

The Bright Side of Entrenchment: Voluntary Disclosure of Dual-Class Firms

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Abstract

This paper shows that firms with a dual-class ownership structure issue more quarterly management earnings guidance, particularly when the guidance contains negative news. This effect is driven by the fact that insiders in dual-class firms maintain sufficient control to be isolated from market pressure and disciplinary outcomes following the release of negative news. This effect is stronger among dual-class firms that are controlled or managed by their founders. I address the endogeneity of ownership structure with a difference-in-differences estimation using a sample of dual-class firms that unified their share-classes. Importantly, I find that the disclosure quality of dual-class firms, measured by both accuracy and precision, is unaffected despite issuing more guidance. Moreover, while single-class firms may withhold negative news and ultimately cluster negative disclosures, dual-class firms' prompt disclosure of negative earnings news reduces the information content and magnitude of the news in each disclosure. In sum, the entrenchment in dual-class firms improves managerial voluntary disclosure to outside shareholders.

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1 Introduction

The separation of ownership and control has long been recognized as the source of the agency problem between managers and shareholders at public corporations. An extreme form of such separation is the presence of dual-class share structure. Dual-class firms have at least two classes of common shares with differing voting rights. The class of shares with higher voting power is primarily owned by founders and controlling insiders and are often not traded publicly. The low-voting-power shares, on the other hand, are typically held by non-controlling, minority shareholders. Therefore, dual-class structures result in a significant divergence between insiders' disproportionate control over the firm and their smaller financial consequences of firm outcomes.

Existing literature on dual-class ownership structure documents that such excess control rights, offering insiders an extreme level of entrenchment, decrease firm value and thus hurt outside shareholders (Smart, Thirumalai and Zutter, 2008; Gompers, Ishii and Metrick, 2010). Previous studies have documented poor earnings informativeness, lower valuation of cash holdings, higher executive compensation, lower investment activity, higher cost of borrowing, lower tax avoidance, and weaker information environment (Francis, Schipper and Vincent, 2005; Masulis, Wang and Xie, 2009; Lin, Ma, Malatesta and Xuan, 2011; McGuire, Wang and Wilson, 2014; Li and Zaiats, 2017) as notable mechanisms of such value destruction.

On the other hand, there is a strand of research identifying the benefits of dual-class structures. Bebchuk (2003) posits that dual-class structures isolate the insiders from the pressure from minority investors and potential hostile takeovers, allowing them to better pursue their vision. Empirically, Cremers, Lauterbach and Pajuste (2024) documents that dual-class firms have higher valuations at their IPO, arguing that this premium may emanate from founders' unique vision. However, the valuation premium disappears as firms age, due to the increased agency problems in dual-class firms.¹ Jordan, Kim and Liu (2016) show

¹Kim and Michaely (2019) is another study that finds similar dynamics of value premium among dual-

that dual class firms face lower short-term market pressure, and [Field and Lowry \(2022\)](#) find that active institutional investors are less likely to take a position in dual-class firms.

Despite this extensive literature, disclosure practices of dual-class firms has received very little attention with the sole focus on mandatory disclosures. [Palas and Solomon \(2022\)](#) argue that dual-class firms' insulation from market pressures reduces the incentive to manipulate earnings and thus increases the quality of financial reports, while [Li and Zaiats \(2017\)](#) document that dual-class structure exacerbates earnings management in that dual-class firms increase the abnormal accruals.

This paper examines the role of dual-class ownership structure on voluntary earnings forecast disclosures. Voluntary issuance of managerial earnings forecast is an important source of information for market participants, and has been found to be even more informative than actual earnings announcements ([Ball and Shivakumar, 2008](#); [Beyer, Cohen, Lys and Walther, 2010](#)). The decision to issue voluntary earnings guidance reflects a strategic trade-off between the costs and benefits of disclosure. While disclosure can reduce information asymmetry, improve liquidity, and lower the cost of capital ([Houston, Lev and Tucker, 2010](#); [Chen, Matsumoto and Rajgopal, 2011](#); [Amihud and Mendelson, 1989](#); [Balakrishnan, Billings, Kelly and Ljungqvist, 2014](#); [Easley and O'hara, 2004](#)), it also exposes managers to significant risks. These include potential litigation if forecasts prove misleading ([Skinner, 1994](#); [Field, Lowry and Shu, 2005](#)), reputational damage, and adverse career outcomes linked to forecast inaccuracy ([Lee, Matsunaga and Park, 2012](#); [Hui and Matsunaga, 2015](#)). Additionally, voluntary guidance can involve proprietary costs, as sensitive information may be revealed to competitors, labor unions, or regulators ([Arya, Frimor and Mittendorf, 2010](#); [Fischer and Verrecchia, 2004](#)).

These trade-offs are particularly complex in the context of dual-class firms, which exhibit unique governance dynamics. On one hand, dual-class structures often insulate managers from external pressure, reducing the disciplinary mechanisms that typically encourage

class firms.

disclosure (Masulis et al., 2009; Fan and Wong, 2002). On the other hand, entrenched managers may face lower exposure to market discipline—such as takeover threats or shareholder activism—and thus may feel freer to disclose information without fear of immediate consequences (Jordan et al., 2016). Moreover, dual-class insiders typically hold significant equity stakes, increasing their personal liability in the event of shareholder litigation, thereby strengthening their incentive to disclose timely and accurate forecasts. Lastly, as Bebczuk (2003) argues, investors may tolerate the agency costs of dual-class structures because they believe in the founder’s unique vision. To maintain that trust and demonstrate competence, dual-class managers may be more motivated to issue credible earnings guidance.

