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The Impact of Business Strategy on Information Environment

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Abstract
This paper investigates the relationship between business strategy and information environment and the moderating effect of business strategy and information environment in different accounting Conservatism and accounting comparability contexts. We find that firms with higher strategy scores may have a better information environment. We also find that the investors can choose the firm to invest in based on their business strategy. Accounting information quality affects the information environment, especially accounting conservatism and accounting comparability.
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Keywords: Business strategy; information environment; information asymmetry; accounting conservatism; accounting comparability

1 Introduction

Does business strategy affect the information environment? The information environment may be significantly affected by business strategy. Business strategy involves a firm's aggressive tax, annual report quality, even information environment (Higgins et al.,2015; Bentley et al., 2017; Lim et al., 2018; Hsieh, 2019). The information environment is an essential factor in investing, affecting investors' decisions in the firm's investing situation (Chang and Cheng, 2011, Hasan et al., 2018; Dickinson et al., 2018). Our research investigates whether business strategy affects the information environment and the moderating effect of business strategy and information environment in different accounting Conservatism and accounting comparability contexts.

Our paper makes important contributions to the literature. using a framework based on the organizational behavior theory, Prior research on executive compensation identifies business strategies as sources of agency problems (Rajagopalan, 1997). We consider whether accounting information quality can affect these agency problems. We investigate whether firms' business strategies in different information environments have various accounting information quality. Second, Prior studies have demonstrated theoretically that business strategies are an important factor in information asymmetry. Besides, it is easy to produce some new accounting project that have large operating space for Prospectors in the process of the R&D. Unconditional conservatism measurement will make the corresponding accounting information cannot be real accurate response of the firm's actual situation, eventually making enhance the information asymmetry. For Defenders, who have sound accounting control, unconditional accounting conservatism may reduce risks and uncertainties rather than the asymmetry. Finally, when accounting information is more comparable, shareholders can make a more accurate horizontal and vertical comparison to determine how much of the firm's performance is attributable to managers' poor management and reduce information asymmetry.

We find that the business strategy affects the information environment. We also discover that accounting conservatism has a moderating effect on the Prospectors and Defenders, and accounting comparability moderates the prospects.

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2.Literature Review and research hypotheses

2.1 Business Strategy and Information environment

In addition to the most well-known typology of Mile and Snow (1978,2003), several typologies of business strategies also exist in the management literature, such as Porter(1980) think the business strategy can be classified into two types: cost leadership and product differentiation; March(1980)

believes the business strategy can be classified into two types: exploration and exploitation; Treacy and Wiersema (1980) think the business strategy can be classified into three types: excellent operation, leading products and close to customers. The Miles and Snow (1978, 2003) typology is the most popular and widely used strategy type theory. As a fundamental and continuing feature of the company, the firm strategy is a vital determinant of its information environment (Bentley et al., 2017).

Organizational behavior theory argues that Prospectors have a greater incentive to provide more information to the market voluntarily. Prospectors have higher agency fees. Prospectors are more likely to reduce their agency fees by disclosing more information effectively. the Prospectors are in great need of capital in the research and development phase, but they have not stable internal capital support. Prospectors have great demand for external financing.

However, for Defenders, their internal capital chain is stable so that their demands for external financing are not at the forefront. At the same time, they have lots of substitutes, the fierce market competition makes them less willing to disclose more information. Because the information that they extra disclose may be used by their competitors to harm their market competition. we argue that the Prospectors should have a lower level of information asymmetry.

Besides, it is easy to produce some new accounting project that have large operating space for Prospectors in the process of the R&D. If the accounting control of Prospectors is unsound, adopting high unconditional conservatism measurement will lead to more blind conservatism approach on these projects, which have little reference to follow. The corresponding accounting information cannot be a really accurate response to the firm's actual situation, eventually enhancing information asymmetry.

H1: Prospectors have a better information environment than the Defenders.

2.2 The moderating effect of accounting conservatism

Miles and Snow (1978, 2003) predict that prospectors' control structures are decentralized and flexible to adapt quickly to changing market conditions. Chen hall (2003) suggests that prospector-like firms lack standardized procedures because of complex coordination among diverse projects. Prospectors' need for flexible controls is integral to their success, without which they would be unable to respond rapidly to changing market domains to exploit new opportunities. Besides, it is easy to produce some new accounting project that has large operating space for Prospectors in the process of the R&D. If the accounting control of Prospectors is unsound, adopting high unconditional conservatism measurement will lead to a more blind conservatism approach on these projects, which have little reference to follow.

H2: Prospectors with higher accounting conservatism have a poorer information environment than those with lower accounting conservatism.

For Defenders, who have sound accounting control, unconditional accounting conservatism may reduce risks and uncertainties rather than the information asymmetry. According to the agency theory, because of the information asymmetry and the contract incompleteness, managers who have the advantage of information may window dress accounting statements for personal gain. This aggravates the information asymmetry between the company's managers and external investors (Ha, J. at al.,2020). As a governance mechanism, accounting conservatism confirms "bad news" more timely than "good news". It can inhibit the managers' opportunistic behavior, reduce the agency problem, and force the management to provide high-quality financial statement information to ensure the true transmission of information. The quality of information is an important factor that affects investors to distinguish risks. Accounting conservatism forces managers to disclose bad news in time, which reduces information asymmetry between managers and external investors.

H3: Defenders with a higher accounting conservatism have a better information environment than those with lower accounting conservatism.

2.3 The moderating effect of accounting comparability

Severe information asymmetry exists between shareholders and managers. Shareholders attribute the decline of enterprises' short-term performance to managers' incompetence, which will trigger managers' defense. Due to the asymmetry of the inflow and outflow of enterprise risk-taking and economic benefits, managers will be short-sighted. When accounting information is more comparable, shareholders can make a more accurate horizontal and vertical comparison to determine how much of the firm's performance is attributable to managers' poor management and reduce information asymmetry.

The agency theory argues that managers are

likely to benefit themselves at the expense of firms. In this context, shareholders need more oversight of managers. Suppose the comparability of accounting information is poor. In that case, the accounting information will not be comparable with that of other firms. It will be difficult for shareholders to evaluate the due diligence of managers through accounting information. On the contrary, if the comparability of accounting information is relatively high, shareholders can assess and evaluate managers through horizontal and vertical comparison, thus increasing the opportunistic cost of managers' on-the-job consumption. The comparability of accounting information can alleviate agency problems by reducing information asymmetry.

