guidance downward (23%) and relatively few revised guidance upwards (5%). Perhaps surprisingly, despite the seemingly greater operational uncertainty created by the pandemic, only 6% increased the width of their guidance range.

4.2.2 How, if at all, has your company's guidance policy changed as a result of the COVID-19 pandemic? (Table 12)

We also asked whether the pandemic impacted firms' overall guidance practices. While the greatest shock to uncertainty came in the initial months of the pandemic, COVID-19 created ongoing uncertainty and may have served as a shock that companies could use to justify terminating guidance altogether. However, the SEC's call for additional disclosure might have motivated firms to provide more guidance.

²⁷ We allowed managers to select more than one answer to this question because a given company may have retracted one piece of guidance (e.g., EPS) while revising another piece of guidance (e.g., sales growth).

Table 12 reports that, perhaps surprisingly, most managers (71%) say that their companies did not change their firms' overall guidance practices due to the pandemic while 12% say they provide less guidance than they did prior to the pandemic and 9% report that they provide more guidance. Only 8% of managers indicate that their company temporarily suspended guidance. This result is broadly consistent with evidence in Lu and Skinner (2023), who find that while some firms suspended guidance during the onset of the pandemic in 2020, others continued to issue guidance (although some of these firms temporarily shifted from annual to quarterly guidance), and that many firms that suspended guidance in 2020 resumed guidance in 2021. In follow-up interviews, even managers whose companies did not ultimately withdraw guidance indicated that they were aware of widespread guidance withdrawals; one manager said, "we thought about [discontinuing guidance] in spring of 2020 when a lot of companies were discontinuing guidance and we simplified our guidance and made it a little wider."

4.3 Perspectives on earnings guidance

Among all firms whose managers indicate they provide guidance, just under half issue *earnings* guidance. We asked a series of questions to these managers to gain insights about earnings guidance specifically.

4.3.1 Relative to your company's external guidance range, how likely is it that your company's internal earnings projection is (Table 13)

One guidance trend that has emerged from the literature is that roughly 80% of firms issuing guidance now do so as a range (Lu and Skinner 2023). However, it is unclear where managers' private expectations lie relative to the publicly disclosed range. While some empirical studies have used *ex post* outcomes to infer where managers' *ex ante* expectations are relative to the range (Ciconte et al. 2014), this approach relies on certain assumptions including that the manager is forecasting a single value (Jensen and Plumlee 2020). The results in Table 13 speak to

these studies in that managers say that their guidance is often intended to be conservative. On the one hand, 60% of managers say that their internal expectation of future earnings is *very likely* to be in the upper half (36%) of the range *or* above its upper bound (24%), consistent with evidence in Ciconte et al. (2014) that the upper bound is a better proxy for manager's private expectations than the midpoint. On the other hand, 26% of managers say that it is *not at all likely* that their private expectation of future earnings lies within the upper half of the range (13%) *or* above its upper bound (13%) while only 29% of managers say that their private expectation is *very likely* equal to the midpoint. These findings are consistent with the results above that indicate managers believe it is very important to meet their own guidance. In addition, cross-sectional tests reveal that respondents from firms with more analyst coverage are more likely to indicate that their internal earnings projection falls in the upper half of the range (t -stat. = 2.17, untabulated), which suggests that it is particularly important for these firms to meet their guidance.

4.3.2 To what extent do the following explain why your company might issue earnings guidance that is more optimistic (or, alternatively, more conservative) than your company's internal projection? (Table 14)

We also explore *why* managers choose to issue earnings guidance that is conservative or optimistic, and ask about three possible reasons managers might provide optimistic forecasts (to convey confidence, to encourage analysts to issue optimistic forecasts, and to counteract perceived optimistic bias among stakeholders) along with three possible reasons managers might issue conservative forecasts (to provide cushion or additional leeway in case of an unexpected downturn, to encourage analysts to issue beatable forecasts, and to dissuade competitors from entering the market).

When it comes to conservative earnings guidance, 46% of managers say giving the company leeway for an unexpected downturn *completely explains* why their company issues

conservative guidance; a secondary (and related) motivation is that managers want analysts to issue beatable earnings forecasts, also consistent with a desire to avoid reporting results that fall short of expectations. One manager elaborated by saying, “If our internal budget is about \$3 per share, I would probably guide \$2.90 and then every quarter I would ratchet it up a little bit and then by the end of the year I’m hopefully guiding Q4 at \$2.97 and then we can beat by three cents on the last quarter. That’s how we play the game.” Respondents also overwhelmingly indicate (93%) that dissuading potential product market competitors *does not explain* their decision to issue conservative earnings guidance.

In those rare cases where managers issue optimistic guidance, our findings reveal that conveying confidence in the future is a leading motivation; 41% of managers say conveying confidence *completely explains* optimistic guidance. In contrast, issuing optimistic guidance is rarely done to influence sell-side analysts to be optimistic; 47% of managers say this *does not explain* why they issue optimistic guidance. Finally, managers do not issue optimistic guidance in anticipation of shareholders discounting their guidance, suggesting that either shareholders rarely discount guidance, or managers are indifferent to shareholders discounting the guidance they provide.

4.3.3 When issuing earnings guidance at the start of the period, how likely do you believe it is that your company’s eventual reported earnings will fall within your initial guidance range? (Table 15)

We also examine managers’ confidence that subsequently reported earnings will fall within the guidance range. One surprising result from the literature is that for any forecast issued more than 30 days before quarter end, actual earnings falls within the forecast range only about 30% of the time (Hribar et al. 2021). Moreover, reported earnings are just as likely to fall above the guidance range as they are to fall below the range. What we cannot know from archival data,

however, is how confident managers are in the guidance ranges they provide. For example, it could be that managers intentionally issue a guidance range that will not capture the eventual earnings outcome, or that they are simply miscalibrated about the accuracy of their forecasts (e.g., Ben-David et al. 2013).

Our findings indicate that most managers (88%) believe there is between a 70% and 100% likelihood that their earnings guidance range will contain the reported earnings number, with the weighted average confidence being 78.5%. This figure is striking, especially when juxtaposed against empirical results that managers do a relatively poor job of predicting earnings, and suggests managers are generally miscalibrated (Ben-David et al. 2013). In untabulated tests we link our respondents to their firms' actual *I/B/E/S* historical guidance outcomes and find that their eventual reported earnings fall within the initial guidance range only 31.2% of the time.²⁸

We also tabulate *I/B/E/S* historical averages for managers who report confidence greater than 70%.²⁹ Columns 3-5 report averages for the four years prior to the launch of our survey, where we report the frequency that reporting earnings is above, within, and below the company's initial guidance range. Here again, managers appear miscalibrated in that the percentage of times reported earnings falls within their guidance range is lower than what they anticipate. However, when reported earnings fall outside the range, they are more likely to fall above (than below) the range, consistent with the finding that managers generally issue conservative guidance (see Table 13).

4.3.4 How important are the following earnings benchmarks to your company when you report a quarterly earnings number? (Table 16)

We also revisit a question first asked of CFOs by Graham et al. (2005). In their survey, Graham et al. (2005) asked how important four quarterly earnings benchmarks are to managers:

²⁸ This test pools quarterly and annual earnings forecasts. When we limit this analysis to only annual (quarterly) earnings forecasts, the likelihood that reported earnings falls within the initial guidance range is 21% (35%).

²⁹ We do not perform this analysis for managers who are less than 70% confident due to limited observations.

analyst forecasts, same quarter last year EPS, previous quarter EPS, and the profit/loss threshold. They find same quarter last year EPS is the highest rated response (85% strongly agree that it is important), followed by the analyst consensus (74% strongly agree). We add two benchmarks to the question: guidance issued at the start of the quarter and the most recently issued guidance. Of the six benchmarks, managers say that most recently issued earnings guidance is most important, with 79% of respondents saying that it is *very important* and only 2% of managers saying that it is *not at all important*. This choice ranks well above the other alternatives, including guidance at the beginning of the quarter, the analyst consensus, and earnings for the same quarter of the prior year, which also receive significant traction among our managers.

We note, however, that the topic of this survey may have encouraged managers to favor the guidance responses. For this reason, we asked several managers why their most recently issued earnings guidance might be the most important benchmark. Managers indicated that credibility is a big factor, with one manager stating that meeting your own guidance number “is all about credibility and delivering on your promise to the markets.” Another respondent elaborated:

At the end of the day, you can take a lot of comfort in knowing that you’ve done what you promised to do. Folks are going to react how they choose to react depending on performance and what the analyst expectations are, but it is paramount to hit the projections you put out.

Additionally, managers underscore that one implication of failing to meet your earnings guidance is that it may signal they do not fully understand their business and undermine their credibility more generally. This intuition is similar to that of Goodman, Neamtiu, Shroff, and White (2014) who find managers who are better forecasters also make better capital budgeting decisions and further suggests that managers believe the market infers managerial ability from forecasting accuracy (Trueman 1986). As noted above, managers also indicate that analyst

consensus earnings forecasts and reported earnings for the same quarter of the prior year are important benchmarks, but that the guidance benchmarks are most important.³⁰

4.3.5 *How likely are the following consequences of reporting earnings that fall below the lower bound of your company's most recently issued guidance range? (Table 17)*

Prior research finds that firms that miss earnings benchmarks experience market penalties and spend time explaining the reasons for poor performance to capital market participants (Graham et al. 2005). However, it is unclear whether the consequences of missing *earnings* guidance are different from external benchmarks such as analyst forecasts, because guidance is a benchmark managers set for *themselves*. Accordingly, we ask managers about the consequences of reporting earnings below the lower bound of their recently issued guidance range.

