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# Media Coverage of Earnings Announcements: How Newsworthiness Shapes Media Volume and Tone

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*Media coverage of earnings is consequential for firms. As such, firms work hard to ensure their performance beats analyst estimates to avoid negative coverage. However, the relationship between performance and coverage might not be as straightforward as firms assume because media coverage is a socially constructed process that reflects journalists' social and cognitive biases while producing newsworthy content. With this in mind, we unpack the concept of newsworthiness and develop theory regarding how the media targets, in the earnings context, deviance that is socially significant for stakeholders or attaches a deviance frame to news of social significance. In doing so, we examine how the media's pursuit of newsworthiness shapes the relationship between critical characteristics of earnings announcements—including the firm's earnings performance, its press releases surrounding earnings, its prior reputation, and its prior media visibility—and media volume and tone. The results of our empirical tests are broadly consistent with our theorizing. Our theory and findings contribute to research on earnings, media coverage, and social evaluations.*

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Research indicates that media coverage of earnings announcements impacts numerous firm outcomes. Indeed, media coverage helps external stakeholders—without access to the internal workings of firms—make sense of firm events like earnings (Graf-Vlachy, Oliver, König, Bundy, & Banfield, 2020). Because of this, media coverage of earnings influences cash flow mispricing (Drake, Guest, & Twedt, 2014; Drake, Roulstone, & Thornock, 2012), trading volume (Bonsall, Green, & Muller, 2020; Bushee, Core, Guay, & Hamm, 2010; Engelberg & Parsons, 2011), stock volatility (Griffin, Hirschey, & Kelly, 2011), post-earnings announcement drift (Ben-Rephael, Da, & Israelsen, 2017; Frederickson & Zolotoy, 2016), and trading activity of short sellers (Rees & Twedt, 2021). Practitioners are even beginning to build sentiment-based trading models to predict the stock performance of firms based on media coverage of earnings (Arratia, Avalos, Cabaña, Duarte-López, & Renedo-Mirambell, 2021).

Given the consequential nature of media coverage of earnings, firms strive to deliver earnings that garner positive coverage. In doing so, they assume their performance will be the primary driver of coverage, particularly in terms of beating rather than missing analyst earnings estimates.[1] Indeed, a McKinsey report highlights this assumption on the part of firms: "executives tend to focus on dramatic press accounts of earnings" and believe that "missing earnings is rare" assuming "even small misses lead to dramatic share price declines" and significant negative coverage (Koller, Raj, & Saxena, 2013). Consistent with this notion, research documents the extreme extent to which firms go to beat earnings (e.g., Chen, Luo, Tang, & Tong, 2015; Dechow & Skinner, 2000). Perhaps most telling in this regard is a quote from a former executive at Computer Associates International: "I would judge my success on [my] ability to make that number [analyst earnings estimates]. … My goal was just to get to or over that number—and if I did that, I succeeded" (O'Mahony, 2017). More recent work reveals that media coverage of earnings is related to this excessive performance pressure (An, Chen, Naiker, & Wang, 2020; Dai, Shen, & Zhang, 2021). Accordingly, firms are often incentivized to beat earnings to avoid the presumed negative consequences of unfavorable press coverage that likely results from missing earnings (Chen, Cheng, Li, & Zhao, 2021).

Yet even though firms care deeply about beating analyst estimates to avoid negative coverage, research on the media suggests that this may not matter quite as much as firms might think in terms of informing their media coverage (e.g., Shoemaker & Reese, 2013). That is, whether a firm beats or misses earnings might not be the primary driver of the volume and tone of earnings media coverage—the two main components of media coverage (Graf-Vlachy et al., 2020). This disconnect is driven by the fact that media coverage is a socially constructed process that reflects journalists' social and cognitive biases while producing the news (Graf-Vlachy et al., 2020; Shoemaker & Cohen, 2006). Journalists are influenced by these biases as they determine what is newsworthy—or coverage that will attract and hold the audience's attention (McQuail, 1985). While earnings announcements certainly

attract and hold some attention, they are also highly routine events that tend toward uniformity (Koller et al., 2013). As such, journalists may be motivated to focus on other newsworthy factors in their coverage, beyond simply reporting on the firm's performance. Thus, even in the context of a firm's earnings announcement, which features a clear and quantifiable outcome (if the firm misses or beats earnings), how the media cover and write about earnings may diverge from how firms appear to be thinking about their earnings coverage (Guest, 2021; Miller & Skinner, 2015).

All of this begs an interesting, but unresolved, question: What drives media coverage of earnings announcements? Our goal is to examine how the media, in the context of earnings announcements, may be biased toward producing newsworthy content. To do so, we unpack the concept of newsworthiness in the earnings context, which we suggest has two key components—deviance and social significance. Coverage that is both deviant and socially significant is the most newsworthy, meaning it will attract and hold the audience's attention (McQuail, 1985; Shoemaker & Cohen, 2006). As such, we articulate theory concerning how the media targets, in the earnings context, deviance that is socially significant for stakeholders or attaches a deviance frame to news of social significance. We examine how the media's pursuit of newsworthiness—in terms of its deviance and social significance—shapes specific relationships between media volume and tone and four important earnings aspects—(1) the firm's earnings performance, (2) its press releases surrounding earnings, (3) its prior reputation, and (4) its prior media visibility—as research finds each is theoretically and practically relevant in the earnings context (Frederickson & Zolotoy, 2016; Henry, 2008; Jonsson & Buhr, 2011; Skinner & Sloan, 2002).

Our findings suggest that the media's bias toward newsworthiness does indeed impact coverage of earnings announcements. While we find that missing earnings certainly shapes the volume and tone of firm coverage, we also find that the variance in this coverage is more strongly driven by other newsworthy factors. As a result, missing earnings seems to only be the starting point of coverage that is influenced by numerous additional factors, leading to some seemingly counterintuitive relationships, albeit ones consistent with our theorizing. For instance, we see firms that beat earnings estimates, such as Boeing in 2009, covered in a more negative light than anticipated due to their press releases being slightly less favorable than their peers. Similarly, we see competing firms that beat earnings by similar amounts being covered quite differently based on their reputations. As an example, Microsoft, a high-reputation firm in 2011, received significantly more negative media coverage than its peers, despite beating earnings. The media described the company as "struggling" (Kopytoff, 2011) and having "continued weakness" and a "lack of innovation" (Wingfield, 2011) notwithstanding a significant increase in profit. In contrast, Jabil Circuit, a company without a high reputation, had extremely positive coverage when beating earnings by a similar amount to Microsoft and was described, among other terms, as having a "strong outlook" (Pimentel, 2011).

Our study makes multiple contributions. First, we advance understanding of earnings, specifically in terms of media coverage of this event. We broadly develop theory and empirically find that missing earnings, rather than being central to firm coverage, represents only a starting point from which the media generates its coverage. Thus, while firms are very concerned with the actual earnings in relation to expectations, the media seems to consider a broader range of factors—even some unrelated to earnings—in crafting its coverage. Such results

are striking in a context where the precise topic of the news—a firm's performance relative to expectations—is known, yet media biases shape the coverage of this event. In fact, supplemental analyses reveal that, in terms of the four factors we theorize to predict volume and tone of earnings coverage, earnings misses were the least or second-to-least important factor in our sample.

Second, in demonstrating the importance of social significance and deviance in shaping media coverage, we advance the relevance of adopting a sociopsychological perspective when investigating media coverage of earnings, as opposed to the traditional economic view of the media—rational actors disseminating financial information about firms (Graf-Vlachy et al., 2020). Our overall pattern of results specifically suggests that media coverage is endogenous to the firm—specifically in terms of its social significance and deviance. Interestingly, this effect persists in a context where shareholders heavily rely on the media to understand the event being covered—annual earnings (Frederickson & Zolotoy, 2016).

Third, we find that certain factors that are usually associated with positive outcomes lead to negative outcomes in the context of earnings media coverage. In particular, given the media's desire to utilize both deviance and social significance in their narratives, we argue and find that the media attach deviance frames to high reputation and highly visible firms in these routine contexts. As such, we highlight a novel source of the potential "burden" of reputation and related constructs, as related to this important firm event (Baer, Bundy, Garud, & Kim, 2018; Bundy & Pfarrer, 2015; Rhee & Haunschild, 2006).

Lastly, much of the research in this space focuses on how media coverage influences firm actions while largely ignoring what drives the media coverage in the first place (Graf-Vlachy et al., 2020). Given that media coverage of firms tends to concentrate during the days around earnings announcements (Bonsall et al., 2020; Tetlock, Saar-Tsechansky, & Macskassy, 2008) and this coverage impacts capital markets above and beyond firm and analyst disclosures (Bonsall et al., 2020), it is critical to understand the antecedents of firms' earnings media coverage. Thus, understanding media coverage in this context is theoretically and practically important for scholars and practitioners alike.

## Theory and Hypotheses Development

### *Media Coverage of Earnings Announcements*

The media is a critical stakeholder that covers a firm's earnings announcements and, importantly, influences other stakeholders' perceptions of earnings. Scholarship indicates that investors rely on media coverage to make sense of firms' earnings (Bushee et al., 2010) and trust this information more than they do disclosures from firms and analysts (Kothari, Li, & Short, 2009). In fact, research finds that media coverage of earnings influences a variety of outcomes associated with a firm's stock price and trading volume (Bonsall et al., 2020; Bushee et al., 2010; Drake et al., 2014; Engelberg & Parsons, 2011; Griffin et al., 2011). Further, research suggests that media coverage of earnings impacts the order in which investors process these announcements on the same day (Frederickson & Zolotoy, 2016) and is related to the investor base's sophistication (Kalay, 2015). Given the impact that media coverage of earnings announcements has on firm outcomes, firms face short-term

performance pressure to beat earnings (Bailey, Bérubé, Godsall, & Kehoe, 2013; Dai et al., 2021) to try to shape this coverage.