Besides, Chen et al. (2011) found that the higher the accounting comparability, the higher the investment efficiency. Therefore, the higher accounting comparability also can be seen as a positive signal for investors from companies. we argue that both the Prospectors and Defenders may reduce the information asymmetry because of the high accounting comparability.

H4: Prospectors with higher accounting comparability have a better information environment than those with lower accounting comparability.

H5: Defenders with higher accounting comparability have a better information environment than those with lower accounting comparability.

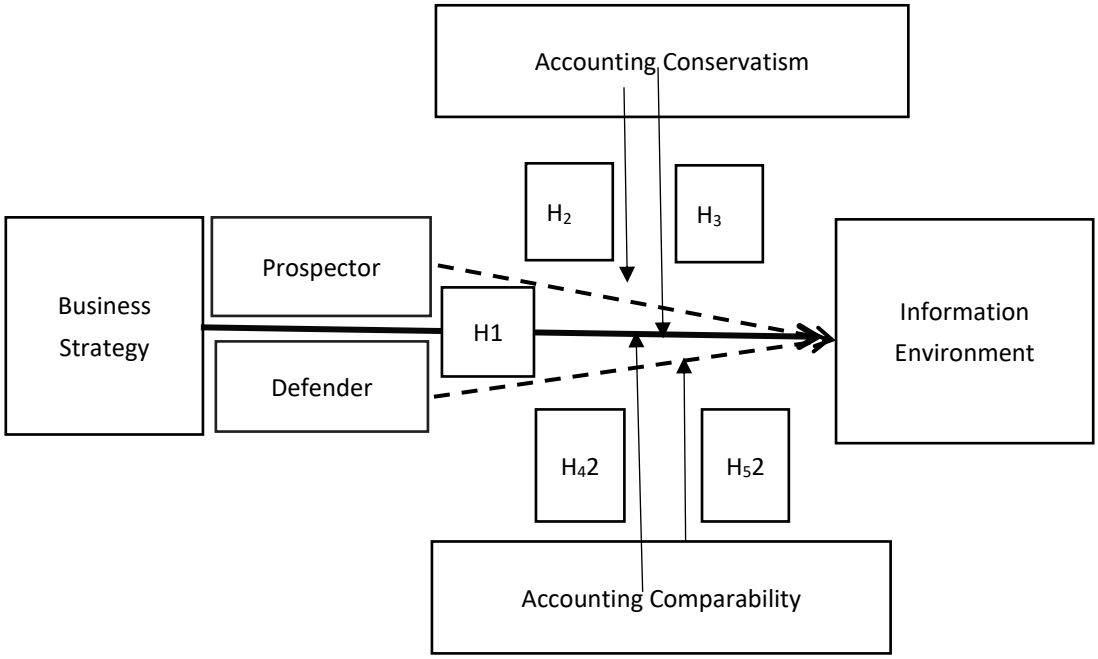

Figure 1 **The Frame of the Hypothesis**

3 Data and empirical methodology

3.1 Data and sample

We constructed a panel dataset to test our hypotheses. Data was extracted for all publicly traded US firms in the COMPUSTAT from 1976 to 2017, and supplemented with data from Institutional Brokers' estimate system(I/B/E/S). We excluded industries: utilities and financial industries. we also dropped observations with missing data, and all extreme values are removed. Besides upper and lower bounds imposed certain variables, as note below.

3.2 Research design

3.2.1 Dependent variable

The measure of Firms' business strategies uses six ratios that are based on an extension of the measures in Miles and Snow's (1978, 2003) , Bentley et al. (2013). The rate of R&D to sales (RDS5) is a firm's pursuit of new products. The rate of selling, general and administrative expenses to sales (SGA5) represents a firm's exploitation of new product-market opportunities. The annual percentage change in total sales (REV5) represents a firm's investment opportunities. The rate of the number of employees to sales EMPS5) is a firm's production and distribution efficiency. The rate of net property, plant and equipment to assets (CAP5) is a firm's capital(technological) efficiency. The standard deviation of the total number of

employees (EMP5) is a firm's managerial stability and is expected to be higher for prospectors.

Consistent with prior research (Ittner et al., 1997; Bentley et al., 2013), we compute these rates using a rolling 5-year average, and rank each measure within each industry, and we combine the six ranked measures for each firm. Firms with higher (lower) STRA scores represent prospector firms (defender's firms). If the STRA is higher than 24, we define this firm as Prospectors, and its proxy value PRO is 1, else is zero. And If the STRA is lower than 12, we define this firm as Defenders, and its proxy value DEF is 1, else is zero.

Table1 presents the definition and measurement of the dependent, independent, controls, moderator and instrumental variables.

3.2.2 Regression Models

Following Chung and Zhang (2014), we estimate the following regressions to examine whether business strategy affects the information environment.

$$\mathrm{IE}_{\mathrm{PROXY}} = \alpha + \beta_1\, STRA + \beta_2\, PRO + \beta_3\, DEF + \sum \mathrm{CONTROLS} + \varepsilon \quad (1)$$

Our first $\mathrm{IE}_{\mathrm{PROXY}}$ is ask_bid spread (ASK_BID). ASK_BID is the average daily spread during the fiscal year. The $\mathrm{IE}_{\mathrm{PROXY}}$is the dispersion of analyst forecasts (DISPERSION). DISPERSION is the standard deviation of the individual forecasts. A positive (negative) and significant β in the ASK_BID and DISPERSION regressions indicate greater (lesser) information asymmetry.

To examine the moderating effect of accounting conservatism on the association between firms' business strategies and the information asymmetry, we estimate Equation 2 below.

$$\mathrm{IE}_{\mathrm{PROXY}} = \alpha + \beta_1\, PRO + \beta_2\, PRO * G_{SCORE} + \beta_4\, DEF + \beta_5\, DEF * G_{SCORE} + \sum \mathrm{CONTROLS} + \varepsilon \quad (2)$$

Based on our hypotheses, our variables of interest are PRO*G_{SCORE} and DEF*$G_{SCORE.}$ H2 predicts the coefficient on PRO*G_{SCORE} to be positive and significant, whereas H3 predicts the coefficient on DEF*$G_{SCORE.}$ to be negative and significant.