Managers say that *very likely* consequences include reduced credibility of subsequent guidance (70%), increased scrutiny from analysts (59%), and a significant stock price decline (56%). Other likely consequences managers perceive are increased scrutiny from the Board of Directors (41%), increased pressure from hedge funds (37%), and increased pressure from mutual funds (24%). Given managers' concern about reporting results that fall short of guidance (see Table 5 and 16), it is noteworthy that managers say reporting results falling short of guidance is unlikely to cause them to discontinue guidance.

Prior research suggests that market participants find forecasts of specific income statement line items (i.e., disaggregated) more credible than simple forecasts of earnings (Hutton, Miller, and Skinner, 2003; Merkley, Bamber, and Christensen 2013; Lansford, Lev, and Tucker 2013). Therefore, we examine whether concerns of reduced credibility for subsequent guidance differ

³⁰ Interestingly, in the Graham et al. (2005) survey that was conducted in 2003, prior-year earnings ranked above analyst consensus forecasts. Thus, in the nearly 20 years since, analyst forecasts appear to have surpassed prior-year earnings as a more salient benchmark for managers. We note that guidance was not nearly as prevalent at the time of their survey as it is today, which may explain why they did not consider it in their survey.

cross-sectionally based on the level of disaggregation management provides in its guidance. We find some evidence that respondents from firms that issue guidance for more metrics (i.e., more disaggregation) are relatively less concerned about missed earnings guidance leading to reduced credibility (*t-stat.* = 1.90).

In contrast to their concerns about reduced credibility, managers identify securities litigation as a particularly unlikely outcome of missing their own guidance range, with only 10% saying this is *very likely*, and 46% indicating that it is *not at all likely*. Although one possible trigger for securities litigation is a large stock price decline that accompanies an earnings shortfall, managers nevertheless say litigation risk is not a big concern. In addition, in cross-sectional tests, we find that managers from more profitable firms are less concerned about certain consequences we asked about, including significant stock price declines, scrutiny from the board of directors and analysts, increased pressure from hedge funds, and reduced credibility of subsequent earnings guidance (untabulated).

4.4 Perspectives of managers whose companies do not issue guidance

16.5% of our respondents report that their companies do *not* issue guidance. We ask several questions of these managers to understand their perspectives on guidance, particularly their views on the costs and benefits of guidance. Figure 2 depicts differences between the perceptions of guiders and non-guiders on these issues.

In Table 18, non-guiders indicate that satisfying investor and analyst demands for guidance and managing analyst expectations would be primary motivations for issuing guidance, consistent with the views of the guiders in our sample. Figure 2, Panel A indicates that the largest differences (in average ratings) between the perceived benefits for guiders and non-guiders are for reducing stock volatility (1.99) and managing analyst expectations (1.77). While 38% of guiders say they

very much anticipate guidance reducing stock volatility, only 7% of non-guiders would anticipate this benefit. As for managing analyst expectations, only 25% of non-guiders say they would *very much* anticipate this possible benefit compared with 80% of the guiders who say the same.

The final column of Table 18 reports *t*-statistics for tests of differences in the average rating between guiders and non-guiders. Perhaps not surprisingly, for each of the possible benefits, the average rating for guiders is greater than for non-guiders, with differences statistically significant at the 5% level for all but two possible benefits (improving stock liquidity and improving reputation with suppliers).

Turning to concerns associated with providing guidance, the adverse consequences of issuing guidance are more salient for non-guiders, potentially explaining why they do not issue guidance. In Table 19, a majority of non-guiders indicate that each of the following issues would *very much* be a concern for their companies: investors focusing too heavily on short-term results (64%), reporting results that fall short of guidance (59%), and analysts focusing too heavily on short-term results (59%). While these are also the top three concerns expressed by guider-managers, only between 37% and 41% of guiders express the same level of concern. In general, for every adverse consequence we asked about, non-guiders are more concerned than guiders about the possible adverse consequences of providing guidance, with all differences statistically significant at the 5% level.

Although guiders are relatively unconcerned with guidance increasing susceptibility to securities litigation, 47% of non-guiders say that providing guidance would *very much* increase susceptibility to shareholder litigation. As illustrated in Figure 2, Panel B, differences in the perceived risk of litigation from issuing guidance may help explain the different guidance choices these firms make. Notably, the greatest absolute difference in average rating between guiders and

non-guiders is for “Consuming substantial resources to respond to guidance-related inquiries from the investment community” (1.81). For this item, 32% of non-guiders say they would be *very much* concerned, compared with only 5% of guiders. While this difference may be driven by many factors (e.g., differences in investor base or organizational resources), exploring these differences may be fruitful for future research. In general, managers at firms issuing guidance perceive more (fewer) benefits (costs) of issuing guidance than their peers at non-guidance firms.

5. Archival sources of guidance data

Because most prior work relies on archival guidance data, our final analyses compare the frequency of self-reported guidance to several archival sources, with a specific focus on the number of unique guidance metrics identified by each source. Figure 3, Panel A presents results of comparisons to *I/B/E/S*. For these analyses, we compare survey responses to the guidance activity reflected in various archival sources based on the most recent Q4 press release prior to the launch of our survey. We find that *I/B/E/S* captures less guidance than our respondents indicate they provide, which extends other findings in the literature (Chuk et al. 2013; Mayew, Pinto, and Wu, 2023). Specifically, while 59 firms in our sample report they do not issue guidance, 150 of our sample firms have no guidance data available from *I/B/E/S*; thus, there are 91 firms (25.5% of our sample) that provide guidance but for which no guidance is available from *I/B/E/S*. In addition, our survey data suggest that the median firm that guides issues guidance for three different metrics, whereas *I/B/E/S* reports a median of only one metric. We also find that 57.1% (10.9%) of our respondent firms provide guidance for more (fewer) metrics than available from *I/B/E/S*.³¹ Because firms issue guidance in various forms and formats across multiple venues, it is perhaps not

³¹ To facilitate comparisons, we mapped *I/B/E/S* guidance classifications into those from our survey instrument. Although some respondents included multiple metrics in the “other” category, in this analysis we consider any “other” guidance as a single metric.

surprising that machine-readable databases do not capture all forms of guidance, especially if they impose standardization to facilitate data collection. In untabulated tests, we find that *I/B/E/S* is more likely to exclude guidance for firms for which analyst and institutional following is relatively low and sales growth is relatively high, broadly consistent with Chuk et al. (2013).

We next compare the guidance reported in our survey to that from Refinitiv's *Guidance Report (GR)* database, which contains originally-reported guidance and serves as source material for *I/B/E/S* guidance data. Mayew, Pinto, and Wu (2023) manually download and extract the contents of these reports, creating machine-readable *GR* guidance metrics that they compare to *I/B/E/S*. Importantly, Mayew et al. note that *I/B/E/S* data is a "strict and processed subset of *GR* data." Mayew et al. (2023) analyze S&P 1500 firms, and we do the same to facilitate comparison.³² Figure 3, Panel B presents results of comparisons between survey, *I/B/E/S*, and *GR* data. Because a central characteristic of the *GR* database is whether guidance is obtained from a numeric or textual source, we report frequency distributions for "*GR* numeric" and "*GR* text" data separately. It is evident from Panel B that *GR* numeric data is more similar to our survey data than *I/B/E/S*. The *GR* text (non-numeric) data, however, captures the survey-based delineation between guiders and non-guiders (i.e., zero guidance metrics) more closely than other sources. Hence, *GR* data is likely to be useful for future research studying forward-looking guidance.

We also consider the relationship between the extent of guidance reflected in our survey and the number of forward-looking statements (FLS) in firms' disclosures, measured using the Bozanic, Roulstone, and Van Buskirk (2018) approach. As measured by these authors, FLS are sentences containing forward-looking words extracted from earnings announcement press releases. For each firm represented in our sample, we follow Bozanic et al. and remove boilerplate

³² *GR* data has over 160 possible guidance metrics; we worked with the authors of Mayew et al. (2023) to map *GR* classifications into the metrics described in our survey instrument.

language before counting the number of sentences in an earnings announcement press release that contain forward-looking words. Because the guidance activity we examine in our survey is a subset of all forward-looking information, we expect the guidance activity reported in our survey to be less frequent than what FLS report. Figure 3, Panel C presents results of comparisons to FLS. We find that the number of FLS is more right-skewed than the number of guidance metrics. Specifically, 51.9% of respondent firms have more FLS than the maximum number of self-reported guidance metrics. In untabulated analysis, we find respondents indicating that they do not provide guidance have an average FLS of 6.0, and the number of guidance metrics survey respondents report is effectively uncorrelated with the average number of FLS (correlation coefficient = 0.02, p -value = 0.79). Collectively, this implies that FLS and guidance are distinct measures.