The notion that firms assume beating or missing earnings will primarily drive the media coverage of earnings announcements is consistent with an economic perspective of media coverage (Graf-Vlachy et al., 2020). This perspective assumes that the media act as rational agents whose primary responsibility is to objectively disseminate firm information (and that the media are primarily transmitters and not evaluators of already public information) (Liu, Sherman, & Zhang, 2014; Rogers, Skinner, & Zechman, 2016). Scholars adopting this lens tend to focus on economic factors, like earnings, in their studies, often ignoring how media characteristics may drive their evaluations and subsequent coverage.

More recent management research, however, suggests that the media do not simply relay the news—they shape it. This research adopts a "social-psychological perspective" (Graf-Vlachy et al., 2020: 44) that suggests media coverage is not simply a reflection of its subjects (Fang & Peress, 2009; Willis, 2007) but is socially constructed (Shoemaker & Reese, 2013) and reflects the social and cognitive influences journalists face in producing the news (Bushee & Miller, 2012; Lovelace, Bundy, Pollock, & Hambrick, 2021). This view argues that media coverage is not an objective portrayal of the news but rather the product of a complex sorting process where journalists use socially constructed categories to determine newsworthiness (Shoemaker & Cohen, 2006). These categories are thought to be so embedded in journalistic processes that the media might follow a script to which they are not even consciously committed (Bell, 1991). Understanding these scripts is therefore important as it helps provide insights into how the media might cover firms' earnings.

### *Newsworthiness in the Earnings Context*

Research exploring media coverage suggests that the concept of newsworthiness—or coverage that will attract and hold the audience's attention (McQuail, 1985)—is critical. Indeed, the pursuit of newsworthiness appears to be embedded in how journalists go about their jobs. For instance, when asked how they define news, journalists often state: "I know it when I see it." Further, when pressed on why something is newsworthy, a standard reply from journalists is: "Because it just is!" (Brighton & Foy, 2007: 147).

In trying to understand journalists' pursuit of newsworthiness, researchers suggest there are two prevalent questions journalists ask when determining if an event or target is "possibly news" (Shoemaker, Lee, Han, & Cohen, 2007: 239) or newsworthy (Shoemaker, 1996): "Is there something odd or unusual occurring?" or "Is the event important or interesting to the audience?" Rooted in evolutionary psychology, these two questions take top billing in the media's selection biases because audiences are "both innately interested in deviant events and socialized to attend to events that have some significance" (Shoemaker, 1996: 44). In this way, deviance and social significance are critical influences that drive audience attention to certain stories—hence making them newsworthy. Thus, journalists develop routines and norms that prioritize deviance and social significance and combine them in interesting ways to craft their coverage (Lee, 2009; Shoemaker & Cohen, 2006).

Deviance, as a component of newsworthiness, is a characteristic of people, ideas, or events that sets them apart as different from others in their communities, regions, or in the case of earnings announcements, other firms. While there are a variety of types of deviance used

to judge if an event or actor is different, ranging from normative deviance, such as breaking laws, to social change deviance, like challenging the status quo, we focus on the most oft-occurring category of deviance—statistical deviance, or an unusual or odd occurrence. Something is unusual or odd when the likelihood of it happening is low. The old cliché by a 19th-century newspaper editor sums up statistical deviance: "When a dog bites a man, that is not news; but when a man bites a dog, that is news" (quoted in Kier, McCombs, & Shaw, 1986: 3).

Individuals across cultures are interested in deviant news, and it is often synonymous with bad or negative news (Breen, 1997; Feeley, O'Mally, & Covert, 2016; Lee, 2009; Shoemaker, 1996). Scholars argue that audiences are predisposed for surveillance and seek items in their environment that are unusual and potentially harmful, often called negative statistical deviance. The media are also drawn to deviant events, especially in the form of negative statistical deviance, because they contrast against the known and challenge expectations, while also inducing emotion—ultimately making them more interesting. At the same time, negative information is often more influential in impression formation and decision-making than positive information (Bednar, Boivie, & Prince, 2013; Pfarrer, Pollock, & Rindova, 2010; Skowronski & Carlston, 1989), leading audiences to be more attracted to negative stories than positive stories. Due to this attraction to negativity, "the saying that '*if it bleeds, it leads*' has been declared the motto under which much American journalism operates" (Zillmann, Chen, Knobloch, & Callison, 2004: 60) and is why many newsrooms "don't have a 'good news' reporter" on staff (Shoemaker & Cohen, 2006: 329). This mantra is why crises receive more coverage due to their statistical deviance and are negative expectation violations. Examples include evidence of fraud and corruption (Wiersema & Zhang, 2013), product failures (Zavyalova, Pfarrer, Reger, & Shapiro, 2012), environmental disasters (Hoffman & Ocasio, 2001), and boycotts (McDonnell & King, 2013).

Social significance, the second of the two components of newsworthiness, is categorized by the influence of a person, idea, or event on society's political, economic, or cultural institutions. In this way, social significance is gauged in terms of the importance or impact of something for a specific audience (Shoemaker & Cohen, 2006). Thus, in the context of earnings, social significance applies to firms that are influential in terms of the political, economic, and cultural realms of stakeholders, or firms perceived to be important because they potentially impact investors and the public more strongly (Andrews & Caren, 2010). News items from these firms are not necessarily unusual or deviant but rather have a deeper meaning for the social collective. For example, large and highly visible firms that are known for significantly impacting many stakeholders are likely to be perceived as more socially significant compared to smaller, less visible firms with a smaller perceived political, economic, or cultural impact. In this way, current companies like Apple, Meta (Facebook), and Tesla are seen as socially significant because of their financial impact on the markets (as some of the largest companies in the world by market cap), their cultural impact on stakeholders' lives (in terms of their innovative products and services and the breadth of adoption), and their political impact on the governing institutions that surround us (particularly in terms of their influence on current and future regulation).

Reporting on targets of social significance draws readership because the public demands coverage of these firms (Tan, 2016). The media can also leverage the public's knowledge of these firms, making these narratives easier to source, which provides more opportunities to

cultivate more interesting narratives (Fang & Peress, 2009; Hillert, Jacobs, & Müller, 2014; Shoemaker & Cohen, 2006). There also appears to be a self-reinforcing dynamic in which firms that become well-known continue to attract greater attention (Van de Rijt, Shor, Ward, & Skiena, 2013). Specific to the business context, audiences want to know the details behind significant firms and their actions, especially if the actions will impact them somehow. This is why there was much coverage of significant business events, such as the closure of AT&T in the 1980s (Glascock, 2000) and the merger of Daimler Benz and Chrysler in the United States (Fürsich, 2002).

Taken together, we theorize that media coverage of earnings announcements will be biased by social significance and deviance in the pursuit of newsworthiness. In the following section, we investigate how the confluence of these categories influences what is covered (volume) and how it is covered (tone). We articulate theory concerning how the media targets, in the earnings context, deviance that is socially significant for stakeholders or attaches a deviance frame to news of social significance. To elaborate how these mechanisms influence coverage in the earnings context, we focus on four factors that have been highlighted previously in the literature on earnings—typically when considering the consequences of coverage (Frederickson & Zolotoy, 2016; Henry, 2008; Jonsson & Buhr, 2011; Skinner & Sloan, 2002). These factors are the firm's earnings performance, its press releases surrounding earnings, its prior reputation, and its prior media visibility. In considering these various factors, we can investigate how a firm's performance (missing earnings) may not be the whole story, or even the most important part of the story, regarding the volume and tone of coverage.

## *Deviance, Social Significance, and Earnings Coverage*

*Firm Performance.* In the context of earnings, earnings misses, or instances in which an organization underperforms to expectations, are noteworthy. As such the impact of missing earnings has been linked to a host of firm-level outcomes. Missing earnings, even by a penny, can cause stakeholders to doubt a firm's management and prospects (Graham, Harvey, & Rajgopal, 2005). Firms reporting missed earnings may face a higher cost of equity as well (Mikhail, Walther, & Willis, 2004). The market response to underperformance is also asymmetric, as firms are punished more for missing earnings than they are rewarded for beating them (Skinner & Sloan, 2002). For instance, in early 2005 eBay reported that it had missed its consensus estimate by just one penny and saw its share price plunge 22%. Also, for most CEOs, a large portion of their pay is tied to performing to expectations, with misses posing outsized career penalties (Graham et al., 2005). As such, earnings misses lead to lower stock prices and increased pressure on management (Lopez & Rees, 2002; Skinner & Sloan, 2002).

Since underperforming has a meaningful impact on investors and firms alike (hence is socially significant), a culture of earnings management has developed to avoid underperforming to analyst expectations. It is well established that firms are highly incentivized to perform to expectations (Zhang & Qu, 2016). According to a recent McKinsey and Company survey, 55% of CFOs admitted that they would delay net present value-positive projects to meet earnings, even if the miss was less than one cent of the target (Barton, 2016). Such attitudes often lead firms to prioritize short-term performance at the expense of long-term competitiveness.

Studies demonstrate that media coverage often reinforces this short-termism (Malmendier & Tate, 2009) and the subsequent abandonment of long-term projects (Bailey et al., 2013).

Firms also actively work to lower the bar with earnings guidance to further mitigate any chance of underperforming. By tempering analysts' expectations downwards, firms increase their chances of performing to expectations (Matsumoto, 2002). As one prominent analyst stated in a CFO.com article, "the upshot for CFOs is clear: when a truly disappointing quarter looms, raising a red flag is better than ducking under the covers" (Banham, 2012).

Due to these conditions, the usual and expected outcome for firms is to perform to expectations. Underperformance is unusual and unexpected—therefore deviant—given the management of expectations and the importance of earnings (Campbell & Moser, 2018). Historical trends note that only about 14% of firms miss earnings (Pisanni, 2019), with misses traditionally being framed as outliers that represent company-specific or sector-specific issues. Thus, when firms miss earnings, it is (1) socially significant, (2) unusual and odder than when firms meet or beat earnings expectations, and (3) negative news as it signifies underperformance. Given that the media like to write more about events that are statistically deviant (unusual and negative) and of significance to investors, we theorize that they will focus their attention on firms with earnings misses. Thus, firms that miss earnings should receive higher levels of coverage.