To examine the moderating effect of accounting comparability on the association between firms' business strategies and information asymmetry, we estimate Equation 3 below.

$$\mathrm{IE}_{\mathrm{PROXY}} = \alpha + \beta_1\, PRO + \beta_3\, PRO * ACC + \beta_4\, DEF + \beta_6\, DEF * ACC + \sum \mathrm{CONTROLS} + \varepsilon \quad (3)$$

Based on our hypotheses, our variables of interest are PRO*ACC and DEF*ACC.H2 predicts the coefficient on PRO*ACC to be positive and significant, whereas H3 predicts the coefficient on DEF*ACC to be negative and significant.

4 Results

Table 2 presents the industry mean of the variables. The mean (median) of the business strategy is 21.348(22), the average daily spread for one year is 1.079(0.417), and the dispersion of analyst forecasts is 0.120(0.031) in Table 3.

Table4 presents the regressions strategy results on the average daily spread for one year and the dispersion of analyst forecasts. The significant negative correlation with the strategic score STRA is consistent with the previous paper's conclusions, which suggests that Prospectors have lower information asymmetry (Bentley et al,2017), and it supports H_1.

Table 5 provides the results of the regressions to verify the moderating effect of accounting conservatism. The significant negative correlation with the strategic score STRA is consistent with the previous paper's conclusions, suggesting that Prospectors have lower information asymmetry than Defenders. (Bentley et al,2017) and support the hypothesis(H1) that Prospectors have a better information environment than the Defenders. It supports the idea that the firm with a higher score of strategy has a lower information asymmetry level. And the proxy variables PRO and DEF are significantly positive, which is supports the idea that both Prospectors and Defenders have a poorer information environment. In other words, that firms with specific characters of Prospectors or Defenders have a poorer information environment. The relating reason for Defenders has been mentioned in the literature review. For Prospectors, we think this may be because Prospectors have more opportunities to increase their information asymmetry, which offset their incentive to decrease their level of information asymmetry even exceed it.

Table 6 provides the results of the regressions to verify the moderating effect of accounting comparability. in Panel A, the coefficient of the interaction of PRO and accounting comparability is negative significantly (p>0.01). The Prospectors with higher comparability have a higher effect in information environment. H_4 is supported. After considering the accounting comparability, Defenders have a positive influence in information environment. H_5 is supported. In Table 4, DEF hasn't a significant effect on information environment. After considering the accounting comparability, the Defeners have a positive influence in information environment. H5 is therefore supported, suggesting that the Defenders with higher comparability have a effect in information environment than the Defenders with lower comparability.

Table 7 and Table 8 reports the split regressions results for the moderating effect of the accounting conservatism. The group of high free cash flow

indicates that this group's firms are more likely to create agency problems, and the group of low free cash flow indicates that the firms of this group are less likely to create agency problems.

Table 7 shows the groups of the firms with high free cash flow. Prospectors with higher conservatism and above-median free cash flow have a significantly higher average daily spread for one year than Prospectors with lower conservatism and above-median free cash flow. it supports H_2. In Panel B, Defenders with higher conservatism and above-median free cash flow have significantly lower dispersion of analyst forecasts than Defenders with lower conservatism and above-median free cash flow. H3 is supported.

Table 8 shows the groups of the firms with low free cash flow. In Panel A, Prospectors with higher conservatism and below-median free cash flow have a significantly higher average daily spread for one year than Prospectors with lower conservatism and below-median free cash flow. Panel B shows a significantly lower dispersion of analyst forecasts than Defenders with lower conservatism and above-median free cash flow. These results indicate the negative moderating effect of accounting conservatism on the prospectors' influence on the information environment. It doesn't support the H2.

Defenders with higher conservatism and below-median free cash flow have significantly lower dispersion of analyst forecasts in panel B. The negative moderating effect of accounting conservatism on the Defenders' influence on information environment supports H3.

Overall, the evidence indicates that the moderating effect of accounting conservatism on the influence of the Prospectors on the information environment exists, it makes Prospectors have a higher level of information asymmetry. It thus validates H2. And the evidence also indicates that the moderating effect of accounting conservatism on the influence of the Defenders on the information environment exists, it makes Defenders have a lower level of information asymmetry. It thus validates H3.

Table 9 shows the groups of firms with high free cash flow. These results indicate the negative moderating effect of accounting comparability on the prospectors' influence on the information environment. it supports the H4. In Panel A and Panel B, it hasn't the moderating effect of accounting comparability of the Defenders' influence in the information environment. it doesn't support the H5. Panel A and Panel B, Defenders with higher comparability and above-median free cash flow have not significantly influenced average daily spread for one year and the dispersion of analyst forecasts than Defenders with lower comparability above-median free cash flow. These results indicate that it hasn't the moderate effect of accounting comparability of the Defenders' influence on information environment. it doesn't support the H5. This means that the moderate effect of firms' accounting comparability with higher probability of creating agency problems may not exist. That's probably because the high agency cost offset the influence of accounting comparability.

Table 10 shows the groups of the firms with low free cash flow. These results indicate the negative moderating effect of accounting comparability on the prospectors' influence on the information environment. It supports the H4. Results suggest that the positive moderating effect of accounting comparability of the Defenders' impact on the information environment. So, it does not support the H5. Overall, the validates H4.

5 Contributions

First, using a framework based on the organizational theory, we consider whether accounting information quality can affect these agency problems. We extend the research about the business strategy by investigating whether firms' business strategies under different accounting information quality have different information environments. Second, Prior studies have demonstrated theoretically that business strategies are an important factor in information asymmetry. It suggests that business strategy affects firms' information environments. we further study the moderating effect on this relationship based on the results.

6 Implication and future research

Our study has important information environment implications. our results confirm extend literature highlighting the importance of information environment with business strategy. Hence, the investors can choose the firm to invest in based on the firms' business strategy. Accounting information quality affects the information environment, especially the accounting conservatism and accounting comparability.

The information environment directly affects investors' investment decisions and influences analysts' forecasts and, in this way, influences the firm's capital situation. It may also make an impact on the competitive production and operation tactics of its peers. So, the information environment is an important topic that serves our more and further discussion. Besides, the association between the agency problems and the analysts' information appears in the robustness analysis

results is worth exploring.

7 Conclusion

We investigate whether the business strategy impacts the information environment and the moderating effect of accounting information quality on the above impact. We find that the firm with a higher strategy score may have a better information environment. Besides, we also discover that accounting conservatism makes the moderating effect on the Prospectors and Defenders, and accounting comparability makes a moderating effect on the prospects. the moderating effect on the Defenders needs to be further explored.