Two additional tables further compare our survey data to that available from *I/B/E/S*, *GR*, and the *FLS* data. First, Table 20 reports correlations between the number of guidance metrics issued by sample firms based on our survey data and those reported using machine-readable guidance data. Because we only have *GR* data for S&P 1500 firms, we tabulate figures for the full sample and for S&P 1500 firms separately. The number of guidance metrics survey respondents report issuing is most highly correlated with *GR Numeric* data (correlation = 0.69, rank-correlation = 0.70), which is somewhat higher than the corresponding correlation with *I/B/E/S* (correlation = 0.57, rank-correlation = 0.58).

Second, Table 21 reports more directly on the extent to which our survey-based guidance data are in agreement with the machine-readable sources. We consider different sources as in agreement if both classify a firm as issuing (or not issuing) guidance for a particular metric, and in disagreement if one (but not the other) indicates the firm issues guidance for that metric. We

report the overall (unconditional) agreement between two databases, as well as agreement conditional on the respondent indicating that their firm provides guidance for the metric in question. The results in Table 21 reveal considerable variation across both metrics and databases. For example, *I/B/E/S* appears to have the most agreement (unconditionally) with what the managers reported in our survey. However, when managers say their company issues a particular form of guidance, the *GR* data—and *GR All* in particular—exhibit the greatest agreement with what managers reported in the survey. Taken together, the results in Tables 20 and 21 suggest that archival sources of guidance data have different advantages when identifying the guidance our respondents indicate their firm provides.

6. Conclusion

Despite the vast academic literature on management guidance, surprisingly little is known about how managers think about guidance in practice. We survey 357 corporate managers and conduct nine follow-up interviews to improve our understanding of the incentives, process, and perspectives surrounding the practice of managers' voluntary disclosure of guidance and other forward-looking information.

Our survey includes managers' views about the costs and benefits of issuing guidance; the possible adverse consequences of guidance; where managers' expectations sit within a guidance range; why managers issue guidance that is conservative vs. optimistic relative to their private expectations; why managers bundle guidance with earnings announcements; their primary audience for guidance; and managers' *ex ante* confidence they will meet their guidance range.

For most managers, the primary goal of guidance is to shape sell-side analysts' earnings expectations. The typical manager is not overly concerned about disclosing proprietary information or about the risk of litigation in relation to their guidance activity, although managers

of firms that do *not* issue guidance see these as more important considerations. Managers indicate that they bundle guidance to allow them to answer questions during earnings calls (and in subsequent private meetings), which better allows them to control the narrative around earnings disclosures. Managers also tend to be highly confident the earnings they report will fall within the guidance range, which contrasts with historical data indicating that, even for surveyed firms, reported earnings fall outside the guided range a majority of the time. This suggests managers are miscalibrated about their ability to forecast earnings (Ben-David et al. 2013), which may itself explain why many managers issue earnings guidance.

Managers indicate that recently issued guidance is the most important earnings benchmark. In follow-up interviews, managers cite the loss of credibility, reputation effects, and career consequences as reasons for the importance of reporting earnings that meet their public guidance. Thus, while guidance may not be the best measure of the market's earnings expectations, it appears to be the most important benchmark in the eyes of managers themselves.

Our study is subject to several caveats. First, as with prior surveys, our findings speak to managers' perceptions, which may not always be completely representative of reality. For example, when managers express concerns about the costs of missing their own guidance, some of these concerns may not reflect the true consequences the firm would face (it could be that managers of firms that have not been subject to class action securities litigation for earnings disappointments may underestimate the likelihood and/or consequences of such litigation). Second, managers may have slanted their responses to portray themselves, their company, or their profession in a more favorable light. For example, our results suggest managers do not bias their guidance conservatively in order to dissuade potential competitors from entering their product market space, but managers might be unwilling to admit this. Third, the topic of the survey may

lead managers to over-emphasize the importance of guidance in certain questions. Specifically, our result that managers believe the most important benchmark to meet is their most recently issued earnings guidance could have been affected by the fact that this question came towards the end of our survey instrument. However, several interviewees offered specific explanations for this finding, which assuage concerns about biased survey responses. Fourth, while the managers who responded to our survey are employed by firms of various sizes and that represent multiple industries, our results may not generalize to the population of firms represented in our subject pool. Despite these caveats, we believe our findings contribute to the literature and offer important insights for future research.

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Figure 1
Graphical representation of the survey instrument and linked tables

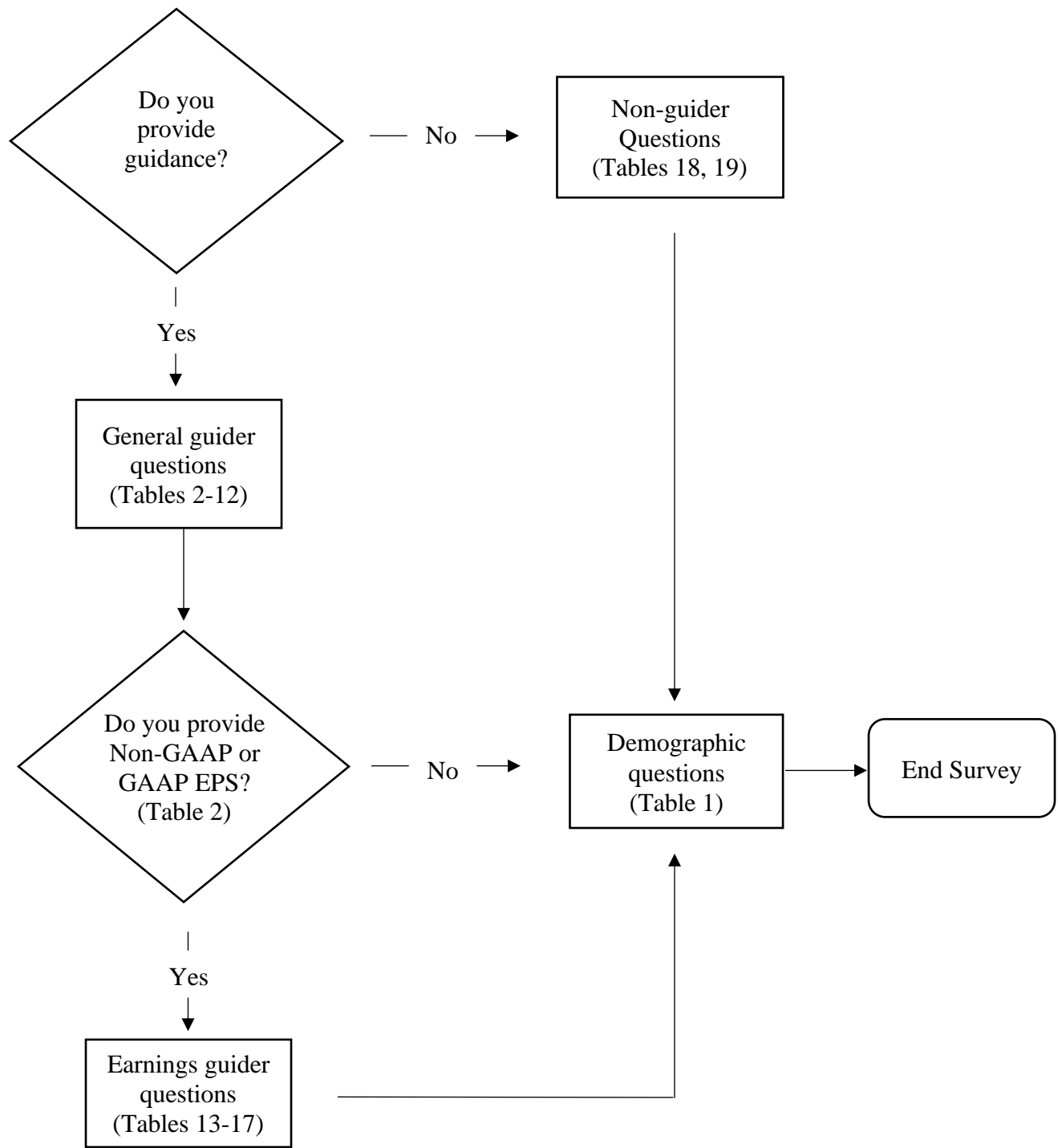
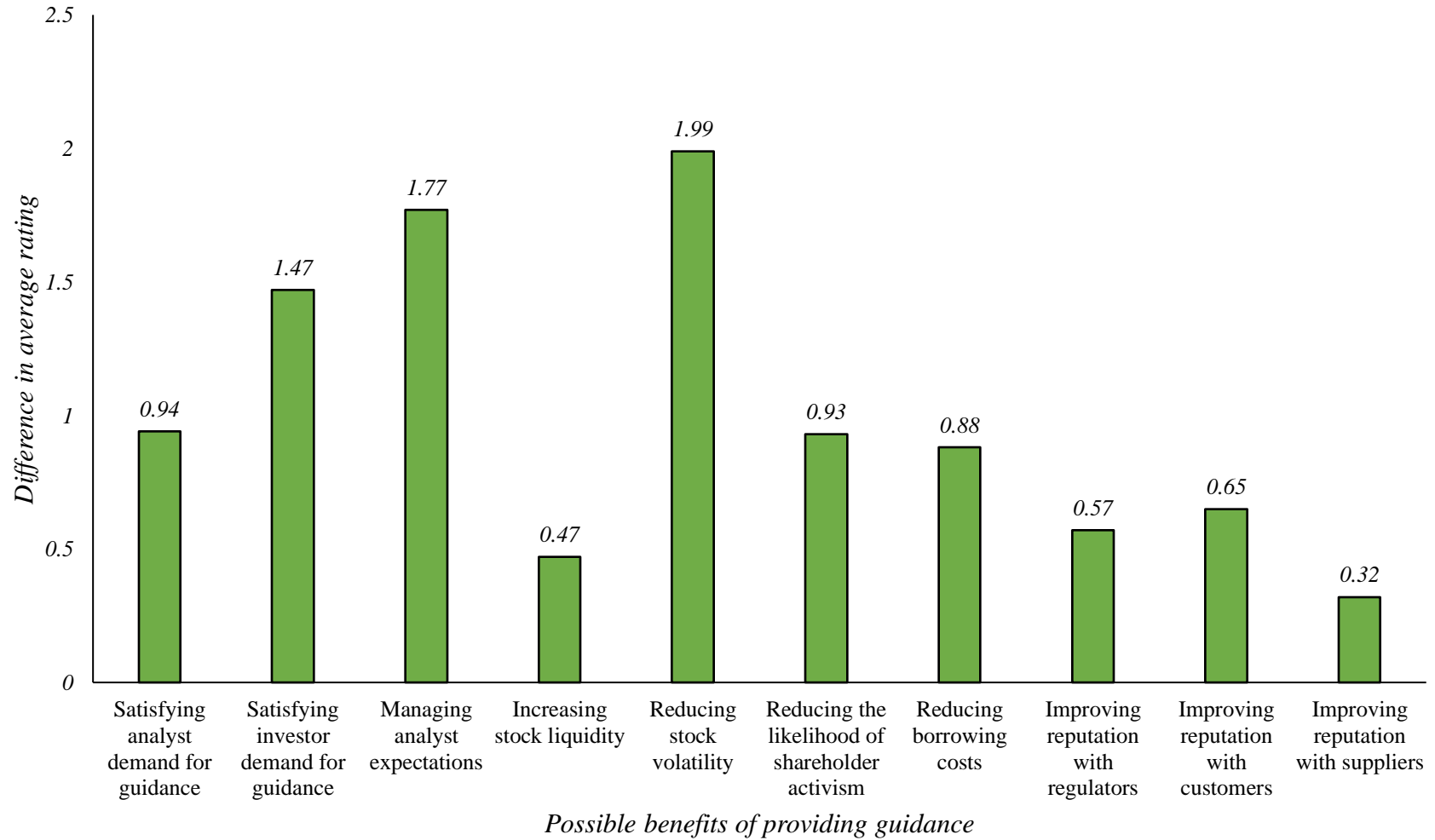