We also recognize that news stories represent how favorably the subject is portrayed (Carroll & Deephouse, 2014; Deephouse, 2000; McCombs & Shaw, 1972). This favorability is expressed through the tone of media coverage. Given the deviant nature of missing earnings, the underperformance, and the more profound problems it potentially represents, and the potential negative implications for investors, we expect that tone of coverage for firms that miss earnings will also be less favorable than for firms that do not miss earnings. We thus hypothesize:

*Hypothesis 1*: Following an earnings announcement, firms that miss earnings will experience (a) more volume and (b) less favorable tone of media coverage.

*Favorability of Press Releases.* Given the media's reliance on official sources, firms often try to manage impressions of earnings announcements using press releases (Bowen, Davis, & Matsumoto, 2005; Maat, 2007). Press releases are readily available through newswires and company websites and have been shown to shape media narratives (Maat, 2007) and investors' perceptions (Henry, 2008; Kothari et al., 2009). Indeed, research finds that the favorability of a press release[2]—the degree to which a firm positively frames itself—directly affects investors' reactions to earnings announcements (Henry, 2008; Rogers, Van Buskirk, & Zechman, 2011).

It is unknown, however, if and how the favorability of a press release may influence the volume and tone of media coverage. Guillamon-Saoirn and colleagues (2012) found that firms' annual earnings press releases, regardless of performance, focus on good news and downplay bad news. Due to the potential negative results of poor performance, managers are incentivized to frame earnings in the best possible light. The accounting literature thus concludes that good news is shared, and bad news is buried in earnings disclosures (Bowen et al., 2005; Guillamon-Saorin, Isidro, & Marques, 2017).

The desire on the part of firms to issue a press release with more favorable tone often leads to a heavily manipulated announcement. Much like how academic recommendation letters are overwhelmingly positive, any hint of negativity in earnings press releases likely draws the attention of readers. For example, despite reporting positive earnings in 2012, readers' eyes are drawn to Hartford Insurance's discussion of the "catastrophe losses from Storm Sandy" that were mentioned in their press release (Hartford, 2013). As such, when a release is less favorable, it is assumed to be less manipulated and potentially more useful representing critical negative events (crises, negative performance, etc.) that cannot be buried (Goldman, Martel, & Schneemeier, 2021). Thus, less favorable firm communication is deviant (unusual and odd) and, partly due to this rarity, assumed to be more legitimate and therefore more representative of a socially significant event for investors. As such, irrespective of the actual performance, we argue that less favorable press releases, due to their socially significant deviance and the underlying issues they represent, will attract a greater volume of media attention.

As press releases are an efficient and ready-made source of content for journalists, we theorize that the favorability of press releases also influences the favorability of media coverage for several reasons. First, for firms communicating a less favorable tone, the media will most likely mirror this less favorable tone as it reports on the underlying negative event being disclosed on behalf of the firm. Second, by echoing the tone of official accounts with their reporting, journalists protect themselves from the criticism of bias (Gans, 2003; Schudson, 1978). Research also suggests that earnings releases are difficult to understand (Ahern & Sosyura, 2014), which may also drive journalists' reliance on press releases that provide ready-made narratives already translated for widespread consumption. For example, when reporting on the challenges it was facing in 2010, Johnson & Johnson's press release contained comments from its CEO, William C. Weldon. These comments were attention-grabbing likely because they were less favorable—"sales were significantly impacted by the previously announced recalls of certain over-the-counter medicines and the suspension of manufacturing at the McNeil Consumer Healthcare Fort Washington, Pa., facility as well as the currency devaluation in Venezuela." (J&J, 2011). Its coverage in *The Wall Street Journal* reflected this situation with the headline, "J & J Profit Drops 12% on Recall Costs, Sluggish Sales," and a quote from the chairman that "the results of our consumer business were clearly a disappointment" (Loftus, 2011). We thus expect that the favorability of firms' earnings press releases, independent of beating or missing earnings, will influence the volume and favorability of media coverage.

*Hypothesis 2*: Following an earnings announcement, firms that issue a relatively less favorable earnings press release will experience (a) more volume and (b) less favorable tone of media coverage.

*Organizational Reputation.* A high organizational reputation reflects the accumulation of public recognition and approval of a firm's capabilities and outputs (Deephouse, 2000; Fombrun & Shanley, 1990; Lange, Lee, & Dai, 2011). Specific to the earnings context, organizational reputation has been linked to the optimism (Lu, Cahan, & Ma, 2019), timing, and quality of earnings announcements (Khoo, Lim, & Monroe, 2020). Scholars have also investigated the consequences of earnings announcements on reputation (Love & Kraatz, 2017).

Scholars contend that a reputation can reflect either a holistic general assessment of a firm or a more focused evaluation of specific firm attributes (Lange et al., 2011). Our inquiry is concerned with the influence of a general reputation. As a cognitive tool for framing relationships, a firm with a strong reputation leads stakeholders to have "a lower variance estimate of the organization's future actions" (Fischer & Reuber, 2007: 57), resulting in more predictable stakeholder interactions and traditionally positive evaluations (Lange et al., 2011). In this way, high reputation firms are those that have positively satisfied stakeholders in the past and are expected to continue doing so in the future. Firms with a strong reputation thus hold a place of social significance as positively impactful or influential entities and are often highlighted by stakeholders as exemplars in their respective industries.

As the media are attracted to socially significant events and actors, like those with high reputations, we argue that the media are more likely to cover firms with higher reputations than those without. Indeed, the media are often fascinated with highly reputable firms (Einwiller, Carroll, & Korn, 2010; Fombrun & Shanley, 1990; Kiousis, Popescu, & Mitroo, 2007; Meindl, Ehrlich, & Dukerich, 1985; Rindova, Pollock, & Hayward, 2006). In terms of earnings announcements, investors have limited attention and tend to focus on the most impactful firms and those firms that they expect will require less processing time to understand future growth potential (Frederickson & Zolotoy, 2016). Given that high-reputation firms are impactful to and provide a heuristic short-cut predicting positive future performance for investors, when a firm with a higher reputation announces earnings, it is more salient to the media compared to when this occurs for less reputable firms. Thus, we argue that the media will be more attracted to firms with higher reputations and will give their earnings announcements more coverage irrespective of their earnings outcome.

In addition to a higher volume of coverage, it may seem natural to conclude that high-reputation firms will also receive a more favorable tone in their coverage. Given that firms develop strong reputations through consistently producing positive outcomes (Fombrun, 1996), it is likely that the media and general public will be positively disposed toward these firms. Numerous studies have also shown the many benefits of a high reputation (Deephouse, 2000; Rindova, Williamson, Petkova, & Sever, 2005; Roberts & Dowling, 2002), as well as the ability of reputation to act as a buffer to reduce the impact of negative information, including investor reactions to earnings (Pfarrer et al., 2010). As such, regardless of the earnings outcome, we might expect reputation, given its many benefits, to positively influence the general tone of earnings media coverage.

We argue, however, that there may be a downside for high reputation firms, specifically in the context of earnings media coverage, due to the media's attraction to deviance and social significance. Journalists are likely aware that socially significant news, such as the earnings of high-reputation firms, will attract increased media attention, particularly when engaging in routine, low-cost, and relevant events, such as earnings announcements (Bonsall et al., 2020). Because of this increased attention, journalists may be motivated to attract readers to their particular stories by utilizing a deviance frame. This deviance framing may potentially take two forms during earnings announcements: (1) The media may pull focus to other more interesting or deviant storylines when the earnings narrative is not unique or interesting (positive earnings is the default expectation for high-reputation firms; see Pfarrer et al., 2010) or (2) the media may focus even more attention and scrutiny on negative earnings, both resulting in a less favorable general tone for earnings coverage of higher reputation firms.

Media sociologists also recognize this bias toward deviance and note that "stories about things going as planned and people doing what is expected of them just don't get much coverage" (Willis, 2007: 106). We thus argue that journalists may be compelled to draft stories that challenge audiences' understandings when covering routine news from socially significant entities. In other words, to set their story apart from the crowd, journalists are likely to create a "deviance" narrative in their routine coverage of high-reputation firms (Shoemaker & Cohen, 2006; Shoemaker, Danielian, & Brendlinger, 1991). For example, recent coverage of Nike's earnings has been less favorable, focusing on its lack of growth in the casual lifestyle market compared to its competitors, while also still noting that Nike "holds a reputation as one of the most consistently innovative companies on Wall Street" (Barrabi, 2016). Further, even though Ford, a high-reputation firm, reported in 2013 that "its fourth-quarter profit jumped 54% from a year ago, far better than Wall Street expected," media coverage was less favorable, focusing on the negative news coming out of Europe with headlines such as "Car maker struggles to assure skeptics" (Jetter, 2013).

In sum, we argue that, specifically in the context of a routine news context such as an earnings announcement, the media searches for content that exemplifies organizations violating expectations and focuses more heavily on potential shortcomings to apply a deviance frame to socially significant firms.[3] Rather than writing yet another story exemplifying the high-reputation firm, journalists may instead be motivated to spur audience interest by highlighting deviant elements. Indeed, this is the focus of the tabloid press, which often highlights the deviant acts of well-liked entities. We thus theorize that, around earnings announcements, journalists will focus their coverage on firms with a strong reputation, but the general tone will be less favorable as they attempt to drive newsworthiness with a deviance frame.

*Hypothesis 3*: Following an earnings announcement, firms with a higher reputation will experience (a) more volume and (b) less favorable tone of media coverage.