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Table 1. **Variable Definition**

VALIABLE	DEFINITION
STRA	STRA score (Bentley et al. 2013)
PRO	One if STRA score is between 24 and 30 and zero otherwise
DEF	One if STRA score is between 6 and 12 and zero otherwise
DIEPERSION	Standard deviation of analyst annual earnings forecasts in month before fiscal period end date divided by the absolute value of the mean forecast. If meanest=0 scalar set to 1.
ASK-BID	The average daily spread during the fiscal year.
C_SCORE	The firm-year measurement of conditional conservatism, $C\_SCORE_{i,t} = \gamma_1 + \gamma_2 SIZE_{i,t} + \gamma_2 MB_{i,t} + \gamma_3 LEV_{i,t}$
ACC	Average of the four highest Comp Acct values for a firm.
STDCF	Natural log of standard deviation for prior 16 quarters of cash flows divided by sales (sale q); if sale q equal to zero scale by 0.01; cash flows defined as ibq minus accruals as defined in std acc.
FCF	An indicator variable set equal to 1 if the firm's variable FREE_CASH is less than 20.5 and 0 otherwise
CASH	Cash + cash equivalents (che) divided by avg total assets (at).
INSTOWN	Total Inst. Ownership, Percent of Shares Outstanding
LEV	Total liabilities (lt) divided by fiscal year end market cap.
AT	Assets - Total
IB	An indicator variable set equal to 1 if income before extraordinary items was negative in the prior year and 0 otherwise.
RD_SALE	R&D expense divided by sales (xrd/sale).
AGE	of years since first Compustat coverage
AGE2	The square of the firms' years since first Compustat coverage
SGR	Annual % change in sales (sale).

Table1 describes the definition and measurement of the dependent, independent, controls, moderator and instrumental variables.

Table 2. **The Industry Mean Value**

Panel A the Industry Mean Value of Independent Variables					
Industry affiliation	**number**	**percent**	**STRA**	**PRO**	**DEF**
Agriculture, Forestry and Fishing	91	0.23	21.648	0.374	0.011
Mining	2207	5.64	21.517	0.399	0.028
Construction	570	1.46	20.558	0.251	0.019
Manufacturing	21963	56.18	20.793	0.312	0.038
Transportation and Communications	2470	6.32	19.319	0.186	0.049
Wholesale Trade	1380	3.53	21.620	0.364	0.013
Retail Trade	3403	8.70	20.245	0.289	0.050
Services	6839	17.49	21.000	0.315	0.026
Other	174	0.45	23.713	0.609	0.000
Panel B the Industry Mean Value of Dependent Variables and Moderate Variables					
Industry affiliation	**DISPERSION**	**ASK_BID**	**ACC**	**C_SCORE**	
Agriculture, Forestry and Fishing	0.232	1.858	-0.521	-0.704	
Mining	0.248	1.160	-0.916	-0.963	
Construction	0.099	1.342	-0.974	-0.591	
Manufacturing	0.122	1.101	-2.188	-0.547	
Transportation and Communications	0.135	0.731	-1.520	-0.795	
Wholesale Trade	0.091	3.098	-0.534	-0.580	
Retail Trade	0.111	1.333	-0.623	-0.617	
Services	0.109	1.097	-1.455	-0.516	
Other	0.144	0.925	-6.659	-0.427	

The industry means value means calculate the mean value by industry classification for dependent, independent and moderate variables (see Appendix A).

Table 3. **Descriptive Statistics**

	MEAN	**STD**	**Q1**	**MEDIAN**	**Q3**
ASK_BID	1.0786	1.4734	0.1104	0.4170	1.5444
DISPERSION	0.1204	0.3253	0.0127	0.0308	0.0839
STRA	21.3480	4.1415	18.0000	22.0000	25.0000
PRO	0.3598	0.4799	0.0000	0.0000	1.0000
DEF	0.0253	0.1571	0.0000	0.0000	0.0000
G_SCORE	0.3091	1.3987	-0.0074	0.0073	0.0452
ACC	-2.0668	58.3800	-0.4951	-0.3486	-0.2585

The sample consists of all samples between 1980 and 2017 with for dependent, independent and moderate variables (see Appendix A).

Table 4. **regression results for business strategy and information**

Panel A The result of the average daily spread for one year				
	(1)	**(2)**	**(3)**	**(4)**
Intercept	3.6781***	3.7637***	3.7017***	3.8125***
	(36.41)	(35.48)	(36.39)	(34.69)
STRA	-0.0047*			-0.0114***
	(-1.93)			(-3.45)
PRO		0.0286*		0.0740***
		(1.87)		(3.65)
DEF			0.0090	-0.0601
			(0.18)	(-1.11)
BM	0.3092***	0.3127***	0.3117***	0.3080***
	(10.99)	(11.16)	(11.13)	(10.91)
STDCF	0.0324***	0.0329***	0.0328***	0.0323***
	(4.52)	(4.60)	(4.59)	(4.52)
CASH	-0.8047***	-0.7979***	-0.8011***	-0.8012***
	(-17.58)	(-17.45)	(-17.52)	(-17.53)
LEV	0.0715***	0.0712***	0.0712***	0.0718***
	(4.97)	(4.95)	(4.95)	(4.98)
RD_SALE	-0.0046**	-0.0042*	-0.0044**	-0.0046**
	(-2.07)	(-1.92)	(-1.97)	(-2.05)
SGR	-0.1238***	-0.1260***	-0.1251***	-0.1244***
	(-5.87)	(-5.97)	(-5.94)	(-5.90)
IB	0.2235***	0.2200***	0.2211***	0.2237***
	(11.58)	(11.37)	(11.44)	(11.59)
TA	-0.2509***	-0.2651***	-0.2595***	-0.2537***
	(-36.80)	(-42.03)	(-47.63)	(-37.00)
FCF	<0.0001***	<0.0001***	<0.0001***	<0.0001***
	(16.93)	(17.00)	(17.02)	(16.86)
INSTOWN	-0.9904***	-0.9937***	-0.9945***	-0.9842***
	(-24.29)	(-24.43)	(-24.20)	(-23.95)
YEAR	YES	YES	YES	YES
SIC	YES	YES	YES	YES
R^2	65.68%	65.68%	65.67%	65.70%
Adj R^2	65.16%	65.16%	65.15%	65.18%
N	22189	22189	22189	22189
Panel B The result of the dispersion of analyst forecasts				
	(1)	**(2)**	**(3)**	**(4)**
Intercept	0.1239***	0.1688***	0.1184***	0.1726***
	(3.16)	(4.09)	(3.04)	(4.18)
STRA	-0.0008			-0.0030**
	(-0.76)			(-2.39)
PRO		0.0192***		0.0305***
		(3.32)		(4.21)
DEF			0.0467	0.0266
			(1.52)	(0.83)
BM	0.0376***	0.0389***	0.0380***	0.0375***
	(3.34)	(3.46)	(3.38)	(3.32)
STDCF	0.0048	0.0050	0.0046	0.0045
	(1.48)	(1.54)	(1.42)	(1.38)
CASH	-0.0424**	-0.0395**	-0.0420**	-0.0409**
	(-2.48)	(-2.31)	(-2.46)	(-2.39)
LEV	0.0191***	0.0190***	0.0191***	0.0193***
	(3.47)	(3.44)	(3.46)	(3.47)
RD_SALE	-0.0041***	-0.0040***	-0.0042***	-0.0042***
	(-3.90)	(-3.86)	(-3.89)	(-3.91)
SGR	-0.0132	-0.0144*	-0.0134	-0.0136*
	(-1.61)	(-1.74)	(-1.62)	(-1.65)
IB	0.2105***	0.2094***	0.2103***	0.2104***
	(20.47)	(20.43)	(20.51)	(20.47)
TA	-0.0071***	-0.0122***	-0.0079***	-0.0089***
	(-3.05)	(-5.69)	(-4.36)	(-3.77)
FCF	<0.0001	<0.0001	<0.0001	<0.0001
	(-0.67)	(-0.48)	(-0.64)	(-0.80)