Figure 1 presents a graphical representation of the survey instrument. Participants begin in the diamond symbol in the top left of the figure with the question: "Do you provide guidance?". We asked: "Does your company normally provide guidance or other forward-looking information (including outlook, aspirational goals, or targets) for investors or other external parties?". For determining Non-GAAP or GAAP EPS issuance, we asked: "For which of the following metrics does your company provide forward-looking information? Select all that apply." We classify a respondent as yes if they select 'Non-GAAP or "Street" EPS' or 'GAAP EPS' (See Table 2).

Figure 2
Comparing guiders and non-Guiders

Panel A: Difference in perceived benefits of providing guidance (guiders minus non-guiders)



Panel B: Difference in perceived adverse consequences of providing guidance (non-guiders minus guiders)

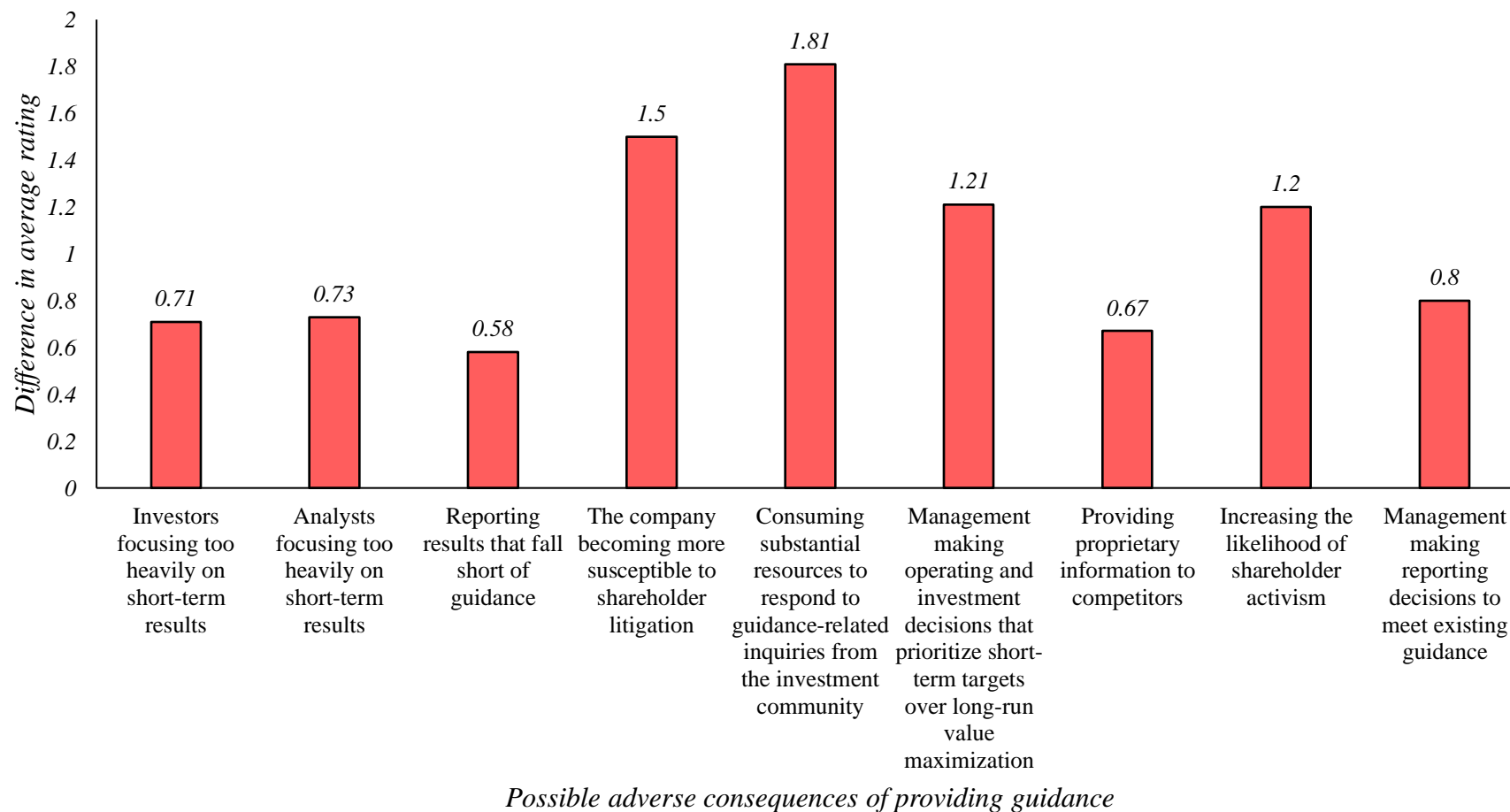
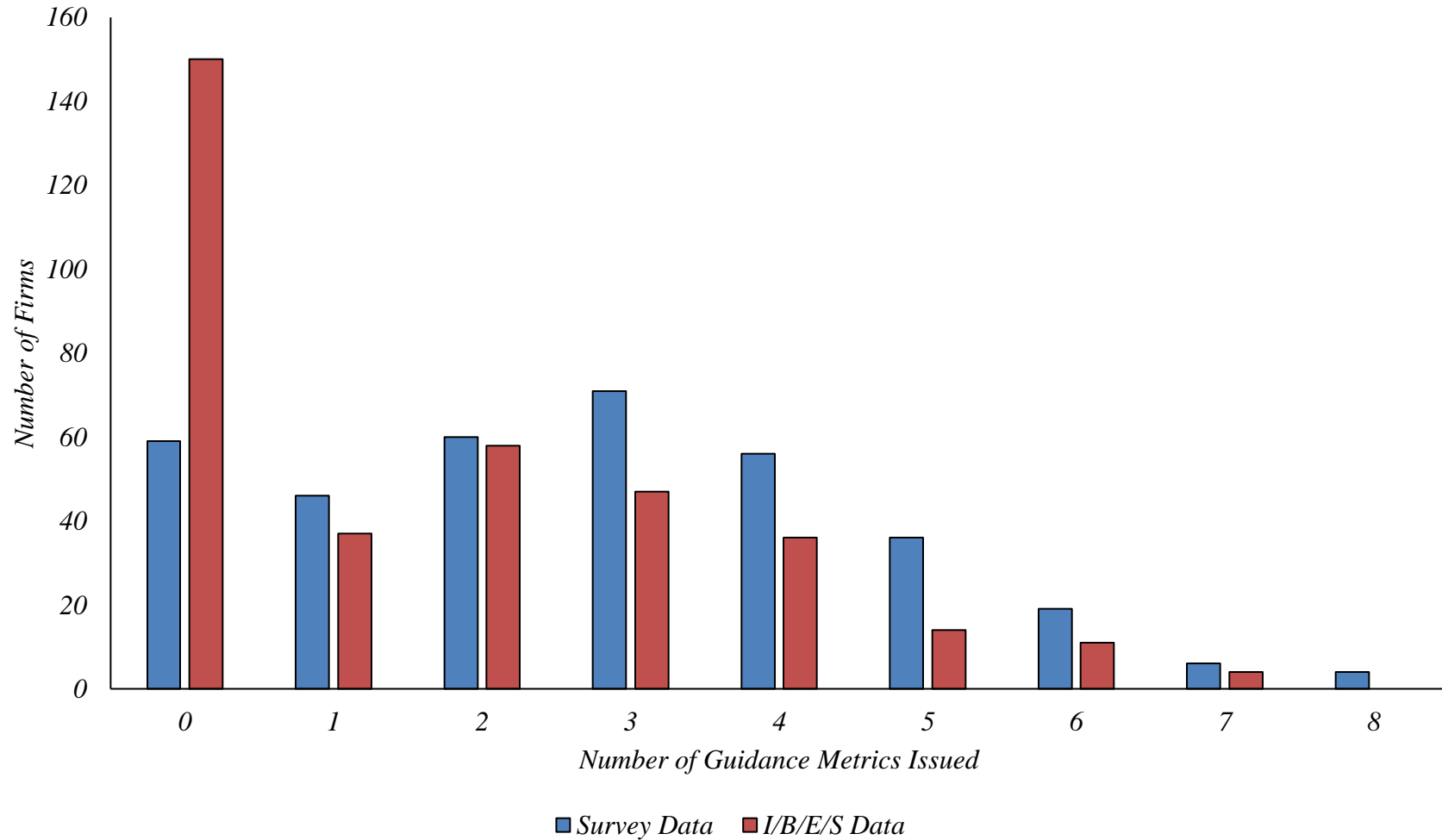


