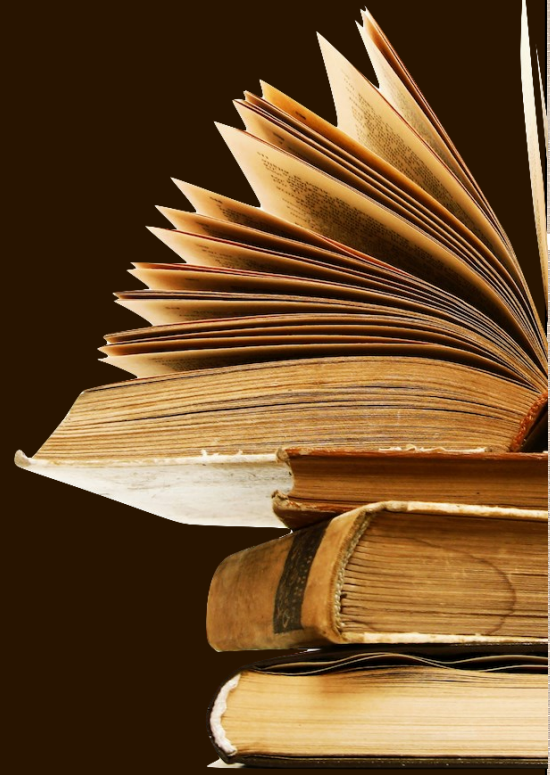


REPORT

International Conference *“Reporting, Investor Relations, Capital Markets – Challenges and Opportunities in Financial Communication “*

November 10, 2016, Leipzig, Germany





International Conference "Reporting, Investor Relations, Capital Markets – Challenges and Opportunities in Financial Communication" was held in Leipzig, November 10, 2016 with the joint organizational participation of HHL Leipzig Graduate School of Management, publishing house "Virtus Interpress" and Virtus Global Center for Corporate Governance. The main purpose of the conference was to explore the interrelation of financial communication and capital markets along the areas of accounting, governance and finance. The event was aimed to provide a platform for academics and practitioners to analyze recent trends and upcoming challenges in the following areas: Auditing, Financial Accounting, Corporate Governance, Corporate Social Responsibility, Earnings Quality, Enforcement, Financial Reporting Quality, Information Processing in Capital Markets, Investor Relations. The conference took place at the HHL Leipzig Graduate School of Management

The conference has started with the welcome and opening remarks of the conference host from the HHL Graduate School of Management - **Professor Henning Zülch**. Professor Zülch has greeted the participants and outlined the importance and relevance of the main focus of the conference – financial communication. Prof. Zülch told to the delegates about the successes of HHL in studying the financial communication and presented one of the projects of Chair of Accounting and Auditing at HHL – Investors' Darling. Prof Zülch also presented sponsors of the conference – Ernst and Young and Roland Berher. He wished delegates to have a productive event and passed the floor to the first key-note speaker, who introduced the main trends in Financial Communication and Reporting.

The first key-note speaker **Dr. Matthias Holzamer** from one of the top consultancy companies in Germany - Roland Berger made a presentation titled "The modern CFO – Financial communication on the rise". He has conducted a survey with about 50 CFOs from DACH region. His main findings suggest that financial communication as primary touch point with investors should be at the core of strategic considerations in companies. He has emphasized that CFOs should consider financial communication as a regular task.



The second key-note speaker **Dr. Christian P. Hoffmann** from University of Leipzig, one of the world leading institutions in terms of financial communication research, has presented results of a joint research project of Center for Corporate Reporting (Switzerland) and the University of Leipzig titled "How Valuable is Integrated Reporting? – Insights from IR Companies". Through the in-depth interviews with IR Companies in Europe, South Africa and Asia that have already implemented IR as a management and reporting approach for at least two years. He has outlined the main aspects of the evaluation and implementation of IR from a company perspective. He has also highlighted the potential benefits for the company from the various points of view, such as: management/board; accounting/finance, investor relations, strategy, sustainability and HR. During the discussion of the key-note speeches the importance of the relevance and understandability were raised. Industry and academia should collaborate more in order for theory to be implemented in practice and bring a fruitful results.