INSTOWN	-0.1043***	-0.1042***	-0.1030***	-0.1006***
	(-5.65)	(-5.66)	(-5.61)	(-5.46)
YEAR	YES	YES	YES	YES
SIC	YES	YES	YES	YES
R^2	15.40%	15.44%	15.43%	15.50%
Adj R^2	13.98%	14.02%	14.01%	14.07%
N	19493	19493	19493	19493

Table4 presents the results of regressions strategy on the average daily spread for one year and the dispersion of analyst forecasts.

Table 5. **The Moderating Effect of Accounting Conservatism**

Panel A The result of the average daily spread for one year			
	(1)	**(2)**	**(3)**
Intercept	3.7652***	3.7041***	3.7631***
	(35.17)	(36.39)	(34.87)
PRO	0.0131		0.0135
	(0.84)		(0.86)
DEF		0.0250	0.0161
		(0.48)	(0.31)
PRO*G_SCORE	0.0503***		0.0490***
	(8.00)		(7.85)
DEF*G_SCORE		-0.0364*	-0.0227
		(-1.74)	(-1.08)
G_SCORE	-0.0243***	-0.0045	-0.0229***
	(-5.90)	(-1.50)	(-5.69)
BM	0.3101***	0.3096***	0.3097***
	(11.01)	(11.00)	(10.99)
STCFD	0.0336***	0.0328***	0.0334***
	(4.69)	(4.59)	(4.66)
CASH	-0.8029***	-0.8021***	-0.8022***
	(-17.53)	(-17.51)	(-17.51)
LEV	0.0722***	0.0719***	0.0724***
	(4.96)	(4.95)	(4.96)
RD_SALE	-0.0046**	-0.0045**	-0.0046**
	(-2.11)	(-2.05)	(-2.13)
SGR	-0.1251***	-0.1254***	-0.1253***
	(-5.93)	(-5.95)	(-5.94)
IB	0.2233***	0.2229***	0.2237***
	(11.51)	(11.51)	(11.54)
TA	-0.2657***	-0.2597***	-0.2656***
	(-42.05)	(-47.59)	(-41.64)
FCF	<0.0001***	<0.0001***	<0.0001***
	(17.05)	(17.03)	(17.05)
INSTOWN	-0.9921***	-0.9936***	-0.9915***
	(-24.40)	(-24.18)	(-24.14)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	65.73%	65.68%	65.73%
Adj R^2	65.21%	65.16%	65.21%
N	22189	22189	22189
Panel B The results of the dispersion of analyst forecasts			
	(1)	**(2)**	**(3)**
Intercept	0.1721***	0.1210***	0.1624***
	(4.18)	(3.12)	(3.97)
PRO	0.0193***		0.0194***

	(3.28)		(3.28)
DEF		0.0618*	0.0601*
		(1.90)	(1.85)
PRO*G_SCORE	0.0004		-0.0006
	(0.18)		(-0.23)
DEF*G_SCORE		-0.0273***	-0.0279***
		(-3.86)	(-3.88)
G_SCORE	-0.0048**	-0.0039***	-0.0038**
	(-2.57)	(-2.73)	(-1.98)
BM	0.0376***	0.0363***	0.0370***
	(3.32)	(3.21)	(3.27)
STCFD	0.0053	0.0047	0.0048
	(1.63)	(1.45)	(1.47)
CASH	-0.0413**	-0.0438**	-0.0415**
	(-2.42)	(-2.57)	(-2.43)
LEV	0.0194***	0.0197***	0.0197***
	(3.50)	(3.56)	(3.54)
RD_SALE	-0.0041***	-0.0043***	-0.0042***
	(-3.99)	(-4.02)	(-3.98)
SGR	-0.0142*	-0.0135	-0.0143*
	(-1.72)	(-1.63)	(-1.74)
IB	0.2103***	0.2115***	0.2107***
	(20.48)	(20.58)	(20.51)
TA	-0.0124***	-0.0081***	-0.0119***
	(-5.77)	(-4.47)	(-5.56)
FCF	<0.0001	<0.0001	<0.0001
	(-0.71)	(-0.83)	(-0.74)
INSTOWN	-0.1038***	-0.1025***	-0.1020***
	(-5.64)	(-5.58)	(-5.56)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	15.48%	15.50%	15.54%
Adj R^2	14.05%	14.07%	14.11%
N	19493	19493	19493

Table5 presents the results of regressions the coefficient of the interaction of strategy and accounting conservatism on the average daily spread for one year and the dispersion of analyst forecasts.