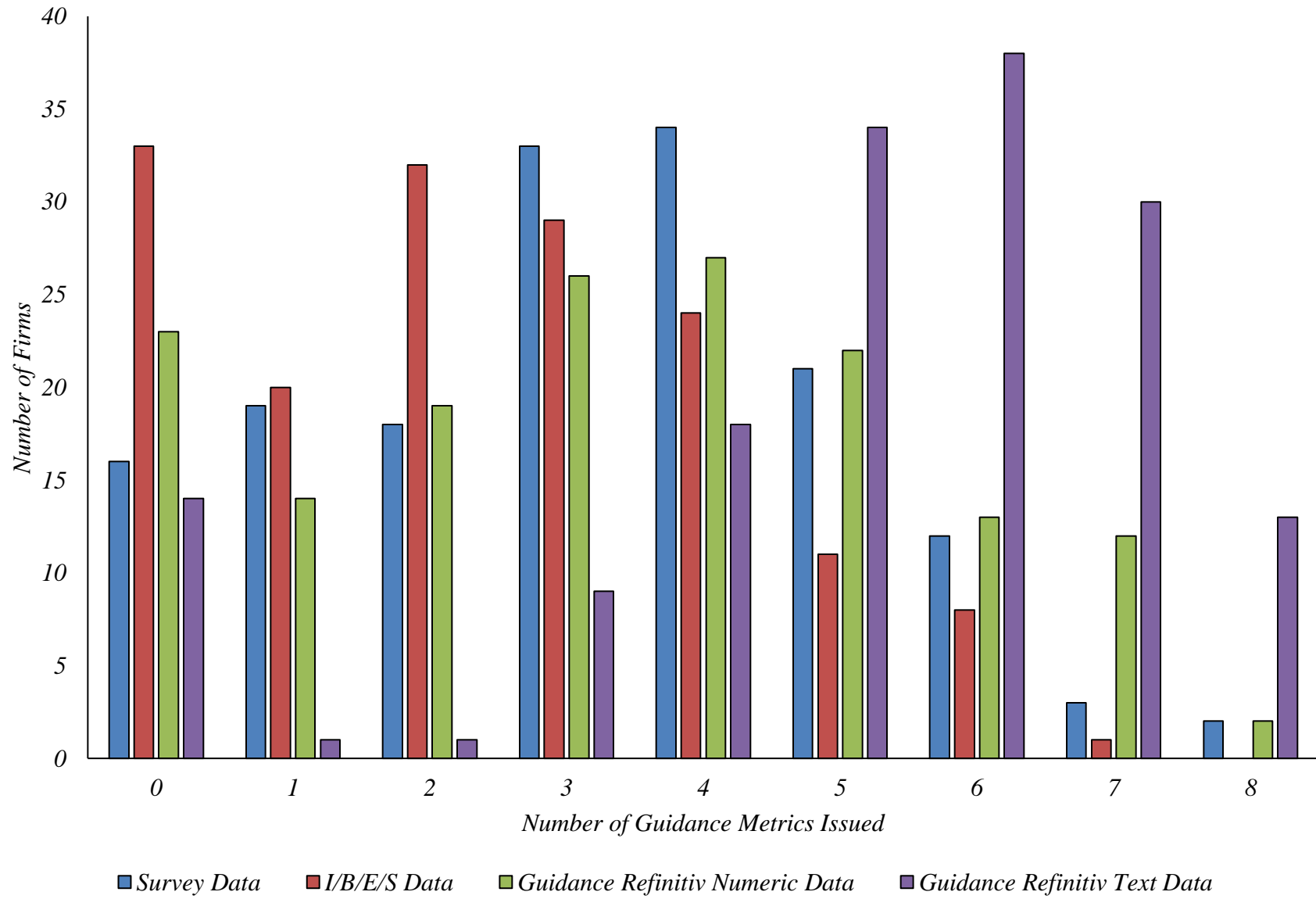
Figure 2 presents a visual representation of the differences between the average rating of guiders and non-guider respondents for the questions related to the benefits and adverse consequences of forward-looking guidance. Panel A presents differences in the possible benefits of guidance measured as the average rating for guider responders minus the average rating for non-guider responders. Panel B presents differences in the possible adverse consequences of guidance measured as the average rating for non-guider responders minus the average rating for guider responders.

Figure 3
Comparing self-reported guidance activity to frequencies in archival data sources

Panel A: Survey data vs. I/B/E/S data



Panel B: Survey data vs. *I/B/E/S* data vs. *Guidance Report* data (S&P 1500 firms)



