More Than Numbers: R&D-related Disclosure and Firm Performance

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ABSTRACT

Prior disclosure research focuses largely on firms' decisions to provide stakeholders with quantitative financial information (e.g., earnings guidance or segment information); however, a large portion of most firms' disclosure is qualitative information that helps users evaluate reported performance. This study examines the relation between qualitative R&D-related disclosure and firms' reported financial performance. Based on an analysis of within-firm variation and year-to-year changes, I find that as current performance decreases, firms provide more R&D-related disclosure. The results also indicate that this relation is more pronounced for firms that place more importance on R&D and for firms with higher outside monitoring. In addition, I find that current performance plays an entirely different role in firms' decision to provide earnings guidance. My results suggest that researchers should be careful not to over-generalize disclosure policy only to quantitative disclosures.