Accounting, Organizations and Society xxx (2017) 1–17

Contents lists available at ScienceDirect

Accounting, Organizations and Society

journal homepage: www.elsevier.com/locate/aos

The Q&A: Under surveillance

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A R T I C L E I N F O

Article history:
Received 26 August 2015
Received in revised form
31 March 2017
Accepted 8 April 2017
Available online xxx

Keywords:
Surveillance
Interaction ritual
Impression management
Performance
Results presentation
Q&A
Qualitative research

A B S T R A C T

Drawing on theories of surveillance and interaction ritual, we explore the incentives (disincentives) to analyst participation during the question-and-answer session (Q&A) which concludes firms' results presentations. Analysis of our qualitative data shows that interrogation strategies and behaviours are influenced by a combination of regulatory and ritual codes. Furthermore, the presence of surveillance technologies and networks exacerbate the risks and rewards faced by analysts during this interactive information exchange. In turn, we find that the common conceptualisation of the Q&A as an ostensibly economic event, underpinned by information retrieval, is overly simplistic. The gaze of surveillance transforms the Q&A into a dramaturgical encounter, where impression management techniques are important. From this, we develop a descriptive framework to explain public interrogation strategies and behaviours. Our work will help future researchers better understand investor-manager meetings. Furthermore, we propose that our descriptive framework has extensions to similar public interrogation settings.

1. Introduction

A firm's results presentation usually concludes with an analyst-management question-and-answer session (Q&A). Strikingly, despite the fundamental importance of analyst participation, little is known about what incentivises or disincentivises their interrogation strategies and behaviours. Relatedly but unsurprisingly, the literature is silent on what types of questions are asked, and why. Brown, Call, Clement, and Sharp (2015) suggest that analysts purposefully avoid asking questions in this forum for fear of revealing private information to peers, but this explanation over-simplifies the Q&A, which is a complex and ambiguous interactive encounter. Indeed, analysis of our data shows evidence to the contrary. Instead, we find that analysts are keen to be seen to ask good questions. Our extensive interview and observational evidence suggest that whilst economic motives are important, the function of the Q&A goes far beyond information retrieval; it is also a social and political event. As such, participation offers a set of unique risks and rewards, costs and benefits.

The Q&A is underpinned by accounting information and synchronised by accounting period-ends. It provides a rare and timely opportunity for conversation between investors and management about the firm's position, performance and strategy (Barker, 1998). Surveys determining which information sources are used and valued by professional investors reveal that contact with senior company management is crucial to their overall decision-making; and in many cases, meetings with management are the most important source of information (Barker, 1998; Cascino et al., 2013; Clatworthy, 2005). It is unclear from the extant literature, however, why this might be the case. Nonetheless, these claims appear to be supported by findings which show that results presentations and the Q&A are economically valuable (e.g. Allee & Deangelis, 2015; Davis, Ge, Matsumoto, & Zhang, 2014; Frankel, Johnson, & Skinner, 1999; Li, Minnis, Nagar, & Rajan, 2014; Matsumoto, Pronk, & Roelofsen, 2011; Mayew, Sharp, & Venkatachalam, 2012). To address this issue, the focus of our research is on interrogators' strategies and behaviour. Specifically, our research question addresses what factors (dis)incentivise analyst participation during the Q&A.

It is often assumed that analysts are rational decision-makers in the neo-classical economic sense and therefore would devote their resources to undertaking tasks and attending events where *useful* information might emerge (e.g. Brown et al., 2015; Fama, 1970; Kothari, 2001). However, during a firm's results presentation, managerial disclosure choices are bound and controlled by

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http://dx.doi.org/10.1016/j.aos.2017.04.001
0361-3682/© 2017 Published by Elsevier Ltd.

complex social, structural and regulatory disciplinary mechanisms. For example, fair disclosure regulation (Financial Conduct Authority, 2014; Financial Services Authority, 2000, 1996)[1] prohibits management from releasing price-sensitive, inside-information. Therefore, this creates the possibility of a conflict of motives, i.e. why would an analyst choose to attend an event – at this time-critical moment on results day – where (s)he is unlikely to glean useful information (cf. Barker, Hendry, Roberts & Sanderson, 2012;[2]; Brown et al., 2015). Yet, analysts compete to attend these events (Mayew, 2008). To better understand analysts' motivations during the Q&A, we draw on and extend several key issues within the emerging sociologically-oriented meetings-with-management literature.

This literature can be summarised into two strands: studies of private meetings (e.g. Barker, Hendry, Roberts, & Sanderson, 2012; Holland, 1998a,b; Roberts, Sanderson, Barker, & Hendry, 2006; Solomon, Solomon, Joseph, & Norton, 2013); and studies of public meetings (e.g. Carrington & Johed, 2007; Catasus & Johed, 2007, 2012; Johed & Catasus, 2015; Uche & Atkins, 2015). Following this tradition we take into account the social and cultural context of investor meetings "without falling back on the common fallacies of economic analysis" (Carrington & Johed, 2007, p. 722). We identify a unifying theme, namely that these are social situations in which visibility offers participants transformative opportunities, which are sometimes used to divert the encounter away from its intended purpose.