Panel C: Survey data vs. forward-looking statement data

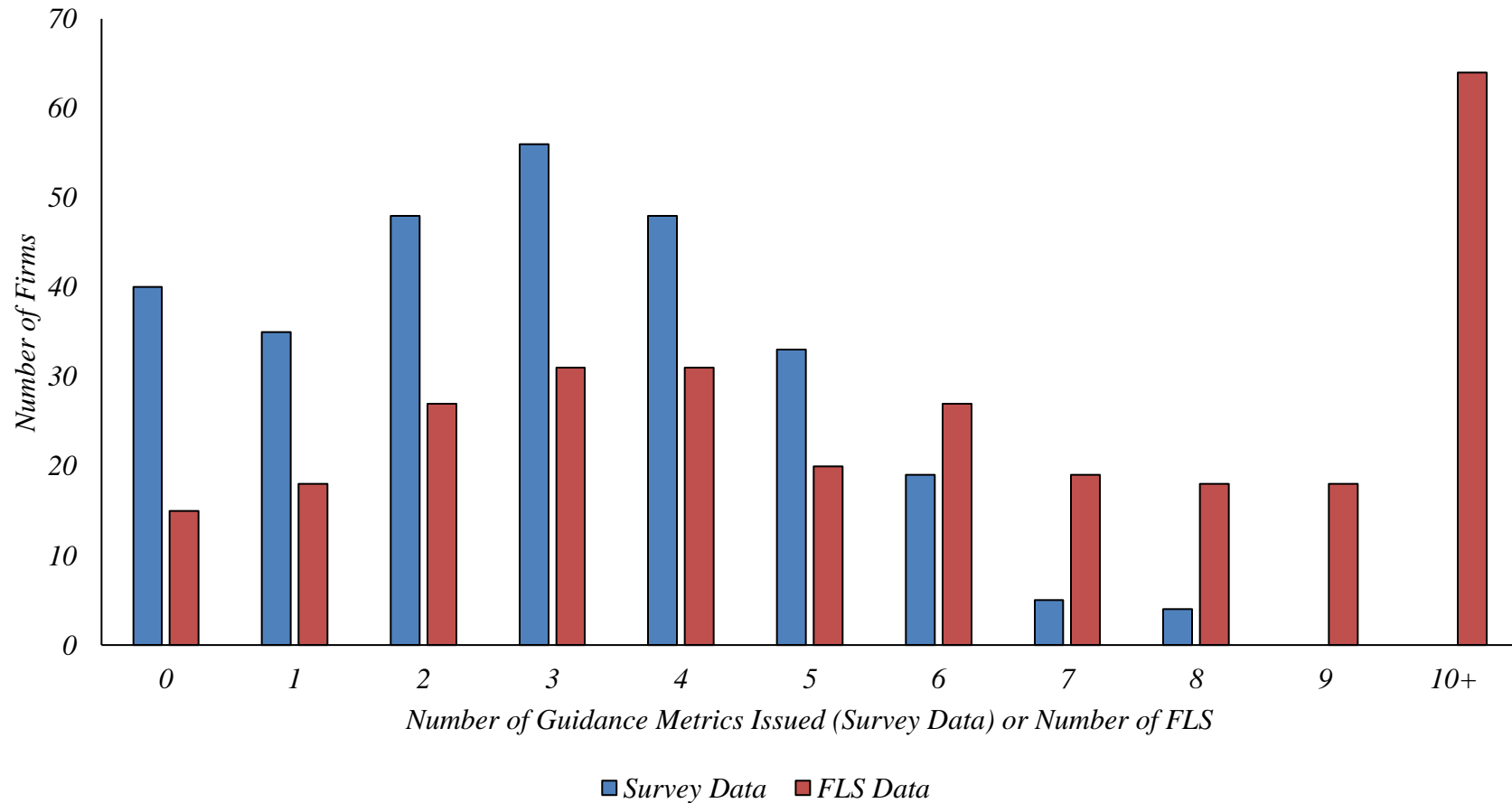


Figure 3 presents frequency distributions using self-reported guidance activity and archival data sources. Panel A presents the number of guidance metrics using survey and *I/B/E/S* data. For example, the column with the *x*-axis label ‘3’ implies that 47 (71) unique survey respondents indicated that their firm issues three different types of guidance (e.g., CAPEX, GAAP EPS, and Sales) based on the *I/B/E/S* guidance detail file (survey data we collected). Panel B presents the number of guidance metrics per respondent based on survey, *I/B/E/S*, *Guidance Report* numeric, and *Guidance Report* text data. This sample includes firms included in our survey from the S&P 1500. Panel C presents frequency distributions of the number of guidance metrics issued and the number of forward-looking statements per respondent firm, measured using the most recent Q4 press release prior to the launch of our survey (Bozanic, Roulstone, and Van Buskirk, 2018). The sample includes respondents whose Q4 press releases were obtainable via the WRDS SEC Analytics Suite (N=288). Each column denotes the number of firms issuing a specific number of guidance metrics.

Table 1
Characteristics of survey respondents and their companies

Investors with 5% Ownership	% of Total	% of Non-Guiders	Years in Current Role:	% of Total	% of Non-Guiders
Hedge fund	41.25	52.63	< 1 year	3.43	0.00
Mutual fund	82.84	64.91	1-3 years	23.99	24.14
Defined-benefit pension fund	11.55	8.77	4-6 years	22.19	13.79
Insurance firm	5.61	1.75	7-9 years	10.28	12.07
Endowments or foundations	5.61	7.02	10+ years	40.19	50.00
High net-worth individuals	24.09	49.12			
Retail brokerage clients	8.58	10.53			
			Years with Current Employer		
			< 1 year	4.98	3.45
			1-3 years	23.36	17.24
			4-6 years	20.87	17.24
			7-9 years	13.71	22.41
			10+ years	37.07	39.66
Primary Industry			Education		
Consumer Discretionary	8.90	6.90	Bachelor's degree in marketing	1.57	0.00
Consumer Staples	3.41	5.17	Bachelor's degree in communications	3.76	1.75
Energy	5.88	3.45	Bachelor's degree in accounting	21.94	31.58
Financials	20.74	51.72	Bachelor's degree in business	9.09	12.28
Health Care	15.48	12.07	Bachelor's degree in economics	10.34	3.51
Industrials	12.38	6.90	Bachelor's degree in finance	14.42	5.26
Information Technology	13.93	1.72	Other bachelor's degree	21.00	19.30
Materials	4.64	0.00	MBA	43.26	40.35
Telecommunication Services	3.41	3.45	Other master's degree	17.24	15.79
Utilities	2.17	1.72	Ph.D.	1.57	1.75
Other	8.98	6.90			
			Certifications		
Analyst Following			Chartered Financial Analyst	12.23	3.51
0-3	23.91	53.45	Certified Public Accountant	26.96	40.35
4-6	23.60	27.59	Investor Relations Charter	5.02	1.75
7-10	14.91	5.17	Other	14.00	3.85
11-15	16.15	10.34			
16-20	10.56	3.45	Company Market Capitalization		
21-25	6.52	0.00	< \$100 million	9.01	24.56
26+	4.35	0.00	\$100 million - \$249 million	5.28	12.28
			\$250 million - \$499 million	7.45	10.53
			\$500 million - \$999 million	9.63	14.04
			\$1 billion - \$10 billion	48.45	29.82
			> \$10 billion	20.19	8.77
Preference for Analyst Following			Prior Experience		
Fewer than current number	12.81	3.45	Corporate communications / PR	23.76	16.40
Current level is about right	47.19	51.72	Corporate finance	55.78	52.72
More than current number	40.00	44.83	Corporate marketing / Sales	10.89	16.36
			Accounting	32.01	47.27
Age			Investment banking	12.21	12.72
<30	1.25	1.72	Sell-side research	18.15	3.64
30-39	17.19	13.79	Institutional investing	9.90	7.28
40-49	23.44	18.97			
50-59	40.63	43.10			
60+	17.50	22.41			
Gender					
Male	75.47	75.86			
Female	23.60	24.14			
Let me specify:	0.31	0.00			
Prefer not to say	0.62	0.00			

Table 1 (continued)
Demographic characteristics of survey respondents and their companies.

Report Directly to CEO/CFO?	% of Total	% of Non- Guiders
Yes	90.22	88.68
No	9.78	11.32
Job Role		
Chief Executive Officer	3.10	13.79
Chief Financial Officer	23.22	50.00
Vice President	4.95	1.72
Investor Relations Officer	64.09	29.31
Other	4.64	5.17

Table 1 presents demographic characteristics for the 323 managers who responded to the survey including to at least one demographic question. Column 1 reports the percentage of respondents across the full sample (of guiders and non-guiders). Column 2 reports the percentage of respondents based only on the non-guider group (i.e., scaled by a maximum of the 59 non-guider respondents).

Table 2**Survey responses to the question:**

For which of the following metrics does your company provide forward-looking information? Select all that apply.

Responses	<u>Survey Firms Only</u>		<u>All Firms</u>
	Survey Data	<i>I/B/E/S</i> Data	<i>I/B/E/S</i> Data
(1) Non-GAAP or "Street" EPS	39.6%	38.6%	25.6%
(2) CAPEX	47.0%	39.6%	25.6%
(3) GAAP EPS	25.9%	18.5%	11.4%
(4) Gross margin	24.5%	13.4%	8.2%
(5) Cash flows (including EBITDA, free cash flow, cash from operations, etc.)	41.9%	27.2%	17.0%
(6) Sales or sales growth	64.4%	48.7%	30.9%
(7) EBIT or operating profit	29.5%	2.3%	12.8%
(8) Other	33.9%	--	--
(9) Operational information (e.g., production, billings, order backlog)	19.1%	--	--

Total Possible N = 298

Table 2 presents the percentage of the types of forward-looking metrics respondents provide for the 298 respondents who responded to the survey and reported providing at least one forward-looking metric. Column 1 reports survey data, column 2 reports *I/B/E/S* data for our respondents, and column 3 reports *I/B/E/S* data for all firms. We order responses by the difference between columns 1 and 2.

Table 3

Survey responses to the question:

For which of the following periods does your company provide forward-looking information? Select all that apply.

Responses	<u>Survey Firms Only</u>		<u>All Firms</u>
	Survey Data	<i>I/B/E/S</i> Data	<i>I/B/E/S</i> Data
(1) We provide forward-looking information for quarterly periods	43.6%	45.3%	28.4%
(2) We provide forward-looking information for annual periods	81.2%	65.1%	43.6%
(3) We provide forward-looking information covering multi-year performance (e.g., three-year growth rate)	30.2%	8.3%	5.8%
(4) Other	7.7%	--	--
Total Possible N = 298			

Table 3 presents the percentage of respondents who provide each type of period of forward-looking information for the 298 respondents who responded to the survey and reported providing forward-looking information for at least one type of period. Column 1 reports survey data, column 2 reports *I/B/E/S* data for our respondents, and column 3 reports *I/B/E/S* data for all firms. We order responses by the difference between columns 1 and 2.

Table 4
Survey responses to the question:
 To what extent does your company anticipate the following possible benefits of providing guidance?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Much (5 or 6)	Not At All (0 or 1)
(1) Managing analyst expectations	5.14	2-10	78.82	1.39
(2) Satisfying investor demand for guidance	4.88	3-10	71.53	2.78
(3) Satisfying analyst demand for guidance	4.57	4-10	61.46	4.51
(4) Reducing stock volatility	3.84	5-10	38.46	11.89
(5) Increasing stock liquidity	2.63	6-10	15.68	31.36
(6) Reducing the likelihood of shareholder activism	2.30	7-10	11.54	39.51
(7) Reducing borrowing costs	1.78	9-10	8.04	51.75
(8) Improving reputation with customers	1.50	10	6.32	60.70
(9) Improving reputation with regulators	1.47	10	5.96	61.05
(10) Improving reputation with suppliers	1.15	--	2.81	68.77
Total possible N = 288				

Column 1 reports the average rating, where higher values correspond to greater anticipation. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating anticipation of 5 or 6 (0 or 1).