*Media Visibility.* In the context of earnings announcements, media visibility, in terms of prior firm coverage, influences a firm's credibility and impact on investors and as such is an indicator of social significance, potentially translating into value for the firm (Barber & Odean, 2008; Jonsson & Buhr, 2011; Merton, 1987). Similar to studies on the social construction of markets, to use their "cognitive resources efficiently," the media, like investors, "focus their limited attention on the most relevant actors and issues," thus on those of social significance (Pollock, Rindova, & Maggitti, 2008: 341; Porac, Wade, & Pollock, 1999). These highly visible firms also require less effort to understand on the part of investors and hence receive more attention (Frederickson & Zolotoy, 2016). Therefore, firms that have already received coverage are known to the media and investors, easier to understand, and in turn, should receive more coverage. By focusing on firms that received more coverage in the past, the media can also cultivate more interesting narratives by leveraging investors' knowledge of these actors. Media coverage also has a self-reinforcing dynamic in which well-known firms attract greater attention as it is less costly than researching new targets (Cowen, 2000; Van de Rijt et al., 2013).

Outside of their social significance, the media are also drawn to continue covering the same firms due to the idea of "certainty in consensus" as journalists lack external benchmarks for accuracy and thus use the consistency of their coverage with their peers as proxies

(Shoemaker & Reese, 2013; Sigal, 1973). This "media groupthink" (McCluskey, 2008) results in a great deal of overlap and limited diversity in media content across subjects, news outlets, and over time (McCombs, 1992; Shoemaker & Reese, 2013; Willis, 2007). Overall, an analysis of more than 100 million news articles on corporations shows that companies that are covered in the news remain in the news (Mizuno, Takei, Ohnishi, & Watanabe, 2012).

Traditionally, this self-reinforcing dynamic of prior coverage has been thought to beget more positive outcomes such as deference from stakeholders (Berger, Ridgeway, Fisek, & Norman, 1998). This idea is consistent with Merton (1968), who coined this reinforcing cumulative advantage afforded socially significant actors the "Matthew Effect" referencing a New Testament passage, "For unto everyone that hath shall be given, and he shall have abundance; but from he that hath not shall be taken away even what he hath." Analogously, for highly visible firms, one may conclude that they should also receive a disproportionate amount of reward in the form of favorable tone due to the potential accumulation of goodwill. We argue, however, that like for firms with a high reputation, firms with a high level of prior media visibility will subsequently receive less favorable coverage in the routine context of earnings.

That is, while the media is self-reinforcing in terms of volume, it is not necessarily self-reinforcing in terms of tone. Consistent with our theorizing on reputation, we argue that the media are more likely to maximize the audience's interest in highly visible firms by dramatizing characteristics that are deviant or norm-breaking to increase interest and stand out in the crowded field of coverage of a routine earnings announcement (Gans, 1979; Zillmann et al., 2004: 60). For example, when the highly visible Lockheed Martin announced positive earnings in 2013, the media shifted focus to the negative news of "U.S. defense-budget cuts" and how that would influence the firm (Reuters, 2013). Similarly, when well-covered Procter & Gamble "reported a 45% profit increase for its latest quarter in 2012" beating expectations, the media instead focused on how the activist investor William A. Ackman "planned to put pressure on management to make deeper cuts" (Ziobro, 2012). This pressure to differentiate coverage is pervasive, as one journalist noted in regard to asking a question during an earnings call, "I don't like [entering the queue] because I never want to give away what I'm thinking to my competitors" (Call, Emett, Maksymov, & Sharp, 2021).

Indeed, without dramatizing the coverage of well-covered firms, coverage of the same firms may become monotonous, especially in light of repetitive earnings announcements, which violates the media drive for capturing readers' attention via newsworthiness. We thus hypothesize that the media will use a deviance frame when covering well-covered firms:

*Hypothesis 4*: Following an earnings announcement, firms with higher media visibility will experience (a) more volume and (b) less favorable tone of media coverage.

## Methods

### *Sample and Data Collection*

Our sample consisted of U.S. publicly traded organizations listed at least once in the *Fortune 250* during the years 2008 to 2012—specifically, we focused on these companies' annual earnings announcements. *Fortune* annually ranks the top U.S.-based firms in order

of total revenue. These rankings include firms that are both public and private. As such, in any given year, there is typically less than 250 public firms in the Fortune 250. We chose this sample and context for several reasons. First, public firms are required to report their earnings (Henry, 2008) and are likely to issue a corresponding press release. Second, we selected this sample because large public firms are highly covered by the media, with annual earnings announcements specifically representing one of their main news events (Doyle, Lundholm, & Soliman, 2006). Third, we picked this sample because across these firms, there is significant variability in each of our independent variables. Fourth, this sample was large enough, and the observation window seemingly long enough in duration (5 years), to test the effects of our theory, but yet still feasible to gather media coverage, which can be quite time-consuming to collect.

We obtained the dates of annual earnings announcements using the Institutional Brokers' Estimate System (I/B/E/S) database. Using these dates, we gathered annual earnings press releases and media coverage from Factiva. We collected annual earnings estimates and earnings values from the I/B/E/S database as well as additional firm data from the Compustat and CRSP databases. After accounting for missing data, primarily due to a firm not being public in a given year, our final sample consisted of 243 firms and 1,021 firm-year observations.

### *Dependent Variables*

We created measures for media volume and tone by first collecting news articles on firms' annual earnings announcements. We collected articles from leading national outlets—*Bloomberg News*, *MarketWatch*, *The Wall Street Journal*, *The New York Times*, and *The Washington Post*. We chose these outlets because national outlets are "generally regarded as opinion leaders, so a sampling of these publications should be representative of a firm's overall coverage in the press" (Bednar et al., 2013: 96). Further, by focusing on national outlets, we tried to minimize any potential hometown bias from regional outlets.

To ensure that articles were solely focused on a given firm's earnings announcement, we adapted Bednar et al. (2013)'s approach and searched by company name, excluding articles that did not mention the focal firm in the title, had fewer than 50 words, or mentioned more than four other firms. We used Factiva's "earnings" subject feature, which limits the search to "announcements of the earnings of a company or industry for a specific time period," and we limited our collection to a four-day window—the day of announcement plus three. After initially collecting articles for a random sample of 30 firms from the day of earnings announcement through 6 days after, we found that after 4 days there was an increased likelihood of news articles about other events or firms. Our search criteria make such contaminating events quite rare within the narrower 4-day window. Further, we manually examined each article to ensure it focused on the firm's earnings announcement.

To assess the *volume* of organizational media coverage, we counted the number of articles written about a firm during the 4-day window following the earnings announcement (Zavyalova et al., 2012). As the distribution of this variable was skewed, our measure is logged. However, we find comparable results with the unlogged version and a negative binomial model.

To assess the *favorability of tone* of organizational media coverage, we used Linguistic Inquiry and Word Count Software (LIWC), a computer-aided text analysis software

(Pennebaker, Booth, & Francis, 2007). LIWC contains dictionaries that assess the frequency with which positive or negative words are used in a given text and has been psychometrically evaluated to represent the emotional content of coverage (Pennebaker & Francis, 1996). For each firm-year, we recorded the positive and negative scores for articles during the 4-day window. For observations with no media volume, we set the positive and negative scores to 0. We then created a tone measure equal to the positive percentage of words minus the negative percentage of words (Bermiss, Zajac, & King, 2014; Hiatt & Carlos, 2018). Larger values thus represent a greater prevalence of positive words (greater favorability).

### *Independent Variables*

*Earnings Miss.* To measure earnings misses, we gathered consensus mean earnings estimates from I/B/E/S, as consensus estimates eliminate the bias of any one analyst (Clarke, Khorana, Patel, & Rau, 2007; Hirsch & Pozner, 2005). We specifically obtained the last consensus estimate prior to a firm's annual earnings announcement (Doyle et al., 2006; Livnat & Mendenhall, 2006) and the focal firm's earnings per share value (Barron, Byard, & Yu, 2008; Westphal & Deephouse, 2011). We then created a binary indicator if the firm missed its earnings target (Barron et al., 2008). It is important to note that if we use a continuous measure of earnings, capturing the difference between analysts' expectations and firms' earnings, we find comparable results to those reported below.

*Favorability of Press Release.* We first gathered each firm's annual earnings press release from Factiva. We ran each through LIWC to calculate the tone of each press release *(favorability of press release)* based on the positive and negative LIWC scores, which we measured identically to our media tone measure (Bermiss et al., 2014).

*Organizational Reputation.* We measured organizational reputation with a count of the number of times a firm appeared on *Fortune*'s Most Admired (FMA) rankings in the prior 5 years (Fombrun & Shanley, 1990; Love & Kraatz, 2009). *Fortune*'s rankings are based on assessments from analysts and corporate executives and have been used extensively in prior research to represent an organization's reputation (Graffin, Wade, Porac, & McNamee, 2008; Wade, Porac, Pollock, & Graffin, 2006).

*Media Visibility.* To assess a firm's media visibility, we measured the volume of prior nonearnings media coverage. We gathered a count of the number of articles about a firm in the 3 months before its annual earnings announcement. We chose the prior 3 months to avoid overlapping with earlier quarterly earnings announcements. We again adapted Bednar et al. (2013)'s approach to ensure the articles were about the focal firm. To avoid confounding with our focal context, we excluded earnings-related articles using Factiva's "earnings" subject feature previously described in our discussion of the dependent variables. We measured *media visibility* as a logged version of the count of articles for the focal firm in the 3 months before the annual earnings announcement.

*Controls.* To rule out alternative explanations, we controlled for several additional firm- and industry-level factors. We controlled for *organization performance* by measuring a firm's

return on assets in the prior year. We also controlled for prior *earnings* and prior *forecast* in the year prior, as prior research shows that matters in the earnings context (Pfarrer et al., 2010). Significant changes in a firm's stock price leading up to an earnings announcement may influence journalists, so we controlled for *cumulative abnormal return* (*CAR*) leading up to the earnings announcement. Specifically, we used a 30-day CAR ending 7 days prior to the earning event, calculated using the Eventus package in WRDS.