Within the context of meetings-with-management, there are a number of distinct features that make the Q&A stand apart. These are chiefly related to the increased visibility arising from the presence of surveillance technologies and networks. First, the meetings literature is divided into private and public, but the Q&A comprises aspects of both. A select group are invited to attend the presentation in-person, but the real-time online broadcast is available to everyone with access to the internet. Because of this profound level of visibility, the Q&A has attracted a wide range of onlookers who can peak behind the curtains of this one-time private encounter. As a result, this is not only an opportunity for analysts to pose questions, it is also a rare moment to render themselves visible. Second, the Q&A occurs at a critical moment in the financial year. It is the first opportunity after the close period[3] to hear from senior company management and enter dialogue with them, thus accentuating the visibility of the event. Third, for some sell-side analysts, this is their annual opportunity to observe and question senior management face-to-face. Relatedly, this is also an opportunity for onlookers to appraise the private relationships between analysts and management. Finally, most meetings are attended by institutional and private investors, but the physical Q&A audience is made up almost entirely of sell-side analysts[4] who do not have ownership interest in the company and therefore have little (Fogarty & Rogers, 2005) or no incentive to hold management to account (Brown et al., 2015).

Using our data from interviews and observations, we draw on theories of surveillance (Foucault, 1979 [panoptic]; Deleuze & Guattari, 1988 [rhizomatic]; Mathiesen, 1997 [synoptic]; Latour, 2005; Latour & Hermant, 1998 [oligoptic]) and interaction ritual (Goffman, 1955, 1956, 1959, 1963, 1967) as a means of structuring our data and communicating and constructing its significance (Ahrens & Chapman, 2006). Through this approach, we are able to explore two inter-related sociological issues: first, how the presence of surveillance transforms the Q&A into a dramaturgical encounter; and second, how interrogators' behaviours and strategies are modified as they manage others' perceptions of their self (Goffman, 1955, 1956, 1959, 1967). As Vollmer (2007, p. 578) puts it, when "numbers are performed", there is more at stake. In so doing, we demonstrate the importance of adopting a sociological perspective to investor-manager meetings, and specifically that the dual notions of surveillance (e.g. Foucault, 1979) and presentation of self (Goffman, 1959) are crucial to understanding individuals' behaviours and strategies during these encounters.

Our analysis allows us to make a series of important contributions to the literature. We demonstrate the various incentives for analysts to ask 'good' questions and why they strive to do so, but also that there are disincentives as well as deleterious consequences to 'poor' questioning. Following this, we propose a descriptive framework that clarifies what happens during the Q&A and why it happens that way, which includes an identification of the types of questions that analysts are likely to ask, why they ask them and, to an extent, how they will ask them. Thereby we isolate various key factors which affect the creation, production and dissemination of information, and the potential implications that publicly broadcasting interrogations has for information flows. Thus, our work can be usefully extended to similar public interrogation settings such as Prime Minister's Questions, Presidential debates, academic conferences, televised judiciary hearings, and so forth.

The remainder of this article is organised as follows. We begin by elaborating on the theoretical foundations that we briefly outlined above, namely surveillance and interaction ritual. We consider the implications of these in the context of the Q&A, before presenting the research design and methods of data collection and analysis. We then present our empirical data, followed by a discussion of the theoretical and practical implications, from which our descriptive framework emerges. Finally, we provide some concluding remarks and recommendations for further study.

2. Literature and theoretical foundations

2.1. Meetings with management

As mentioned in the Introduction, the emerging sociologically-oriented meetings-with-management literature can be divided into two strands: private and public. Applying a Foucauldian lens, Roberts et al. (2006) argue that one purpose of private investor meetings is to subject executives to a field of visibility, hold the mirror up to their stewardship and in this way, introduce another layer of accountability. Although not discounting the accountability angle, Barker et al. (2012) propose that the primary reasons for attendance at private meetings are information clarification, assurance, behavioural bias and marketing tactics. Similarly, a number of studies (e.g. Solomon & Darby, 2005; Solomon & Solomon, 2006; Solomon et al., 2013, 2011) have examined private meetings from the perspective of social and environmental reporting engagement. A central conclusion of this work is that private meetings are a useful place to discuss, develop and enhance the extent of a firm's social and environmental reporting, but there is scant evidence that this leads to substantial change in corporate behaviour. Rather, these meetings appear to be motivated by social

[1] Similar regulation governs US results presentations (conference calls) (Securities and Exchange Commission (2000), *Selective Disclosure and Insider Trading*).

[2] Barker et al. (2012) refer to a 'value-attendance paradox'. The conflict of motives addressed in this current article is similar, but not identical to that.

[3] The close period is the period between the completion of a listed company's financial results and the announcement of these results to the public. Commonly, this is a two-month period at the end of Q4.

[4] We have the sense, however, that this is changing. Whilst attendance lists are not published, we have attended recent results presentations where buy-side analysts and hedge fund managers have been present, as well as other professional service providers such as lawyers and accountants.