Table 5**Survey responses to the question:**

To what extent is your company concerned about the following possible adverse consequences of providing guidance?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Much (5 or 6)	Not At All (0 or 1)
(1) Reporting results that fall short of guidance	3.91	4-9	40.69	9.31
(2) Investors focusing too heavily on short-term results	3.83	4-9	40.69	11.38
(3) Analysts focusing too heavily on short-term results	3.78	4-9	37.37	9.34
(4) Providing proprietary information to competitors	2.38	7-9	13.15	37.37
(5) The company becoming more susceptible to shareholder litigation	2.30	7-9	9.00	35.99
(6) Management making operating and investment decisions that prioritize short-term targets over long-run value maximization	2.18	7-9	9.34	41.18
(7) Increasing the likelihood of shareholder activism	1.82	--	5.54	47.75
(8) Management making reporting decisions to meet existing guidance	1.81	--	5.54	53.29
(9) Consuming substantial resources to respond to guidance-related inquiries from the investment community	1.80	--	5.57	48.78
Total possible N = 290				

Column 1 reports the average rating, where higher values correspond to greater concern. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating concern of 5 or 6 (0 or 1).

Table 6**Survey responses to the question:**

How important are the following inputs for determining your company's internal projections of future performance?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Important (5 or 6)	Not At All Important (0 or 1)
(1) Internal projections provided by individual business units	5.55	2-7	90.07	1.77
(2) Your company's recent financial results (e.g., earnings, sales growth)	4.49	3-7	57.65	6.05
(3) Industry forecasts or other industry-level trends	3.66	5-7	32.74	10.68
(4) Macroeconomic indicators (e.g., GDP growth, interest rates, unemployment)	3.53	5-7	35.00	14.29
(5) Analysts' forecasts of your company's future performance	2.24	6-7	9.96	37.01
(6) Analysts' forecasts of competitors' future performance	1.68	7	4.27	50.53
(7) Your company's recent stock returns	1.03	--	2.50	70.00
Total possible N = 282				

Column 1 reports the average rating, where higher values correspond to greater importance. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating importance of 5 or 6 (0 or 1).

Table 7**Survey responses to the question:**

To what extent do you have the following audiences in mind when preparing and issuing your company's guidance?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Much (5 or 6)	Not At All (0 or 1)
(1) Long-term oriented investors	5.33	2-13	81.21	0.35
(2) Sell side analysts	5.20	3-13	78.80	1.41
(3) Hedge funds	3.55	4-13	38.16	21.20
(4) Employees	2.90	6-13	18.41	23.10
(5) Individual retail investors	2.66	8-13	20.43	33.69
(6) Lenders	2.44	9-13	15.88	36.46
(7) Activist investors	2.40	9-13	18.05	39.35
(8) Regulators	2.13	11-13	14.13	45.65
(9) Index or passive funds	2.02	13	14.33	50.90
(10) Competitors	1.99	13	8.99	46.04
(11) Auditors	1.81	13	9.75	51.99
(12) Customers	1.79	13	5.84	48.18
(13) Journalists	1.41	--	4.43	60.89
Total possible N = 283				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).

Table 8**Survey responses to the question:**

To what extent might the following factors cause your company to suspend or completely end your practice of issuing guidance?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Much (5 or 6)	Not At All (0 or 1)
(1) Your company's operating environment becomes more uncertain and unpredictable	4.42	2-9	60.00	8.73
(2) Industry peers suspend or stop providing guidance	2.80	4-9	18.91	26.91
(3) Guidance triggers additional regulatory scrutiny	2.54	4-9	19.12	36.76
(4) Analysts or investors consistently overreact to your company's guidance	2.27	5-9	9.93	37.50
(5) Guidance triggers additional political scrutiny	1.85	7-9	10.41	51.67
(6) Your company's reputation is damaged when reported results fall short of public guidance	1.76	8-9	7.01	49.45
(7) Your company incurs proprietary costs associated with the issuance of guidance	1.55	8-9	5.54	59.78
(8) Your company's stock price declines when reported results fall short of public guidance	1.30	--	2.93	67.03
(9) Your company expects poor future performance	1.22	--	3.68	69.85
Total possible N = 275				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).

Table 9**Survey responses to the question:**

To what extent do you believe bundling guidance with earnings announcements results in the following outcomes?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Much (5 or 6)	Not At All (0 or 1)
(1) Bundling guidance allows companies to answer questions about guidance in their conference call	5.36	2-5	85.00	1.79
(2) Bundling guidance enables companies to better control the tenor of the news reported at the earnings announcement	4.62	4-5	60.57	3.23
(3) Bundling guidance helps users better interpret the information in each individual disclosure	4.55	5	59.93	3.97
(4) Bundling guidance with earnings announcements causes investors to expect guidance at every earnings announcement	4.37	5	59.57	10.99
(5) Bundling guidance with earnings announcements makes it more difficult for users to interpret each individual disclosure	1.15	--	3.97	74.01
Total possible N = 282				

Column 1 reports the average rating, where higher values correspond to greater belief. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating belief of 5 or 6 (0 or 1).

Table 10

Survey responses to the question:

Which of the following parties typically approves guidance before it is issued publicly? Select all that apply.

Responses	Survey Data
(1) The CFO	95.4%
(2) The CEO	91.2%
(3) The Board of Directors (or a subcommittee)	49.6%
(4) Legal Counsel	43.7%
(5) External Auditor	14.4%
(6) Other	13.0%

Total Possible N = 284

Table 10 presents the percentage of respondents who identified a party as typically approving guidance before it is issued publicly for the 284 respondents who responded to the survey and reported at least one party approving guidance before it is issued publicly.

Table 11

Survey responses to the question:

During the initial months of COVID-19 (i.e., March, April, or May of 2020), how, if at all, did your company revise the guidance it had issued prior to the pandemic? Select all that apply.

Responses	Survey Data
(1) We retracted our existing guidance	44.1%
(2) We revised our existing guidance downwards	22.8%
(3) We stayed silent and did not update or affirm any previously issued guidance	16.0%
(4) We affirmed our existing guidance	15.2%
(5) We increased the width of our existing guidance	6.1%
(6) We revised our existing guidance upwards	4.6%

Total Possible N = 263

Table 11 presents the percentage of respondents that reported the way they revised their existing guidance during the initial months of the COVID-19 pandemic for the respondents who indicated in the survey that they issue guidance in at least one way.

Table 12
Survey responses to the question:
 How, if at all, has your company’s guidance policy changed as a result of the COVID-19 pandemic?

Responses	Survey Data
(1) We have not changed our guidance policy	71.1%
(2) We still provide guidance, but provide less than we did before COVID-19	11.7%
(3) We now provide more guidance than we did before COVID-19	9.4%
(4) We have temporarily suspended guidance	7.9%
(5) We have permanently discontinued guidance	0.0%
Total Possible N = 266	

Table 12 presents the percentage of respondents who reported the way they had changed their guidance policy as a result of the COVID-19 pandemic. for the 266 respondents who reported how their guidance policy changed in response to the COVID-19 pandemic.

Table 13**Survey responses to the question:**

Relative to your company's external guidance range, how likely is it that your company's internal earnings projection is:

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Likely (5 or 6)	Very Unlikely (0 or 1)
(1) In the upper half of the range	3.71	3-5	36.13	12.61
(2) Equal to the midpoint of the range	3.48	3-5	28.57	13.45
(3) Above the upper bound of the range	2.66	4-5	23.93	37.61
(4) In the lower half of the range	1.63	5	3.36	53.78
(5) Below the lower bound of the range	0.76	--	3.33	83.33
Total possible N = 120				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).

Table 14**Survey responses to the question:**

To what extent do the following explain why your company might issue earnings guidance that is more optimistic (or, alternatively, more conservative) than your company's internal projection?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Completely Explains (5 or 6)	Does Not Explain (0 or 1)
(1) When we issue conservative guidance, it is to give ourselves leeway for an unexpected downturn	4.03	3-6	46.15	10.26
(2) When we issue optimistic guidance, it is to convey confidence about our future prospects	3.81	3-6	41.38	11.21
(3) When we issue conservative guidance, it is because we want analysts to issue beatable forecasts	2.96	4-6	24.79	24.79
(4) When we issue optimistic guidance, it is because we want analysts to issue optimistic forecasts	1.94	5-6	8.62	46.55
(5) When we issue optimistic guidance, it is because we anticipate that stakeholders will discount our guidance	1.02	6	0.86	74.14
(6) When we issue conservative guidance, it is to dissuade potential competitors from entering our product market space	0.38	--	0.00	93.16
Total possible N = 117				

Column 1 reports the average rating, where higher values correspond to greater explanatory power. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating explanatory power of 5 or 6 (0 or 1).

Table 15**Survey responses to the question:**

When issuing earnings guidance at the start of the period, how likely do you believe it is that your company's eventual reported earnings will fall within your initial guidance range?