Research has found that stakeholders react differently to earnings surprises based on whether a firm is a growth or value stock (Brown, 2001; Skinner & Sloan, 2002). Therefore, we differentiate between growth and value stocks by controlling for the *market-to-book* ratio (Skinner & Sloan, 2002). Press releases also widely varied in length, and longer press releases may offer greater opportunity for a firm to frame the narrative and influence media coverage, so we controlled for the *length of press release* using the natural log of the word count. As press releases are an efficient and ready-made source of content for journalists, leading reporters to "occasionally [lift] intact phrases or even entire passages" (Kennedy, 2008: 274), we also controlled for the number of *firm quotes* used in the media coverage. We also controlled for the *favorability of media visibility* using the same operationalization as our other tone variables. As characteristics of a firm's CEO have also been shown to garner press attention, we also included a *new CEO* measure equal to 1 if a CEO is new (Shen & Cannella, 2002), a *CEO gender* measure equal to 1 for a female CEO (Lee & James, 2007), and a *star CEO* equal to 1 if a CEO had won an award in the prior year (Love, Lim, & Bednar, 2017).

We controlled for *organization size* using the natural log of a firm's net sales in the prior year (Lange, Boivie, & Henderson, 2009). As research finds that the *number of analysts* covering a firm may influence the likelihood of an earnings surprise (Chen & Steiner, 2000; MacKinlay, 1997), we controlled for the natural log of the number of analysts covering a firm at fiscal year-end (Pfarrer et al., 2010). As firms located in the same city as media outlets may garner more coverage, we also included a variable, *HQ Location*, equal to 1 if a firm's headquarters were located in the same city as any of our sample publications and 0 otherwise. We controlled for industry using the *Fama French* 12 Index (Fama & French, 1997), which classifies firms into 12 industries based on SIC codes. We also include *year dummies* to control for time period effects.

## *Method of Analysis*

A recent review on organizational media coverage (Graf-Vlachy et al., 2020) claims that the majority of management studies on this topic do not properly consider media volume and tone simultaneously and that media tone is likely dependent on media volume and therefore empirical models should account for this. To address this issue, we test our predictions related to the volume of media coverage (H1a-4a) within the first stage of a two-stage model. We then test our second set of predictions on media tone (H1b-4b) as the second stage. We thus estimate a selection equation where the volume of media coverage is treated as an endogenous variable that is also a function of our independent variables, controls, and unique instruments (Greene, 2011).

Our dataset consists of pooled time-series data, where firm-level annual earnings announcements represent the observation, with up to 5 years of data per firm. Because our

## Table 1.
## Descriptive Statistics and Correlations

| | | Mean | S.D. | Min | Max | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Volume of Media Coverage | 1.26 | 1.52 | 0.00 | 15.00 | | | | | | | | | |
| 2 | Tone of Media Coverage | 1.13 | 1.38 | -2.58 | 7.35 | 0.35 | | | | | | | | |
| 3 | Earnings Miss | 0.28 | 0.45 | 0.00 | 1.00 | 0.03 | -0.14 | | | | | | | |
| 4 | Favorability of Press Release | 1.59 | 0.92 | -0.66 | 5.26 | -0.02 | 0.18 | -0.07 | | | | | | |
| 5 | Organizational Reputation | 0.41 | 1.21 | 0.00 | 5.00 | 0.35 | 0.15 | -0.07 | 0.04 | | | | | |
| 6 | Media Visibility | 9.64 | 28.72 | 0.00 | 360.00 | 0.36 | 0.03 | 0.11 | 0.01 | 0.30 | | | | |
| 7 | New CEO | 0.27 | 0.44 | 0.00 | 1.00 | 0.07 | 0.05 | 0.03 | -0.06 | -0.02 | 0.02 | | | |
| 8 | Number of Analysts Following | 17.61 | 7.55 | 1.00 | 55.00 | 0.31 | 0.17 | -0.11 | 0.00 | 0.25 | 0.25 | -0.08 | | |
| 9 | Star CEO | 0.24 | 0.43 | 0.00 | 1.00 | 0.25 | 0.13 | -0.10 | 0.02 | 0.21 | 0.11 | -0.11 | 0.26 | |
| 10 | CEO Gender | 0.03 | 0.18 | 0.00 | 1.00 | 0.05 | 0.05 | 0.03 | -0.01 | 0.03 | -0.05 | 0.09 | -0.10 | 0.01 |
| 11 | Organizational Performance | 0.07 | 0.17 | -4.14 | 0.56 | 0.07 | 0.10 | -0.06 | 0.05 | 0.10 | 0.05 | -0.07 | 0.24 | 0.09 |
| 12 | Forecast | 2.86 | 2.86 | -32.00 | 24.28 | -0.01 | 0.02 | 0.02 | 0.01 | 0.09 | -0.02 | -0.05 | 0.14 | 0.08 |
| 13 | Earnings | 2.81 | 3.26 | -46.40 | 24.73 | -0.04 | 0.03 | 0.03 | 0.02 | 0.09 | -0.04 | -0.06 | 0.15 | 0.06 |
| 14 | CAR (-30, -7) | -0.02 | 0.11 | -0.68 | 0.65 | -0.04 | 0.02 | -0.12 | 0.00 | 0.03 | -0.01 | -0.02 | 0.03 | -0.02 |
| 15 | Market to Book | 3.63 | 27.17 | -138.54 | 766.01 | 0.01 | -0.02 | -0.04 | -0.01 | 0.00 | 0.02 | 0.00 | 0.02 | 0.00 |
| 16 | Organization Size ('000,000) | 34.40 | 46.95 | 0.42 | 434.00 | 0.31 | 0.10 | 0.04 | -0.08 | 0.29 | 0.39 | 0.08 | 0.14 | 0.19 |
| 17 | HQ Location | 0.12 | 0.33 | 0.00 | 1.00 | 0.17 | 0.07 | 0.03 | -0.04 | 0.03 | 0.02 | 0.03 | 0.03 | 0.07 |
| 18 | Length of Press Release ('000) | 4.74 | 2.91 | 0.13 | 21.51 | 0.09 | 0.03 | 0.00 | -0.01 | 0.02 | 0.03 | 0.05 | 0.06 | 0.04 |
| 19 | Favorability of Media Visibility | 0.77 | 1.04 | -2.18 | 6.55 | 0.07 | 0.16 | -0.01 | 0.06 | 0.08 | 0.09 | 0.02 | 0.09 | 0.06 |
| 20 | Firm Quotes | 2.04 | 3.69 | 0.00 | 36.00 | 0.66 | 0.20 | 0.00 | -0.02 | 0.21 | 0.27 | 0.01 | 0.20 | 0.15 |

| | | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 11 | Organization Performance | -0.03 | | | | | | | | | |
| 12 | Forecast | -0.03 | 0.49 | | | | | | | | |
| 13 | Earnings | -0.02 | 0.48 | 0.95 | | | | | | | |
| 14 | CAR (-30, -7) | 0.09 | -0.04 | -0.02 | 0.00 | | | | | | |
| 15 | Market to Book | 0.00 | 0.02 | 0.06 | 0.05 | -0.01 | | | | | |
| 16 | Organization Size ('000,000) | 0.00 | 0.00 | 0.17 | 0.14 | -0.01 | 0.00 | | | | |
| 17 | HQ Location | 0.03 | 0.04 | 0.05 | 0.00 | -0.05 | 0.01 | 0.03 | | | |
| 18 | Length of Press Release ('000) | 0.02 | 0.02 | -0.02 | -0.02 | -0.04 | 0.02 | 0.03 | 0.06 | | |
| 19 | Favorability of Media Visibility | 0.00 | 0.02 | 0.02 | 0.00 | 0.02 | -0.02 | 0.05 | -0.02 | 0.00 | |
| 20 | Firm Quotes | 0.04 | 0.05 | -0.02 | -0.06 | -0.07 | 0.02 | 0.23 | 0.11 | 0.09 | 0.03 |

*Note.* $N$ = 1,021; When $r>|0.052|$, $p<0.05$. Variables presented untransformed where appropriate.