The plenary session of the conference has started with the presentation of **Richard L. Mertens** from University of Bremen (Germany), of his study titled "Forecasting corporate defaults in the German stock market". He has outlined that defaults are a characteristic feature of the German stock market since the early 2000's, which has emphasized the actuality of his research. Several default risk models were tested by using new and unique data on corporate defaults in the German stock market. As a result several pitfalls associated with the Altman (1968) Z-Score and the Distance-to-Default were indicated.

Prof. George K. Baah from Weatherhead School of Management (the USA) has introduced his insightful research, which showed a new perspective on the issue of audit quality from the auditors' point of view. He has concentrated on the analysis of auditors' independence, objectivity and integrity impact on the audit quality. Findings from research show that audit practitioners' perceptions about factors that determine audit quality must be strongly considered in order to achieve desired audit.

This line of research was continued with the next presentation which was made by **Prof. Jonathan Goyette** from the University of Sherbrooke (Canada) who concentrated his research on the question "what type of auditing strategy is optimal from the vantage point of firms?" Based on the developed model, which was calibrated and validated using the firm-level data from developing markets, it was discovered that in a situation where institutional quality in a developing market could be raised to a level comparable to the best governance practices in the world, audit productivity could increase by as much as 45%.



The plenary session ended with the Best Paper Award granted by Prof. Zülch to Chiara De Amicis from the Cass Business School (the UK) for research titled "Are female executives more informative? An analysis of tone and market reaction". The decision about the award was made by the evaluation committee representing organizers of the conference. The evaluation committee took into account integrity of the paper, methodology, results, general value and impact of the paper. The conference was then divided into 2 parallel sessions.

The first parallel session was titled "Financial Reporting, Governance, Boards of Directors" and the second parallel session was held under the title "Capital Markets, economic development and growth".

The first parallel session, which was devoted to the main issues of financial reporting, governance and boards of directors, was headed by session chair **Dr. Christian Kretzmann**.

The session has started with the presentation of **Chiara De Amicis** from Cass Business School (the UK). Her study analyses the language employed by managers during earnings conference calls from a gender perspective and measures the market reaction to female versus male held conference calls. The results have shown that the market reaction to the tone of earnings conference calls is affected by the gender of the executive delivering the call, the tone of conference calls depends on the gender of the executive delivering it. During discussion new perspectives of the research development were discovered, which will give opportunity for the presenter to make here study even more valuable.

Jörn Obermann from Leuphana University of Lüneburg (Germany) explored the impact of management compensation structure on Say-on-Pay votes in German Two-Tier system. The results show that shareholders assess the entire compensation structure and prefer a particular compensation mix. Although non-binding, Say-on-Pay votes help to establish compensation schemes which are favored by shareholders through the power of 'public outrage'.

Next presenter **Yokna Karoui** from Manouba University (Tunisia) suggested that firms should communicate more about their R&D projects since R&D voluntary disclosure decrease the information asymmetry between managers and shareholders, and between managers and investors (outsiders). The results of her study show that managerial ownership, board size and the audit committee independence have a positive and significant effect on R&D voluntary disclosure.





Prof. Konstantinos Sergakis from the University of Glasgow (the UK) has brought to the conference interesting and valuable opinions in line with the research of law. In his presentation "The relevance of time in framing: The sanctions framework for defective disclosure" he proposes an alternative method to increase the efficiency of sanctions. His study argues that by linking sanctions and time, the legal framework would be likely to apply more severe sanctions, while adopting differentiated sanctions depending on which disclosure obligations are breached. This new approach aims to trigger a de facto harmonization trend amongst regulators and judges at the national and EU levels.



The role of board control tasks in mitigating self-control problems in controlling owner family businesses was examined by **Matthias Baumann** from HHL Leipzig Graduate School of Management (Germany). He proposed that controlling owners should select their board members based on trust and expertise rather than independence. Also he argued that probing and challenging behavior by board members in combination with the controlling owner's willingness to prepare in a formalized manner support the reduction of self-control problems.