	Responses	Survey Data	Average Above	Average Within	Average Below
(1)	100%	12.7%	56.3%	31.2%	12.4%
(2)	90%	31.0%	58.8%	21.1%	20.1%
(3)	80%	32.5%	55.2%	28.6%	16.2%
(4)	70%	11.9%	43.7%	40.2%	16.1%
(5)	60%	0.8%	--	--	--
(6)	50%	3.2%	--	--	--
(7)	40%	0.8%	--	--	--
(8)	30%	1.6%	75.2%	9.4%	15.4%
(9)	20%	2.4%	--	--	--
(11)	10%	2.4%	--	--	--
(12)	0%	0.8%	--	--	--

N = 126
Average = 78.48%

Table 15 presents the percentage of respondents who reported their belief in the likelihood that their company's eventual reported earnings will fall within their initial guidance range. Columns 2-4 present *I/B/E/S* historical estimates for the same respondents for the four most recent years prior to our survey launch. We combine bins in columns 2-4 for 60% and below due to the small number of observations per bin.

Table 16**Survey responses to the question:**

How important are the following earnings benchmarks to your company when you report a quarterly earnings number?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Important (5 or 6)	Not At All Important (0 or 1)
(1) Your company's most recent earnings guidance	5.09	2-6	78.69	2.46
(2) Your earnings guidance issued at the start of the quarter	4.57	5-6	66.39	9.84
(3) Analyst consensus forecast of earnings for the current quarter	4.55	5-6	61.79	5.69
(4) Earnings for the same quarter last year	4.33	5-6	58.87	9.68
(5) Earnings for the previous quarter	3.33	--	29.27	19.51
(6) Profit/loss threshold (i.e. earnings \geq 0)	3.09	--	31.71	30.89
Total possible N = 124				

Column 1 reports the average rating, where higher values correspond to greater importance. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating importance of 5 or 6 (0 or 1).

Table 17**Survey responses to the question:**

How likely are the following consequences of reporting earnings that fall below the lower bound of your company's most recently issued guidance range?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered	
			Very Likely (5 or 6)	Not At All Likely (0 or 1)
(1) Reduced credibility of subsequent earnings guidance	4.81	4-10	69.67	3.28
(2) Increased scrutiny from analysts	4.64	4-10	59.35	0.81
(3) Significant stock price decline	4.59	4-10	56.10	3.25
(4) Increased scrutiny of management from the Board of Directors	3.90	6-10	40.65	11.38
(5) Increased pressure from hedge funds	3.73	6-10	36.89	15.57
(6) Increased pressure from mutual funds	3.20	7-10	24.39	22.76
(7) Company becomes the target of shareholder activism	2.37	9-10	11.38	37.40
(8) Company becomes the target of litigation	2.20	9-10	9.76	45.53
(9) Lower stock liquidity	1.70	10	2.46	52.46
(10) Analysts stop covering your company	1.34	--	4.88	65.85
Total possible N = 123				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).

Table 18
Non-guider survey responses to the following question:
 To what extent does your company anticipate the following possible benefits of providing guidance?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered		Comparison with guiders	
			Very Much (5 or 6)	Not At All (0 or 1)	Guider Average Rating	Test of Difference (<i>t</i> -statistic)
(1) Satisfying analyst demand for guidance	3.63	4-10	37.29	15.25	4.57	4.41***
(2) Satisfying investor demand for guidance	3.41	4-10	32.20	16.95	4.88	7.71***
(3) Managing analyst expectations	3.37	4-10	25.42	16.95	5.14	9.81***
(4) Increasing stock liquidity	2.16	6-10	8.62	39.66	2.63	1.86*
(5) Reducing stock volatility	1.85	7-10	6.78	47.46	3.84	8.46***
(6) Reducing the likelihood of shareholder activism	1.37	7-10	1.69	54.24	2.30	3.81***
(7) Reducing borrowing costs	0.90	--	3.39	77.97	1.78	3.66***
(8) Improving reputation with regulators	0.90	--	1.69	71.19	1.47	2.55**
(9) Improving reputation with customers	0.85	--	5.08	77.97	1.50	2.82***
(10) Improving reputation with suppliers	0.83	--	1.69	76.27	1.15	1.63
Total possible N = 59						

Column 1 reports the average rating for non-guiders, where higher values correspond to greater anticipation. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating anticipation of 5 or 6 (0 or 1). Column (5) reports the average rating for guiders for ease of comparison, and Column 6 reports the results of *t*-tests of the null hypothesis that the average rating for a given item is equal across guiders and non-guiders, *, **, and *** represent significance (two-tailed) at the 10%, 5%, and 1% levels, respectively.

Table 19**Non-guider survey responses to the question:**

To what extent is your company concerned about the following possible adverse consequences of providing guidance?

Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered		Comparison with guiders	
			Very Much (5 or 6)	Not At All (0 or 1)	Guider Average Rating	Test of Difference (<i>t</i> -statistic)
(1) Investors focusing too heavily on short-term results	4.54	5-9	64.41	6.78	3.83	3.07***
(2) Analysts focusing too heavily on short-term results	4.51	5-9	59.32	6.78	3.78	3.23***
(3) Reporting results that fall short of guidance	4.49	4-9	59.32	3.39	3.91	2.58**
(4) The company becoming more susceptible to shareholder litigation	3.80	8-9	47.46	15.25	2.30	6.35***
(5) Consuming substantial resources to respond to guidance-related inquiries from the investment community	3.61	9	32.20	6.78	1.80	8.27***
(6) Management making operating and investment decisions that prioritize short-term targets over long-run value maximization	3.39	9	35.59	22.03	2.18	4.98***
(7) Providing proprietary information to competitors	3.05	--	23.73	22.03	2.38	2.60***
(8) Increasing the likelihood of shareholder activism	3.02	--	22.03	18.64	1.82	5.56***
(9) Management making reporting decisions to meet existing guidance	2.61	--	20.34	35.59	1.81	3.33***
Total possible N = 59						

Column 1 reports the average rating for non-guiders, where higher values correspond to greater concern. Column 2 reports the results of *t*-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level and use Bonferroni-Holm-adjusted *p*-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating concern of 5 or 6 (0 or 1). Column (5) reports the average rating for guiders for ease of comparison, and Column 6 reports the results of *t*-tests of the null hypothesis that the average rating for a given item is equal across guiders and non-guiders, *, **, and *** represent significance (two-tailed) at the 10%, 5%, and 1% levels, respectively.

Table 20
Correlations between the number of guidance metrics issued by sample firms based on survey data and that reported using selected alternative guidance data

	All firms (Maximum Obs. = 357)		S&P 1500 respondent firms (Obs. = 157)	
	Correlation	Rank Correlation	Correlation	Rank Correlation
<i>I/B/E/S</i>	0.586	0.591	0.573	0.579
<i>GR All</i>	--	--	0.547	0.532
<i>GR Numeric</i>	--	--	0.689	0.700
<i>GR Text</i>	--	--	0.457	0.448
<i>FLS</i>	0.017	-0.012	-0.072	-0.114

Table 20 reports correlations between the number of guidance metrics issued by a given firm based on responses to our survey and the number of guidance metrics available for that firm from alternative sources of guidance data (as detailed in the text).

Table 21
Comparison of survey guidance metrics to machine-readable guidance data

Metric	% Agreement with survey data									
	Unconditional					Conditional on firm providing guidance, per survey data				
	All Firms		S&P 1500 Firms			All Firms		S&P 1500 Firms		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	<i>I/B/E/S</i>	<i>I/B/E/S</i>	<i>GR Num.</i>	<i>GR Text</i>	<i>GR All</i>	<i>I/B/E/S</i>	<i>I/B/E/S</i>	<i>GR Num.</i>	<i>GR Text</i>	<i>GR All</i>
<i>SALES</i>	73.9	75.2	79.0	61.8	61.8	63.5	74.0	84.4	100.0	100.0
<i>CAPEX</i>	78.7	85.4	86.0	59.9	60.5	65.0	88.2	92.1	96.1	100.0
<i>CASHFLOW</i>	73.7	75.8	67.5	45.2	43.3	44.8	58.1	82.3	98.4	98.4
<i>STREET EPS</i>	84.0	81.5	55.4	47.1	46.5	74.6	84.9	64.4	93.2	94.5
<i>GAAP EPS</i>	88.2	85.4	87.3	51.0	53.5	58.4	74.0	90.0	78.0	92.0
<i>EBIT</i>	76.2	72.6	77.7	38.2	38.2	5.7	6.8	70.5	88.6	93.2
<i>GROSS MARGIN</i>	85.2	86.0	83.4	72.6	72.6	41.1	54.1	54.1	81.1	83.8

Table 21 compares guidance data managers from our survey report to that available from machine-readable sources for all sample firms with available data (357 firms) and a subset of 157 S&P1500 firms. Columns 1-5 report on the extent to which *I/B/E/S* and *Guidance Report* guidance data agree with that from our survey; we designate the sources as being in agreement if both classify a firm as issuing (or not issuing) guidance for the indicated metric. For example, survey and *I/B/E/S* data agree when both databases classify a respondent firm as issuing sales guidance or both classify a respondent firm as not providing sales guidance (and misaligned otherwise). Columns 6-10 present *I/B/E/S* and *Guidance Report* agreement with survey data conditional on respondents indicating they issue guidance for the indicated metric (i.e., if our survey data indicates a firm provides guidance for a given metric, how often does the other database report guidance for that metric?).