**Table 2**
**First-Stage Instrumental Variable Approach Predicting Media Volume – Random Effects**

| Variables | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| New CEO | 0.080 | 0.078 | 0.082 | 0.086 | 0.080 | 0.084 |
| | (0.007) | (0.008) | (0.006) | (0.003) | (0.007) | (0.004) |
| Number of Analysts | 0.184 | 0.192 | 0.182 | 0.164 | 0.153 | 0.149 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Star CEO | 0.079 | 0.081 | 0.077 | 0.072 | 0.072 | 0.068 |
| | (0.018) | (0.014) | (0.020) | (0.027) | (0.024) | (0.030) |
| CEO Gender | 0.015 | 0.010 | 0.013 | 0.008 | 0.053 | 0.032 |
| | (0.885) | (0.919) | (0.897) | (0.943) | (0.594) | (0.749) |
| Organization Performance | 0.098 | 0.108 | 0.095 | 0.091 | 0.074 | 0.079 |
| | (0.101) | (0.067) | (0.107) | (0.114) | (0.184) | (0.159) |
| Forecast | −0.010 | −0.009 | −0.009 | −0.011 | −0.013 | −0.011 |
| | (0.383) | (0.447) | (0.412) | (0.328) | (0.299) | (0.349) |
| Earnings | −0.005 | −0.007 | −0.006 | −0.005 | −0.000 | −0.004 |
| | (0.491) | (0.325) | (0.437) | (0.513) | (0.964) | (0.619) |
| CAR (−30, −7) | 0.146 | 0.166 | 0.146 | 0.144 | 0.113 | 0.137 |
| | (0.367) | (0.302) | (0.369) | (0.378) | (0.487) | (0.402) |
| Market to Book | 0.000 | 0.000 | 0.000 | 0.000 | −0.000 | 0.000 |
| | (0.838) | (0.799) | (0.793) | (0.765) | (0.901) | (0.890) |
| Organization Size | 0.186 | 0.185 | 0.186 | 0.151 | 0.142 | 0.122 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| HQ Location | 0.177 | 0.176 | 0.180 | 0.171 | 0.161 | 0.162 |
| | (0.003) | (0.003) | (0.002) | (0.002) | (0.005) | (0.003) |
| Length of Press Release | 0.017 | 0.017 | 0.019 | 0.017 | 0.018 | 0.020 |
| | (0.338) | (0.350) | (0.301) | (0.338) | (0.275) | (0.256) |
| Favorability of Media visibility | 0.017 | 0.016 | 0.015 | 0.016 | −0.006 | −0.005 |
| | (0.099) | (0.121) | (0.126) | (0.123) | (0.566) | (0.640) |
| Firm Quotes | 0.059 | 0.059 | 0.059 | 0.058 | 0.056 | 0.056 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Earnings Miss | | 0.069 | | | | 0.065 |
| | | (0.022) | | | | (0.025) |
| Favorability of Press Release | | | 0.027 | | | 0.030 |
| | | | (0.116) | | | (0.074) |
| Organizational Reputation | | | | 0.082 | | 0.069 |
| | | | | (0.000) | | (0.000) |
| Media Visibility | | | | | 0.077 | 0.061 |
| | | | | | (0.000) | (0.001) |
| Constant | −1.613 | −1.656 | −1.668 | −1.240 | −1.183 | −1.063 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Observations | 1,021 | 1,021 | 1,021 | 1,021 | 1,021 | 1,021 |
| Number of firms | 243 | 243 | 243 | 243 | 243 | 243 |
| Chi-square test | 914 | 922 | 908 | 1,060 | 993 | 1,163 |
| $R^2$ | 0.565 | 0.567 | 0.565 | 0.585 | 0.587 | 0.601 |

The $p$ values are in parentheses.

**Table 3**
**Second-Stage Instrumental Variable Approach Predicting Media Tone—Random Effects**

| Variables | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| Star CEO | −0.147 | −0.158 | −0.151 | −0.127 | −0.143 | −0.143 |
| | (0.202) | (0.150) | (0.169) | (0.271) | (0.229) | (0.175) |
| CEO Gender | 0.046 | 0.110 | 0.038 | 0.055 | −0.125 | −0.017 |
| | (0.812) | (0.526) | (0.841) | (0.764) | (0.552) | (0.926) |
| Organization Performance | 0.372 | 0.301 | 0.344 | 0.389 | 0.470 | 0.358 |
| | (0.072) | (0.112) | (0.118) | (0.042) | (0.017) | (0.045) |
| Forecast | −0.060 | −0.070 | −0.054 | −0.058 | −0.052 | −0.056 |
| | (0.078) | (0.035) | (0.121) | (0.072) | (0.127) | (0.073) |
| Earnings | 0.076 | 0.085 | 0.068 | 0.077 | 0.065 | 0.071 |
| | (0.000) | (0.000) | (0.001) | (0.000) | (0.000) | (0.000) |
| CAR (–30, –7) | 0.026 | –0.061 | 0.061 | 0.042 | 0.065 | 0.017 |
| | (0.955) | (0.888) | (0.891) | (0.930) | (0.895) | (0.969) |
| Market to Book | –0.002 | –0.002 | –0.001 | –0.002 | –0.001 | –0.001 |
| | (0.301) | (0.195) | (0.407) | (0.279) | (0.571) | (0.451) |
| Organization Size | –0.329 | –0.292 | –0.312 | –0.293 | –0.250 | –0.198 |
| | (0.002) | (0.003) | (0.002) | (0.003) | (0.012) | (0.017) |
| HQ Location | –0.094 | –0.050 | –0.049 | –0.108 | –0.124 | –0.046 |
| | (0.640) | (0.788) | (0.805) | (0.594) | (0.552) | (0.809) |
| Length of Press Release | –0.020 | –0.019 | –0.006 | –0.022 | –0.037 | –0.020 |
| | (0.694) | (0.711) | (0.902) | (0.668) | (0.462) | (0.671) |
| Favorability of Media Visibility | 0.078 | 0.087 | 0.065 | 0.081 | 0.159 | 0.134 |
| | (0.073) | (0.046) | (0.107) | (0.062) | (0.000) | (0.001) |
| Firm Quotes | –0.123 | –0.109 | –0.119 | –0.125 | –0.138 | –0.118 |
| | (0.001) | (0.001) | (0.001) | (0.001) | (0.001) | (0.001) |
| Volume of Media Coverage | 2.486 | 2.298 | 2.408 | 2.582 | 2.880 | 2.603 |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Earnings Miss | | –0.465 | | | | –0.441 |
| | | (0.000) | | | | (0.000) |
| Favorability of Press Release | | | 0.275 | | | 0.253 |
| | | | (0.000) | | | (0.000) |
| Organizational Reputation | | | | –0.135 | | –0.103 |
| | | | | (0.017) | | (0.031) |
| Media Visibility | | | | | –0.255 | –0.180 |
| | | | | | (0.001) | (0.005) |
| Constant | 2.419 | 2.409 | 1.747 | 2.010 | 1.647 | 0.962 |
| | (0.009) | (0.007) | (0.050) | (0.022) | (0.065) | (0.225) |
| Observations | 1,021 | 1,021 | 1,021 | 1,021 | 1,021 | 1,021 |
| Number of firms | 243 | 243 | 243 | 243 | 243 | 243 |
| Chi-square test | 230 | 268 | 301 | 252 | 263 | 354 |
| $R^2$ | 0.313 | 0.335 | 0.342 | 0.313 | 0.317 | 0.364 |

The $p$ values are in parentheses.

sample is an unbalanced panel with multiple observations, it can be biased by serial correlation. Our theory development is predicated on the belief that differences across firms drive media coverage. Thus, our preferred choice of estimation technique is random-effects, which is designed for testing between-firm differences. Two of our independent variables —reputation and media visibility—are also characterized as inertial (Deephouse, 2000), suggesting that random effects are preferable since fixed effects are suboptimal with data for which within-cluster variation is minimal or for slow-changing variables over time (Schunck, 2013). Given our preference for random-effects and following the procedure outlined by Certo and colleagues (2017), we performed a modified Hausman test to determine if a random-effects model in comparison to a fixed-effects model was indeed statistically appropriate. A modified Hausman test disaggregates the differences between the individual coefficients for the between-firm effects and the set of coefficients for the within-firm effects one variable at a time in a hybrid model (Certo, Withers, & Semadeni, 2017; Schunck, 2013). A nonsignificant modified Hausman test indicates that the between- and within-firm effects do not statistically differ from one another in the context of earnings. The modified Hausman test produced a nonsignificant chi-squared test for each predictor—for volume: *earnings miss* ($p = 0.856$), *press release favorability* ($p = 0.256$), *reputation* ($p = 0.458$), and *media visibility* ($p = 0.369$), and for tone: *earnings miss* ($p = 0627$), *press release favorability* ($p = 0.060$), *reputation* ($p = 0.298$), and *media visibility* ($p = 0.071$). These results suggest that random effects is the appropriate model for our analyses.

We analyze our two sets of equations utilizing the command "xtivreg" in Stata 15 employing random effects. All models employ a two-stage least squares panel instrumental approach with robust standard errors due to potential endogeneity concerns. Volume of coverage is predicted in the first stage and media tone is predicted in the second stage. For our test, we used two instrumental variables: *New CEO* ($r = 0.07$, $p = 0.000$) and *Number of Analysts* ($r = 0.31$, $p = 0.029$). We chose these variables because prior works illustrate how analysts and the media influence each other and how new CEOs attract media coverage (Fang & Peress, 2009; Pollock et al., 2008). Both instruments are correlated with the volume of coverage and are theoretical drivers of media volume but do not appear to be related to the tone of coverage. We subjected the instrumental variables to additional strength and exogeneity tests using Bascle's (2008) recommended procedure (Semadeni, Withers, & Certo, 2014). The Sargan test ($p$ value $= 0.329$) indicated that the instruments meet the exogeneity criterion. The first stage $F$ statistic ($F = 11.07$) is higher than the recommended threshold (Stock, Wright, & Yogo, 2002) indicative of relevance. Variance inflation factors were also calculated for our models; the mean VIFs were less than 3 across our models suggesting multicollinearity is not an issue (Allison, 1999).

## Results

Table 1 contains the descriptive statistics and correlations. Tables 2 and 3 contain the results of our random-effects analyses. To help show the effects of each of our independent variables, we present models with controls only, models where we add one of our four independent variables to the controls, and a full model containing all controls and independent variables (Chen, 2003). We focus on Table 2, Model 6 (first stage predicting media volume) and Table 3, Model 6 (second stage predicting media tone)—the fully specified

models—to interpret support for our hypotheses. Before discussing the results, it is important to note a few specifics about the descriptive statistics. Specifically, our average tone score of 1.13 is in line with prior research on business media tone (Graf-Vlachy et al., 2020), which suggests that organizational media coverage tends to be more positive than negative in its tone. Similarly, and as expected, the tone score for press releases was more favorable than that of media coverage. In terms of earnings, 28.2% of the announcements were an earnings miss.

Hypothesis 1a predicted that firms that miss earnings will garner more media coverage. As shown in Model 6 of Table 2, the coefficient for earnings miss was positive ($B = 0.07$, $p = 0.025$). Utilizing the margins command in Stata 15 to predict the discrete change in the earnings miss variable while holding all other covariates at their means, an earnings surprise corresponded to a 10% increase in the number of articles, providing support for Hypothesis 1a. Hypothesis 1b theorized that firms that miss earnings will experience less favorable tone of media coverage. In Model 6 of Table 3, the coefficient for earnings miss was negative ($B = -0.44$, $p = 0.000$). Earnings miss in our sample was associated with a 54% decrease in the favorability of organizational media coverage, supporting Hypothesis 1b.

