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# The vocal clues that show if a CEO is lying

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**Academics have used new software which analyses emotions in speech to suggest that chief executives provide vocal clues on earnings calls which can indicate whether they are telling the truth or lying about the numbers.**

Jessen Hobson at the Department of Accountancy at the University of Illinois at Urbana-Champaign and William Mayew and Mohan Venkatachalam, both at the Department of Accounting at Duke University, are the authors of a paper called "Analysing speech to detect financial misreporting."

The paper said that the US accounting regulator, the Public Company Accounting Oversight Board, suggested in 2010 that results calls could provide clues to fraud and that some equity research firms use ex-CIA agents to review earnings calls for this very reason.

The researchers used software based on a technology called Layered Voice Analysis to measure the emotions in the speech of chief executives on 1,572 results conference calls and then looked at whether firms were later found to have misreported their numbers, which turned out be 56 companies in their sample.

They concluded : "Our results provide new evidence on the role of vocal cues in detecting financial misreporting. These results should be informative to investors, analysts and auditors who attempt to use earnings conference calls as an information source for assessing the risk of misreporting."

However, they warned that their research has some limitations as Layered Voice Analysis is new technology that uses proprietary algorithms that are not open to scrutiny. The researchers also only reviewed speeches from chief executives. There may also be important clues in comments from chief financial officers, for which further research is needed.

The paper can be downloaded at The Harvard Law School Forum on Corporate Governance and Financial Regulation: [ http://hvrd.me/AzwqZF ]

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