Summary of Paper: Employee Perceptions of Corporate Culture and Management Forecast Accuracy: Evidence from Glassdoor and ChatGPT

What is this study about?

This study examines whether employee perceptions of corporate culture are associated with the accuracy of management earnings forecasts. The researchers analyzed approximately 1.5 million Glassdoor employee ratings and reviews from 1,330 U.S. public companies (8,519 firm-year observations) between 2008 and 2022. They also used ChatGPT to analyze employee reviews and measure firms' internal information environments, including communication, organizational culture, governance, and information sharing. The objective was to determine whether stronger corporate culture improves the quality of information available to management and leads to more reliable voluntary financial disclosures.

What are the major findings of the study?

Firms with stronger employee-rated corporate cultures issued more accurate and less biased management forecasts. A one standard deviation increase in Glassdoor ratings reduced forecast error and forecast bias by approximately 19%. The ChatGPT analysis found that stronger communication channels and organizational culture were linked to better forecast accuracy. Formal mediation tests showed that about 47% of the relationship between corporate culture and forecast accuracy was explained by a stronger internal information environment. In recent years, investors also reacted more favorably to management forecasts from firms with higher employee ratings, suggesting they view these disclosures as more credible.

Why is the study important?

The findings suggest that reliable financial forecasts depend not only on data and forecasting systems but also on effective communication and a healthy corporate culture. CFOs, controllers, auditors, audit committees, investors, and regulators should recognize that weak information sharing may reduce forecast reliability and increase financial reporting risk. The study also demonstrates how generative AI can analyze large volumes of employee feedback to identify governance and disclosure risks.

What is the impact on professional practice and society at large?

Organizations can improve disclosure quality by investing in employee engagement, communication, and organizational culture alongside technology. Stronger internal information

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flow can enhance financial reporting, strengthen investor confidence, and support better governance. Employee feedback platforms may also provide practitioners with an additional indicator of disclosure quality and financial reporting risk.

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