Table 6. **The Moderating Effect of Accounting Comparability**

Panel A The result of the average daily spread for one year			
'	**(1)**	**(2)**	**(3)**
Intercept	3.9275***	3.8245***	3.9236***
	(32.34)	(36.52)	(32.00)
PRO	0.0301*		0.0297*
	(1.82)		(1.80)
DEF		0.0210	0.0109
		(0.39)	(0.20)
PRO*ACC	-0.0047***		-0.0048***
	(-9.96)		(-9.92)
DEF*ACC		0.0011	-0.0006
		(0.84)	(-0.41)
ACC	0.0018***	0.0001	0.0019***
	(4.98)	(0.32)	(4.96)
BM	0.3546***	0.3548***	0.3547***
	(11.96)	(11.97)	(11.96)

STCFD	0.0318***	0.0308***	0.0316***
	(4.25)	(4.13)	(4.24)
CASH	-0.7904***	-0.8001***	-0.7906***
	(-16.72)	(-16.91)	(-16.74)
LEV	0.0681***	0.0680***	0.0681***
	(4.25)	(4.25)	(4.25)
RD_SALE	-0.0038*	-0.0041*	-0.0039*
	(-1.73)	(-1.86)	(-1.75)
SGR	-0.1225***	-0.1220***	-0.1224***
	(-5.68)	(-5.66)	(-5.67)
IB	0.2104***	0.2125***	0.2106***
	(10.42)	(10.54)	(10.44)
TA	-0.2726***	-0.2641***	-0.2723***
	(-40.91)	(-46.20)	(-40.39)
FCF	<0.0001***	<0.0001***	<0.0001***
	(16.75)	(16.71)	(16.75)
INSTOWN	-1.0131***	-1.0150***	-1.0122***
	(-25.75)	(-25.49)	(-25.43)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	65.55%	65.51%	65.55%
Adj R^2	65.08%	65.04%	65.08%
N	19645	19645	19645

Panel B The result of the dispersion of analyst forecasts

	(1)	(2)	(3)
Intercept	0.1185**	0.0627	0.1072**
	(2.36)	(1.29)	(2.15)
PRO	0.0205***		0.0201***
	(3.27)		(3.20)
DEF		0.0490	0.0460
		(1.49)	(1.40)
PRO*ACC	-0.0003		-0.0003
	(-0.53)		(-0.42)
DEF*ACC		0.0020***	0.0019**
		(2.76)	(2.55)
ACC	-0.0006*	-0.0008***	-0.0007*
	(-1.71)	(-2.68)	(-1.85)
BM	0.0342***	0.0334***	0.0341***
	(2.81)	(2.74)	(2.80)
STCFD	0.0053	0.0050	0.0051
	(1.56)	(1.45)	(1.50)
CASH	-0.0323*	-0.0356**	-0.0327*
	(-1.84)	(-2.02)	(-1.86)
LEV	0.0214***	0.0215***	0.0215***
	(3.44)	(3.47)	(3.45)
RD_SALE	-0.0041***	-0.0042***	-0.0041***
	(-3.85)	(-3.88)	(-3.83)
SGR	-0.0125	-0.0114	-0.0122
	(-1.48)	(-1.35)	(-1.45)
IB	0.2009***	0.2019***	0.2010***
	(19.07)	(19.14)	(19.06)
TA	-0.0115***	-0.0067***	-0.0108***
	(-5.12)	(-3.58)	(-4.85)
FCF	<0.0001	<0.0001	<0.0001
	(-1.32)	(-1.48)	(-1.37)

INSTOWN	-0.1227***	-0.1214***	-0.1211***
	(-9.85)	(-9.86)	(-9.82)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	15.38%	15.36%	15.41%
Adj R^2	14.12%	14.10%	14.15%
N	17153	17153	17153

Table6 presents the results of regressions the coefficient of the interaction of strategy and accounting comparability on the average daily spread for one year and the dispersion of analyst forecasts.

Table 7. **The Moderating Effect of Accounting Conservatism for High Free Cash Flow**

Panel AThe result of the average daily spreadfor one year			
'	**(1)**	**(2)**	**(3)**
INTERCEPT	3.2545***	3.1563***	3.2443***
	(27.06)	(28.01)	(26.62)
PRO	0.0272		0.0269
	(1.43)		(1.41)
DEF		0.0554	0.0482
		(0.47)	(0.41)
PRO*G_SCORE	0.0271***		0.0267***
	(3.65)		(3.64)
DEF*G_SCORE		-0.0289	-0.0156
		(-0.44)	(-0.24)
G_SCORE	-0.0214***	-0.0052	-0.0209***
	(-3.23)	(-1.23)	(-3.21)
BM	0.3288***	0.3290***	0.3286***
	(7.12)	(7.13)	(7.11)
STCFD	0.0237**	0.0224**	0.0231**
	(2.36)	(2.24)	(2.30)
CASH	-0.8068***	-0.8114***	-0.8075***
	(-12.71)	(-12.78)	(-12.72)
LEV	0.0737***	0.0736***	0.0738***
	(4.09)	(4.10)	(4.09)
RD_SALE	-0.0007	-0.0012	-0.0009
	(-0.14)	(-0.24)	(-0.19)
SGR	-0.0775**	-0.0762*	-0.0771*
	(-1.97)	(-1.94)	(-1.96)
IB	0.2124***	0.2126***	0.2128***
	(6.65)	(6.68)	(6.67)
TA	-0.2416***	-0.2347***	-0.2410***
	(-29.23)	(-32.41)	(-28.96)
INSTOWN	-1.0340***	-1.0325***	-1.0314***
	(-16.80)	(-16.59)	(-16.56)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	66.63%	66.61%	66.63%
ADJ R^2	65.68%	65.65%	65.67%
N	10380	10380	10380
Panel B The result of the dispersion of analyst forecasts			
	(1)	**(2)**	**(3)**
INTERCEPT	0.1706***	0.1311***	0.1672***
	(3.75)	(2.95)	(3.68)
PRO	0.0202***		0.0201***