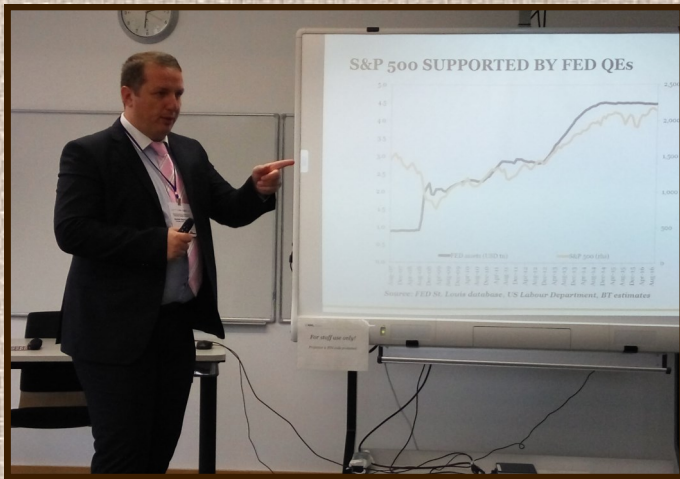


Olga Bogachek from Bocconi University (Italy) investigated the discrepancy between an increasing number of disclosures of financial restatements and a decreasing number of prior disclosures of material weaknesses, focusing on the behavior of companies in the year before they disclose a restatement. The results of the study have shown, that, in presence of a restatement, a material weakness is less likely to be issued if the firm is bigger, more financially healthy, or if the issue is not pervasive.



Anne Båro from HHL Leipzig Graduate School of Management (Germany) through her research "Public Value – The Next Step in Non-Financial Reporting?" has brought to the conference an impulse from a psychological perspective. She has presented the development of the Public Value Reporting and raised issues of the importance of contribution by organizations to the public value creation. This section created a lot of interesting discussions and ideas for future research development.

The second parallel session, which was devoted to the issues of capital markets, economic development and growth, was opened by session chairs **Prof. George K. Baah** from Case Western Reserve University (USA) and **Dr. Yaroslav Mozghovyi** representative of the Virtus Global Center for Corporate Governance (Ukraine).



The first presenter was **Dr. Andrei Radulescu** from Romanian Academy (Romania). Apart of his research activity Andrei is also a senior economist at Banca Transylvania, one of the biggest banks in Romania. So he has presented some very interesting and insightful analysis of the recent developments and prospects in the stock markets and the real economy of the US. He has made some up to date forecasts with regard to macroeconomic indicators development in the USA and on the global scale connected to the elections in the USA. Presentation of Andrei caused some active discussions as session participants provided their arguments that supported and complimented results of the presenter.



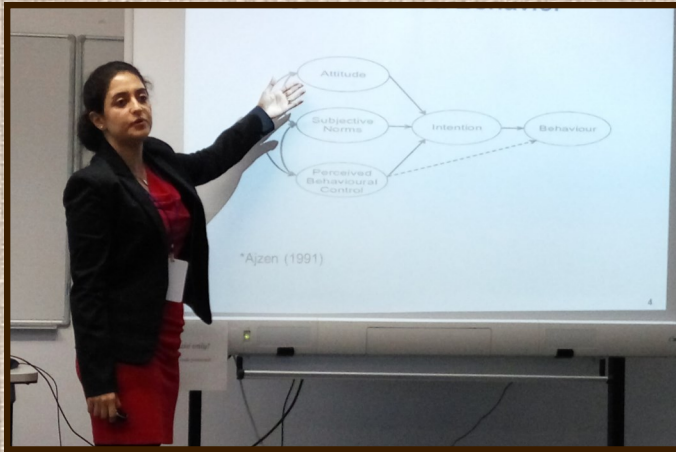
Dr. Alicja Brodzka and **Dr. Krzysztof Biernacki** from Wroclaw University of Economics (Poland) as a specialist in tax evasion research delivered their presentation titled "Tax aggressiveness: evidence from Polish listed companies". Researchers concluded that the companies of the financial sector – as evident particularly in the banking sector – pay relatively high taxes in relation to the achieved gross profit. While the energy sector has a negligible rate of effective taxation. This distinction may be explained by high investments in infrastructure, that the companies of this industry are forced to bear. The authors analyzed some interesting cases from the Polish market and created a lively discussion about the Polish experience of tax regulation compared to the international experience.