With Hypothesis 2a, we theorized that firms that issue less favorable earnings press releases will receive more media coverage. As our measure of media tone ranges from less favorable to more favorable, a negative coefficient for volume would be the expected direction. However, we did not find support for this hypothesis; as shown in Model 6 of Table 2. Hypothesis 2b predicted that firms that issue less favorable earnings press releases will experience less favorable tone of media coverage. We found support for this hypothesis as the coefficient was positive and in the expected direction as shown in Model 6 of Table 3 ($B = 0.25$, $p = 0.000$). Each standard deviation decrease in the tone of a press release corresponds to a 22% decrease in the favorability of organizational media coverage.

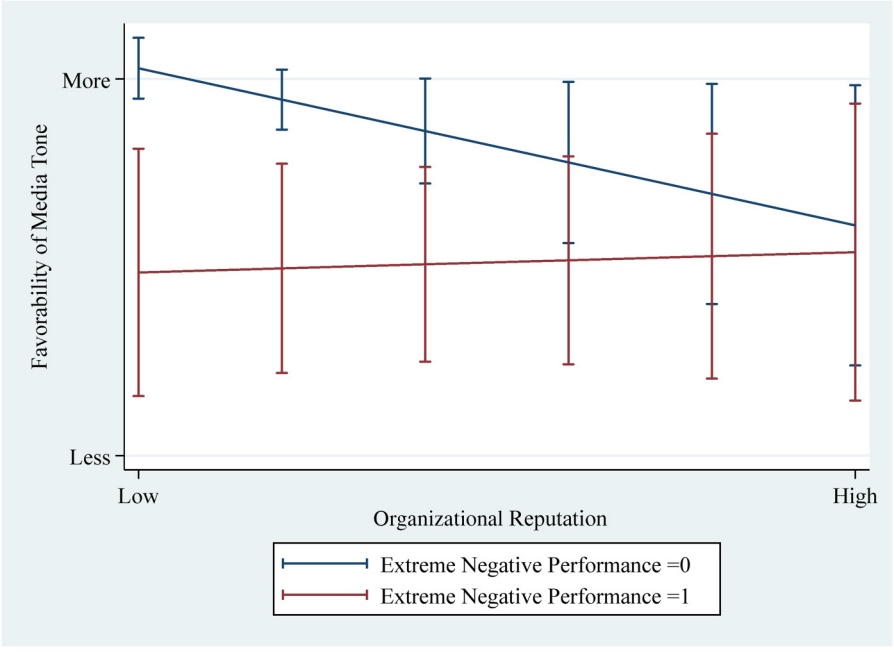
Hypothesis 3a argued that firms with a higher reputation would receive more media coverage. Support was found for this hypothesis as the coefficient was in the expected direction in Model 6 of Table 2 ($B = 0.07$, $p = 0.000$). We also found support for Hypothesis 3b, which predicted that organizations with a higher reputation would receive less favorable media coverage. Model 6 of Table 3 shows the coefficient for reputation was negative ($B = -0.10$, $p = 0.031$). The results suggest that firms ranked in FMA all 5 prior years received 33% more coverage and a 44% decrease in favorability compared to unranked firms.

Hypothesis 4a theorized that firms with higher levels of prior coverage will receive more media coverage. We found support for this hypothesis as the coefficient was positive in Model 6 of Table 2 ($B = 0.06$, $p = 0.001$). In practical terms, this means that for every 16 articles of nonearnings coverage written during the prior 3 months, approximately one additional article was written during the 4-day window. Hypothesis 4b theorized that firms with higher levels of prior coverage will experience less favorable tone of media coverage. We found support for this hypothesis as the coefficient was negative as shown in Model 6 of Table 3 ($B = -0.18$, $p = 0.005$). A standard deviation increase in prior nonearnings coverage corresponded with a 20% decrease in the favorability of organizational media coverage after an earnings release.

## *Supplemental Analyses*

*Relative Strength of Our Independent Variables.* Departing from the economic tradition that the media primarily act as information disseminators, we argued that media coverage

**Figure 1**
**Interaction of organizational reputation and extreme negative performance**




may be driven by factors outside of firm performance (e.g., earnings miss). While we did not have a strong theoretical rationale for predicting the relative strength of our independent variables, we believe it is feasible that the theorized factors unrelated to the earnings miss might be stronger or more dominant drivers of media coverage than whether a firm missed earnings. To explore these ideas empirically, we performed a dominance analysis, which examines the relative importance of predictor variables for every possible subset of the full model in which only one of the predictors is entered (Azen & Budescu, 2003). Dominance analysis is an intuitive measure of predictor "dominance" or the "relative importance" of our variables of interest (Braun, Converse, & Oswald, 2019; Zhang, Liu, Zhang, Xu, & Cheung, 2021). Using the "domin" package in Stata 15 utilizing bootstrapped standard errors (500 samples; Luchman, 2021), 31 consecutive mixed-effects models (firm, year) were used to decompose the model *R*-squared and determine the regressors' average variance contributions across all possible subsets of independent variables. This strategy overcomes the methodological difficulties that (stepwise or hierarchical) regression models face with correlated indicators and trying to interpret the relative strength of the predictors. The result is a clear ranking on the additional portion of explained variance that each independent variable contributes to the model based on their average contribution across all possible subsets of the independent variables. In terms of media volume, the rank for each predictor in order of relative importance is as follows: *media visibility* (Rank 1), *reputation* (Rank 2), *press release favorability* (Rank 3), and *earnings miss* (Rank 4). In terms of media tone, the rank for each predictor in order of

relative importance is as follows: *press release favorability* (Rank 1), *media visibility* (Rank 2), *earnings miss* (Rank 3), and *reputation* (Rank 4). These results provide further robustness to our claim that earnings might not be the main driver of media coverage after an earnings announcement.

*Investor Reactions.* While our supplemental analyses above demonstrate that an earnings miss is not the main driver of media reactions, we were also interested to see which factors influenced another critical stakeholder group—investors, who we posit would be primarily interested in firm performance in the earnings context (much like we argued firms are). To do so, we examined the impact of our independent variables on various *CARs* windows after the earnings announcement, including our time window for the media collection (0, + 3). Across random-effect and fixed-effect models, we consistently see that earnings miss is the only driver of investor reactions (i.e., the *CARs*). These findings further substantiate our claim that all stakeholders do not react to earnings in the same manner, and it is critical to understand how the media portrays firms in the earnings context. Furthermore, in the models where the timeframe was appropriate, we controlled for our dependent variables of interest (volume and tone). In the random effects model, media tone had a positive relationship with abnormal returns, as potentially expected, further supporting the importance of media coverage in the context of earnings.

*Potential Buffering Effect of Reputation.* As we note in our development of Hypothesis 3b, prior research supports that reputation may have beneficial buffering effects during unusual or nonroutine contexts (e.g., crises or extreme events). As such, journalists can rely on the deviance of the event to attract reader attention and do not need to frame deviance around the firm. To investigate if this phenomenon was present in our sample, we investigated if reputation acted as a buffer when a firm faces an extremely negative event. To do so, we investigated when a firm's EPS was in the bottom 10% for our sample of firms. We created a binary indicator equal to 1 if firms belonged in this category. We then reran our main analysis predicting media tone with the addition of an interaction term of reputation and extreme negative earnings. The coefficients for reputation ($B = -0.11$, $p = 0.045$) and extreme negative earnings ($B = -0.65$, $p = 0.050$) indicate negative direct effects in line with our theorizing. The coefficient for the interaction term is in line with prior theorizing that reputation can act as a buffer during extreme negative events ($B = .11$, $p = 0.050$). We also graphed the interaction holding all other covariates at their means. As depicted, in Figure 1, and as suggested by our theorizing, in the absence of extreme negative performance, reputation has a significant negative influence on the general tone of media coverage.

*Differences in Media Outlets & Media Tone.* There may be potential differences among our sample of national newspapers in terms of how they cover certain firms. We thus took a subsample of our news articles to test if there were significant differences in tone across sources. We found that in an ANOVA analysis across a subsample of observations (141 articles across 13 firms, ~10% of our sample) that there were no significant differences in media favorability across sources ($p = 0.367$) when controlling for year and firm fixed effects.

Also, while our manual examination of articles ensured that each was about the focal firm's earning announcement, we were also concerned about the potential that the negative

and positive language coded by LIWC did not pertain to the earnings of the firm. To assuage concerns on this front, we followed the approach as outlined in Bednar et al. (2013) and hand-coded the same subsample from above to compare the evaluation of human coders to classifications from LIWC. Through this process, 93.7% of the negative words and 92.2% of the positive words were related to firm earnings. These findings are in line with prior research (Bednar et al., 2013; Bundy, Iqbal, & Pfarrer, 2021) and suggest the vast majority of words coded by the computer-aided LIWC program do reflect our constructs of interest.

*Alternative Measures of Volume and Tone.* Scholars use various measures of volume and tone of media coverage. To ensure that our measurement choices did not drive our results, we conducted robustness checks using alternative measures. For media volume, we ran additional analyses using the logged version of word count (Bednar, 2012) rather than the logged number of articles. Our results remain largely consistent when using this operationalization, although support for Hypothesis 3a is weakened. Similarly, for media tone, we ran an analysis using a measure equal to the percentage of positive words as the dependent variable while controlling for the percentage of negative words. Like with the tone measure used in our main analysis, higher values therefore represent more positive coverage whereas lower values represent more negative coverage. Again, results remain substantively unchanged using this operationalization, although support for Hypothesis 1a is weakened.