	(3.01)		(3.01)
DEF		0.0436	0.0423
		(0.74)	(0.72)
PRO*G_SCORE	-0.0008		-0.0010
	(-0.30)		(-0.40)
DEF*G_SCORE		-0.0370*	-0.0373*
		(-1.65)	(-1.65)
G_SCORE	<0.0001	-0.0003	0.0003
	(-0.02)	(-0.22)	(0.11)
BM	0.0351**	0.0349**	0.0351**
	(2.07)	(2.05)	(2.06)
STCFD	0.0172***	0.0168***	0.0170***
	(3.87)	(3.74)	(3.78)
CASH	0.0052	0.0031	0.0052
	(0.29)	(0.17)	(0.28)
LEV	0.0116***	0.0118***	0.0117***
	(2.73)	(2.78)	(2.74)
RD_SALE	-0.0054**	-0.0057**	-0.0057**
	(-2.34)	(-2.43)	(-2.40)
SGR	-0.0137	-0.0123	-0.0137
	(-0.99)	(-0.89)	(-0.99)
IB	0.2056***	0.2065***	0.2058***
	(12.22)	(12.24)	(12.22)
TA	-0.0108***	-0.0067***	-0.0106***
	(-4.37)	(-3.17)	(-4.30)
INSTOWN	-0.0938***	-0.0923***	-0.0928***
	(-6.11)	(-6.07)	(-6.11)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	17.64%	17.59%	17.66%
ADJ R^2	15.15%	15.10%	15.16%
N	9618	9618	9618

Table7 presents the results of regressions the coefficient of the interaction of strategy and accounting conservatism on the average daily spread for one year and the dispersion of analyst forecasts for the firms above the median free cash flow

Table 8. **The Moderating Effect of Accounting Conservatism for Low Free Cash Flow**

Panel AThe result of the average daily spreadfor one year			
'	**(1)**	**(2)**	**(3)**
INTERCEPT	4.7826***	4.8526***	4.7829***
	(33.21)	(35.42)	(32.68)
PRO	-0.0454*		-0.0449*
	(-1.73)		(-1.70)
DEF		0.0144	0.0136
		(0.26)	(0.24)
PRO*G_SCORE	0.0636***		0.0623***
	(5.31)		(5.21)
DEF*G_SCORE		-0.0274	-0.0183
		(-1.35)	(-0.90)
G_SCORE	-0.0131**	-0.0007	-0.0118**
	(-2.42)	(-0.14)	(-2.21)
BM	0.3641***	0.3644***	0.3636***
	(10.32)	(10.33)	(10.30)
STCFD	0.0266***	0.0267***	0.0264***
	(2.69)	(2.71)	(2.67)

CASH	-0.7646***	-0.7562***	-0.7636***
	(-11.89)	(-11.77)	(-11.87)
LEV	0.0613***	0.0613***	0.0615***
	(3.17)	(3.16)	(3.16)
RD_SALE	-0.0029	-0.0029	-0.0030
	(-1.18)	(-1.16)	(-1.19)
SGR	-0.1375***	-0.1392***	-0.1378***
	(-5.79)	(-5.85)	(-5.80)
IB	0.2744***	0.2731***	0.2747***
	(11.20)	(11.13)	(11.21)
TA	-0.3297***	-0.3335***	-0.3297***
	(-30.33)	(-33.23)	(-29.90)
INSTOWN	-0.9317***	-0.9304***	-0.9311***
	(-16.83)	(-16.72)	(-16.70)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	67.52%	67.47%	67.52%
ADJ R^2	66.60%	66.56%	66.60%
N	11809	11809	11809
Panel B The result of the dispersion of analyst forecasts			
	(1)	**(2)**	**(3)**
INTERCEPT	0.1766***	0.1269**	0.1633**
	(2.71)	(2.13)	(2.51)
PRO	0.0203*		0.0203*
	(1.92)		(1.91)
DEF		0.0660*	0.0649*
		(1.70)	(1.67)
PRO*G_SCORE	-0.0072*		-0.0086**
	(-1.67)		(-1.98)
DEF*G_SCORE		-0.0272***	-0.0288***
		(-3.55)	(-3.73)
G_SCORE	-0.0047*	-0.0048**	-0.0033
	(-1.91)	(-2.00)	(-1.33)
BM	0.0271*	0.0256*	0.0262*
	(1.83)	(1.73)	(1.76)
STCFD	0.0008	0.0001	0.0001
	(0.16)	(0.02)	(0.02)
CASH	-0.0565**	-0.0602**	-0.0566**
	(-1.98)	(-2.12)	(-1.99)
LEV	0.0277***	0.0282***	0.0281***
	(3.22)	(3.30)	(3.29)
RD_SALE	-0.0020*	-0.0022**	-0.0021*
	(-1.86)	(-1.96)	(-1.91)
SGR	-0.0177*	-0.0174*	-0.0180*
	(-1.72)	(-1.69)	(-1.75)
IB	0.2190***	0.2205***	0.2196***
	(16.13)	(16.26)	(16.15)
TA	-0.0120***	-0.0081**	-0.0112**
	(-2.58)	(-1.98)	(-2.42)
INSTOWN	-0.1076***	-0.1065***	-0.1057***
	(-3.14)	(-3.12)	(-3.10)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	15.93%	15.98%	16.02%
ADJ R^2	13.17%	13.22%	13.25%
N	9875	9875	9875

Table8 presents the results of regressions the coefficient of the interaction of strategy and accounting conservatism on the average daily spread for one year in panel A and the dispersion of analyst forecasts in panel B for the firms below the median free cash flow.

Table 9. **The Moderating Effect of Accounting Comparability for High Free Cash Flow**

