R&D Information Disclosure in the Service-Providing Sector: An Abstract

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Abstract Public companies are mandated to release certain financial information periodically following the requirements of the Securities and Exchange Commission 1934 Act. Mandatory disclosure of financial information helps alleviate the problem of information asymmetry between companies and the public. However, financial information alone is not sufficient to reflect a firm's value. For example, R&D projects, such as new product developments or process innovations, are not fully captured by financial metrics. Moreover, such activities are expected to signal long-term competitive edge, which in turn influences the current valuation of a firm.

This study examines the relationship between narrative R&D information release and firm value. On the one hand, narrative information release provides firms an opportunity to signal their less observable values; on the other hand, it allows competitors to observe management practices or strategic directions more easily. The current study explores whether the disclosure of R&D information would benefit the releasing firms across different industry sectors. In addition, we attempt to identify the boundary conditions of this interesting phenomenon. More specifically, we investigate the moderating roles played by firms' strategic emphasis, availability of resources, and external environments. Theoretical and managerial implications are discussed.

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N. Krey, P. Rossi (eds.), *Boundary Blurred: A Seamless Customer Experience*

in Virtual and Real Spaces, Developments in Marketing Science: Proceedings

of the Academy of Marketing Science, https://doi.org/10.1007/978-3-319-99181-8_157