Dr. Steffen Hundt from Technische Universität Bergakademie Freiberg (Germany) delivered a very interesting paper covering stockholder wealth, and the impact of corruption studied on the The Fifa World Cup™ data that was written in cooperation with Prof. Andreas Horsch. Dr. Hundt showed that during a corruption-based image downturn of FIFA reputation, stock prices of its commercial affiliates decrease significantly, while positive returns can be observed during periods of reputational stability. Furthermore, official FIFA Partners who choose to extend existing sponsorship contracts participated most from the FIFA World Cup™ in terms of driving stockholder wealth. It is important to admit that authors performed their research in tight cooperation with the corporations and maintained contact with some of the companies studied in the paper. Audience of the session admitted very high applicability of the paper to practice and provided some valuable suggestions as to how the research can be extended to other fields of sponsoring.



Dr. Dominika Fijałkowska and **Dr. Marek Pauka** from Wroclaw University of Economics (Poland) delivered a presentation titled "Impression management of Polish listed companies". Motivated by continued interest in the fairness and reliability of financial disclosures, authors studied the use of impression management in the letters to shareholders of stock-exchange listed companies written in the Polish language. Their presentation pointed to a liberal use of impression management, which hampers effective information flow in the financial markets. Stronger pressure from investor associations and the regulators is needed to change the culture associated with the letters to shareholders.



Fatemeh Kimiyaghalam from SEGi University (Malaysia) reviewed and summarized the findings of researches about financial help-seeking behavior. The results of her research suggest that the financial help-seeking behavior is most likely influenced by multiple numbers of factors, including a person's demographic profile, socioeconomic features, and psychosocial characteristics. She has also determined the direction of future studies with a particular highlighting on the outcome of existing research. Experienced researchers in the audience shared their thoughts on the research in this area and provided valuable comments of how to make research objective more narrow and achievable.

The issue of the importance of the academic spin-offs for the local economy growth was presented by **Alfredo Scarfò** from University of Pisa (Italy). The study has shown that academic spin-offs have produced important effects on local economies, especially with new jobs, but they reveal some criticisms of financial management behavior,



which hampers their development. The author debated about the role of the Capital market Union actions by promoting "financing for innovation" for the growth of academic spin-offs. This presentation received an active feedback from the audience and valuable comments from the session chair.

The closing presentation was made by **Johannes Hottmann** from HHL Leipzig Graduate School of Management (Germany) who provided additional insights on how shareholders perceive error announcements in the German enforcement system whose task is to ensure a preventative and sanctioning function via adverse publicity. The presented results suggest that firms with changes of the auditor or audit firm exhibit an increase in accounting quality, which however takes place already in the time gap between error announcement and auditor change. Consequently, auditor changes serving can be interpreted as a signal of improved corporate governance, rather than indeed improving corporate governance. The audience admitted high level and appropriateness of the methods used on the paper and encouraged authors to continue their research in this direction.



The international conference has become a platform for researchers to share their work and brought to them an important opportunity to expand the international network and open new horizons for the future collaborations. This international conference as always was conducted in the atmosphere of interesting communication between aspired researches with common views on the key issues discussed at the conference.

Organizers of the conference would like to express their gratitude to all participants, sponsors and supporters who joined our international network and visited Leipzig to make their deposit by high quality presentations, interesting discussions and feel the unique atmosphere of the fruitful scientific gathering.

CONFERENCE ORGANIZING COMMITTEE

Alexander Kostyuk, *Co-chair of the conference, PhD, DBA, Professor, Director of the Virtus Global Center for Corporate Governance*

Henning Zülch, *Co-chair of the conference, PhD, Professor, HHL Leipzig Graduate School of Management, Germany*

Christian Kretzmann, *PhD, HHL Leipzig Graduate School of Management, Germany*

Johannes Hottmann, *HHL Leipzig Graduate School of Management, Germany*

Yaroslav Mozghovyi, *PhD, Member of the Virtus Global Center for Corporate Governance*

Anna Shcherbak, *Member of the Virtus Global Center for Corporate Governance*

Daria Denisova, *Member of the Virtus Global Center for Corporate Governance*

www.hhl.de

www.virtusgccg.org

www.virtusinterpress.org

Written by Anna Shcherbak and Yaroslav Mozghovyi
based on the materials of the participants

PUBLISHING HOUSE "VIRTUS INTERPRESS"

Postal Box 136, 40000, Sumy Ukraine

info@virtusinterpress.org