*Endogeneity.* Finally, we also calculated the Impact Threshold of a Confounding Variable (ITCV) (Frank, 2000) to understand the potential influence of an omitted variable to assess if there is additional bias due to endogeneity (e.g., Busenbark, Lange, & Certo, 2017; Hubbard, Christensen, & Graffin, 2017). Using the "Konfound" command in Stata 15, we find that in order to invalidate the inferences made in our regression models, an omitted variable would have to be correlated with media volume and the dependent variable of interest (conditioning on observed covariates) at *earnings miss* ($r = 0.11$), *reputation* ($r = 0.30$), and *media visibility* ($r = 0.22$) and with media tone at *earnings miss* ($r = 0.30$), *press release favorability* ($r = 0.31$), *reputation* ($r = 0.08$), and *media visibility* ($r = 0.16$) to invalidate an inference. These results provide additional confidence in our findings.

## Discussion

The media is a critical stakeholder that covers a firm's earnings announcements and, in doing so, influences other stakeholders' perceptions of the firm. As most external stakeholders do not have direct access to firms' inner workings, media coverage helps them make sense of firms' actions (Deephouse & Heugens, 2009; McCombs & Shaw, 1972). Indeed, as Puglisi and Snyder (2011: 935) note, firm events, such as earnings announcements, are often "out of reach, out of sight, [and] out of mind."

Given the importance of media coverage of earnings announcements and firms' desire to avoid negative coverage, it is easy to understand why firms may believe that their performance relative to analyst expectations is the main driver of their coverage. We assert, however, that an earnings miss represents only a portion of the whole story, and the media may view a firm's performance differently in terms of their coverage. Specifically, we theorize how the media are motivated to find newsworthy content in the context of a highly routine

and uniform event, such as an earnings announcement. To capture newsworthiness, the media pursues deviance that is socially significant for stakeholders or attaches a deviance frame to news of social significance. To examine the influence of newsworthiness, we tested how four factors in the context of earnings announcements—(1) the firm's earnings performance, (2) its press releases surrounding earnings, (3) its prior reputation, and (4) its prior media visibility—are related to media volume and tone. In doing so, we found results largely supportive of our theorizing.

### *Contributions*

First, we contribute to the understanding of earnings and, more specifically, the media coverage of this important event by investigating potential sources of newsworthiness during this consequential time for firms. In terms of deviant events that are socially significant for stakeholders, we found missing earnings generated a higher volume of media coverage than meeting or exceeding these expectations. Missing earnings also results in a less favorable tone of media coverage. While it is well known that it is unusual for a firm to issue a less favorable earnings press release, we did not find support that this deviance translated into more coverage. Still, we did find that the media's favorability reflects the favorability of the press release. More interesting yet are the consequences of the media attaching a deviance frame to socially significant firms to drive the newsworthiness of their coverage. Our results suggest that certain firms, those that have a high reputation and highly visible firms, that have been customarily linked with positive outcomes do indeed lead to more coverage but also lead to more unfavorable tone, irrespective of whether the firm missed earnings.

Second, we demonstrate that the importance of unpacking the question of "What sells?" is as necessary to understanding news coverage as the question of "What's news?" (Shoemaker & Reese, 2013: 169). Indeed, the media's focus on social significance and deviance to determine newsworthiness in the earnings context drives them to consider other relevant factors—besides just performance. To investigate this point further, in supplemental analyses we found that in terms of our four independent variables that we theorized to predict volume and tone of earnings coverage, earnings misses were often the least or second-to-least significant factor in our sample. This suggests that, while the actual event under consideration, the firm's performance, drives media coverage, the coverage of the earnings announcement also varies based on company-specific factors as well. In fact, our results suggest that similar earnings announcements, in terms of performance, may be covered quite differently depending on a firm's press release, reputation, or prior coverage. Overall, our work supports the necessity to look beyond the media as economic information disseminators when investigating the media coverage of financial events and understand the complex "social-psychological" factors at work in determining news content (Graf-Vlachy et al., 2020), mainly unpacking what is considered newsworthy for the media.

Third, we contribute to research on reputation and social evaluations more broadly by highlighting how reputation and media visibility act as potential burdens in the context of a very routine and potentially mundane event. Firms regularly compete for reputation, and it has been identified as an important source of competitive advantage (Fombrun & Shanley, 1990). However, reputation is not always associated with positive outcomes. Regardless of the performance outcome (earnings miss), we show that reputation acts as a

general burden on the media tone of earnings announcements because the event is predictable, low-cost, and relevant to cover. Prior work has suggested that reputation may act as a buffer to negative coverage. However, those findings were typically situated in one-off extreme events (e.g., crises, fraud, etc.). In supplemental analysis, we distinguish how reputation may have a buffering effect, in times of extreme negative performance, but that overall, the routine nature of general earnings announcements results in reputation being a burden in terms of the tone of coverage. These nuanced findings help reconcile prior seemingly contradictory findings regarding the buffering or burdening effects of reputation.

Last, despite interest in media coverage of firms' earnings, few studies have investigated the antecedents of media coverage of earnings announcements (Graf-Vlachy et al., 2020). The nascent work on this topic, primarily undertaken in the finance and accounting disciplines, focuses on the impression management efforts of firms to receive more media coverage on dates when they announce earnings (Bushee & Miller, 2012; Solomon, 2012) and on how investor demand influences the volume of coverage (Bonsall et al., 2020). Given that media coverage of firms tends to concentrate during the days around earnings announcements (Bonsall et al., 2020; Tetlock et al., 2008), understanding the antecedents of media coverage during this important time is theoretically and practically important for scholars and practitioners.

Firms need to be cognizant that their performance will not always be the main driver of coverage. Beating earnings might not be enough to ensure more favorable coverage. For example, with an understanding that high reputation, media visibility, and more unfavorable press releases will negatively impact the tone of earnings coverage, firms might be able to manage these factors or craft their releases to overcome these negative effects. For example, knowing that journalists prefer to attach a deviance frame to their actions, high reputation and visible firms might provide examples of positive deviance in their press releases to positively impact the tone of their coverage. Overall, the antecedents of media coverage, in the context of earnings and beyond, are a key area of focus that has been generally neglected. We hope that our work spurs additional conversations.

### *Limitations and Future Research*

Our study has some limitations. For example, we focused on *Fortune 250* firms. While these firms draw significant media attention, the media may cover smaller firms differently. For example, it is less likely that FMA ranking will feature smaller firms and thus the influence of reputation is likely unique to larger firms. Also, given that smaller firms are less known by audiences, they are less likely to be salient targets for the media, which, in turn, may alter the influence of their press releases and their subsequent coverage. Relatedly, our research uses the Most Admired rankings to assess firm reputation. While this continues the tradition of using these rankings to measure firm reputation (e.g., Graffin et al., 2008; Wade et al., 2006), researchers have suggested that the FMA rankings might get at both aspects of reputation and status given that the rankings are based on subjective measures (Sorenson, 2014). With this in mind, future research might work to further assess our findings related to firm reputation.

We also only relied on national and widely circulated media outlets. With advances in information technology, audiences now have a much wider range of options to consume media coverage. It may be interesting to consider how alternative media outlets, such as social media

sources, may change the influence of firm and event factors on media coverage. An organization's presence on social media may serve to enhance its coverage in the press, or social media may also influence the spread of positive and negative information as coverage in such alternative outlets may influence the salience of an earnings surprise for audiences.

Due to the scope of our study, especially the intensive efforts needed to collect media coverage, we did not examine its qualitative components outside of tone. We suggest, however, that future research should consider how deviance and social significance influence other components of content such as topic and timing (Carroll & Deephouse, 2014) or more specific language characteristics such as types of narrative or rhetorical devices (König, Mammen, Luger, Fehn, & Enders, 2018) used by the media. For instance, in supplemental analyses, we examined the media's use of quotes pulled directly from firms' official releases. We specifically found that firms covered in the past are more often directly quoted. Given these initial encouraging findings, we suggest that there is an opportunity for future researchers to investigate further.

Finally, while we focused on the earnings announcement context, we believe our theory applies to other firm contexts, especially those where the announcements are fairly routine and low cost to cover such as bond issuances or executive stock sales. Future research should explore under what conditions and how the media potentially attaches a deviance frame to these mundane events to draw readership. Another interesting aspect of earnings announcements is that these are not only notable events, but the tenor of the event is also quantifiable. Future research should investigate contexts with less clear signals of meeting or missing expectations or how firms try to manage these impressions.

We also encourage future research to consider additional burdens that reputation and media visibility may carry, especially in its relationship with media coverage. In particular, our theory that the media attempts to attract readers by covering high-reputation and visible firms with more deviant framing likely has implications for a range of routine organizational media events, including events usually considered positive. For example, it might be interesting to consider if high-reputation firm announcements of charitable donations or other good deeds are covered with a degree of skepticism as a way of promoting deviance and attracting readers.

Future research could also investigate how any of our factors influence the types of impression management tactics used and their effectiveness. Indeed, reviews of the organizational impression management literature (Bolino, Kacmar, Turnley, & Gilstrap, 2008) suggest that little is known about the effectiveness of such activities on organizational outcomes broadly (Graffin, Haleblian, & Kiley, 2016) and as highlighted in a recent review of organizational media coverage (Graf-Vlachy et al., 2020), even less is understood about how such activities may shape a firm's media coverage.

## Conclusion

In conclusion, despite significant interest in media coverage of firms' earnings, few studies have investigated the antecedents of media coverage of earnings announcements (Graf-Vlachy et al., 2020). Overall, our findings suggest that the volume and tone of organizational media coverage are shaped by an organization's deviance and social significance during the earnings announcement. With this paper, we highlight the potential media-based benefits and burdens associated with earnings announcements but also the benefits and burdens associated with being deviant and socially significant. Given that earnings are one

of the most covered events for firms (Bonsall et al., 2020; Tetlock et al., 2008), our investigation of the antecedents of media coverage during this critical time for firms is of theoretical and practical concern for scholars and practitioners alike.

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