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Watch Your Tone, CFOs!

Will your earnings-call remarks be masking the possibility of a restatement in the offing? Duke researchers work with software that can detect such negative voice cues.

By Roy Harris
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Just in time for earnings season, research from Duke University is beginning to make the rounds, offering analysts and investors a way to tell from the chief executive's and chief financial officer's tone of voice how bad things *really* are. And, perhaps, whether a restatement might be in the offing.

The research, by [William Mayew and Mohan Venkatachalam](#), was in circulation a year ago, with minimal attention paid to it. But [a National Public Radio story](#) today may take care of the publicity element.

While executives are "legally required to tell the truth," the NPR reporter notes, "the tone of their voices might communicate some very important information," beyond terms that the general counsel approved. NPR advises that the Duke research is based on original data produced by an Israeli company that studied police interrogations, and the "important information" that those being questioned might be trying to hide. The result was a special voice-recognition software.

The two researchers then studied 1,647 corporate conference calls from 691 different firms in 2007, isolating voices of CEOs and CFOs. They say their results were able to help them predict certain future company happenings by a ratio of 8% better than a chance prediction.

Earlier this year, other research looked at [puffy projections](#). And in another case, Stanford researchers looked at [word choice in investor presentations](#) to detect C-suite deceit. But in a way, the Duke research looked not at what was said, but what was unsaid.

As NPR elaborated on the Duke work, it turns out that analysts listening to an executive's talk don't generally pick up well on "cognitive dissonance" — the suggestion that he or she is hiding something in the remarks. While the software's detection capability "doesn't have the specificity to tell how a stock is going to be perform," it seems to have a relatively good ability to show when a restatement might be coming, according to NPR.

The simple lesson for CFOs and CEOs: Don't just watch what you say -- but how you say it.

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