Panel A The result of the average daily spread for one year			
	(1)	**(2)**	**(3)**
INTERCEPT	3.2950***	3.1595***	3.2833***
	(25.90)	(26.97)	(25.54)
PRO	0.0297		0.0291
	(1.50)		(1.47)
DEF		-0.0557	-0.0606
		(-0.32)	(-0.35)
PRO*ACC	-0.0035***		-0.0035***
	(-3.90)		(-3.90)
DEF*ACC		-0.2387	-0.2377
		(-1.18)	(-1.18)
ACC	0.0016*	-0.0010**	0.0015*
	(1.79)	(-2.47)	(1.77)
BM	0.3439***	0.3435***	0.3438***
	(7.06)	(7.04)	(7.05)
STCFD	0.0259**	0.0252**	0.0252**
	(2.52)	(2.45)	(2.45)
CASH	-0.8017***	-0.8083***	-0.8036***
	(-12.32)	(-12.42)	(-12.36)
LEV	0.0722***	0.0725***	0.0725***
	(3.93)	(3.94)	(3.93)
RD_SALE	-0.0014	-0.0015	-0.0014
	(-0.29)	(-0.30)	(-0.29)
SGR	-0.0830**	-0.0814**	-0.0822**
	(-2.06)	(-2.03)	(-2.04)
IB	0.2159***	0.2175***	0.2153***
	(6.52)	(6.60)	(6.53)
TA	-0.2412***	-0.2337***	-0.2405***
	(-28.48)	(-31.67)	(-28.25)
INSTOWN	-1.0418***	-1.0405***	-1.0394***
	(-16.06)	(-15.85)	(-15.80)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	65.88%	65.86%	65.89%
ADJ R^2	65.02%	65.01%	65.02%
N	9390	9390	9390
Panel B The result of the dispersion of analyst forecasts			
	(1)	**(2)**	**(3)**
INTERCEPT	0.1216**	0.0661	0.1189**
	(2.23)	(1.20)	(2.19)
PRO	0.0201***		0.0200***
	(2.84)		(2.83)
DEF		0.0449	0.0429
		(0.59)	(0.56)
PRO*ACC	-0.0008		-0.0008
	(-1.19)		(-1.18)
DEF*ACC		0.0466	0.0468
		(0.53)	(0.53)
ACC	-0.0004	-0.0010**	-0.0004
	(-1.49)	(-2.07)	(-1.50)
BM	0.0261	0.0261	0.0262
	(1.47)	(1.46)	(1.47)
STCFD	0.0166***	0.0164***	0.0165***

	(3.64)	(3.53)	(3.58)
CASH	0.0142	0.0115	0.0140
	(0.77)	(0.62)	(0.76)
LEV	0.0128***	0.0129***	0.0129***
	(2.70)	(2.74)	(2.71)
RD_SALE	-0.0054**	-0.0056**	-0.0055**
	(-2.33)	(-2.37)	(-2.35)
SGR	-0.0140	-0.0130	-0.0141
	(-1.01)	(-0.92)	(-1.01)
IB	0.2055***	0.2066***	0.2056***
	(11.86)	(11.88)	(11.86)
TA	-0.0103***	-0.0060***	-0.0102***
	(-4.07)	(-2.79)	(-4.04)
INSTOWN	-0.0920***	-0.0907***	-0.0912***
	(-5.88)	(-5.87)	(-5.90)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	16.30%	16.20%	16.31%
ADJ R^2	14.12%	14.02%	14.11%
N	8668	8668	8668

Table9 presents the results of regressions the coefficient of the interaction of strategy and accounting comparability on the average daily spread for one year in panel A and the dispersion of analyst forecasts in panel B for the firms above the median free cash flow

Table 10. **The Moderating Effect of Accounting Comparability for Low Free Cash Flow**

Panel A The result of the average daily spread for one year			
	(1)	**(2)**	**(3)**
INTERCEPT	3.8172***	3.8080***	3.8140***
	(19.04)	(18.91)	(18.91)
PRO	-0.0030		-0.0034
	(-0.11)		(-0.12)
DEF		0.0120	0.0097
		(0.21)	(0.17)
PRO*ACC	-0.0042***		-0.0042***
	(-4.70)		(-4.69)
DEF*ACC		0.0004	-0.0002
		(0.33)	(-0.12)
ACC	0.0009**	0.0004	0.0010**
	(2.11)	(0.79)	(2.09)
BM	0.4144***	0.4148***	0.4144***
	(10.84)	(10.86)	(10.83)
STCFD	0.0208**	0.0203*	0.0207**
	(2.00)	(1.95)	(1.99)
CASH	-0.7310***	-0.7343***	-0.7311***
	(-11.16)	(-11.22)	(-11.17)
LEV	0.0576**	0.0575**	0.0576**
	(2.48)	(2.47)	(2.48)
RD_SALE	-0.0020	-0.0021	-0.0020
	(-0.79)	(-0.83)	(-0.81)
SGR	-0.1328***	-0.1331***	-0.1327***
	(-5.49)	(-5.50)	(-5.49)
IB	0.2679***	0.2688***	0.2680***
	(10.40)	(10.42)	(10.40)
TA	-0.3516***	-0.3503***	-0.3512***

	(-30.03)	(-32.51)	(-29.46)
INSTOWN	-0.9549***	-0.9542***	-0.9542***
	(-19.01)	(-18.88)	(-18.86)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	67.49%	67.47%	67.49%
ADJ R^2	66.69%	66.67%	66.68%
N	10255	10255	10255
Panel B The result of the dispersion of analyst forecasts			
	(1)	**(2)**	**(3)**
INTERCEPT	0.2788**	0.2587**	0.2683**
	(2.55)	(2.38)	(2.46)
PRO	0.0202*		0.0190*
	(1.79)		(1.68)
DEF		0.0580	0.0561
		(1.46)	(1.41)
PRO*ACC	0.0007		0.0007
	(1.21)		(1.33)
DEF*ACC		0.0019**	0.0020**
		(2.31)	(2.37)
ACC	-0.0008*	-0.0007*	-0.0008*
	(-1.66)	(-1.82)	(-1.78)
BM	0.0282*	0.0272*	0.0282*
	(1.77)	(1.72)	(1.78)
STCFD	0.0008	0.0006	0.0006
	(0.16)	(0.13)	(0.11)
CASH	-0.0462	-0.0495*	-0.0469
	(-1.56)	(-1.68)	(-1.59)
LEV	0.0307***	0.0308***	0.0307***
	(3.25)	(3.28)	(3.25)
RD_SALE	-0.0019*	-0.0020*	-0.0020*
	(-1.72)	(-1.78)	(-1.74)
SGR	-0.0132	-0.0122	-0.0128
	(-1.26)	(-1.17)	(-1.23)
IB	0.2060***	0.2070***	0.2061***
	(14.70)	(14.78)	(14.69)
TA	-0.0091*	-0.0045	-0.0077
	(-1.94)	(-1.11)	(-1.64)
INSTOWN	-0.1437***	-0.1433***	-0.1422***
	(-6.80)	(-6.86)	(-6.79)
YEAR	YES	YES	YES
SIC	YES	YES	YES
R^2	15.90%	15.92%	15.96%
ADJ R^2	13.45%	13.47%	13.49%
N	8485	8485	8485

Table10 presents the results of regressions the coefficient of the interaction of strategy and accounting conservatism on the average daily spread for one year in panel A and the dispersion of analyst forecasts in panel B for the firms above the median free cash flow.