Using a sample of dual-class firms in the United States from 1995 to 2022, I find that dual-class ownership structure is associated with a higher likelihood of disclosing earnings forecasts. Specifically, dual-class firms are 5.4 – 8.1 percentage points more likely to issue guidance in a given quarter, depending on the specification, 27 – 40% higher than comparable single-class firms. Furthermore, I find that this effect is significantly stronger among earnings forecasts that contain negative information. While single-class firms tend to withhold negative news up to a threshold hoping future events may help never reveal them (Kothari, Shu and Wysocki, 2009), dual-class firms, isolated from market scrutiny, readily release negative information.

In cross-sectional tests, I document three additional patterns. First, I find that as earnings get difficult to forecasts, due to firm characteristics of economic uncertainty, both single- and dual-class firms are less likely to issue managerial guidance. This is due to not only higher costs of forecasting but also increased litigation risk in case of inaccurate forecasts. More importantly, dual-class firms’ higher tendency to provide voluntary earnings guidance is diminished when they face higher costs of forecasting the earnings. Second, I find that while all dual-class firms tend to issue more frequent earnings forecasts, those controlled or managed by their founders are the most likely to do so. In fact, the likelihood of issuing guidance for founder-controlled and founder-managed dual-class firms is roughly twice as

large as of other dual-class firms, suggesting that founders’ control plays an important role in the higher tendency to issue earnings forecasts. Third, I document that the relationship between dual-class ownership and voluntary disclosure is dynamic over the firm life cycle. While the entrenchment effect leads dual-class firms to issue more guidance on average, younger firms are constrained by higher proprietary costs and strategic opacity, partially offsetting the entrenchment effect on guidance. As these constraints diminish with firm maturity, the underlying tendency of dual-class insiders to disclose becomes more pronounced. As a result, the higher propensity to issue guidance among dual-class firms further increases as they age. This life cycle effect highlights the importance of considering firm age when evaluating the governance and disclosure behavior of dual-class firms.

The endogenous nature of ownership structure choice at IPO is a concern in that ownership structure may be correlated with observable as well as unobservable characteristics that may directly affect voluntary guidance disclosure. For instance, riskier and high-growth firms are more likely to adopt a dual-class structure ([Gompers et al., 2010](#); [Field and Lowry, 2022](#); [Aggarwal, Eldar, Hochberg and Litov, 2022](#)). These firms may be less likely to issue guidance due to the uncertainty around their earnings and higher proprietary costs to disclosure. The ownership structure decision is also related to the insiders’ desire to consume private benefits of control ([Masulis et al., 2009](#)). The same insiders may choose to reduce voluntary disclosure to obfuscate their private benefits.

I use multiple approaches to mitigate the endogeneity concern. First, I control for a set of firm characteristics in my analysis to account for observable differences across dual- and single-class firms. Second, I include industry fixed effects to account for the fact that dual-class firms tend to cluster in a handful of industries such as media and technologies. Lastly, I compare dual-class firms with a carefully-matched sample of single-class firms, ensuring that the sample of control (single-class) firms is similar and comparable to the treatment (dual-class) firms.²

²Matched single-class firms are in the same industry and closest in total assets, book-to-market ratio, age, and analyst coverage.

Nonetheless, endogeneity concerns are still relevant since the dual-class firms may differ in unobservable dimensions. To further mitigate the concerns, I utilize a sample of dual-class firms that unify their shares into a single class with equal voting rights. Using a stacked difference-in-differences (DiD) approach, I compare the change in disclosure regime of dual-class firms that unified their shares into a single class to that of matched non-unifying dual-class firms. I find that While the difference between unifying and control dual-class firms is not significant prior to the events, the likelihood of issuing an earnings guidance is significantly lower for unifying dual-class firms following the unification. This results is consistent with the OLS results, suggesting a casual link between dual-class structure and higher likelihood of voluntary disclosure.

Next, I study whether dual-class ownership structure affects disclosure timing and quality. Managing timing of disclosure, firms often release information to the public during evening hours with the purpose of mitigating the market’s reaction to the released information (Doyle and Magilke, 2009; DeHaan, Shevlin and Thornock, 2015). Dual-class firms, less affected by the negative consequences of releasing information to the market due to their extensive control, benefit less from issuing after-hour disclosures. Consistent with this hypothesis, I find that dual-class firms are less likely to issue after-hour guidance. In contrast, they tend to issue more frequent pre-hour guidance.

Dual-class ownership structures can influence disclosure behavior in opposing ways. On one hand, entrenchment shields dual-class managers from market-based incentives to maintain high disclosure quality such as valuation effects, compensation penalties, job security concerns, and reputation risk (Masulis et al., 2009; Hui and Matsunaga, 2015; Lee et al., 2012; Baik, Farber and Lee, 2011). In this context, dual-class insiders may reduce disclosure quality to conceal private benefit extraction (Masulis et al., 2009; Li and Zaiats, 2017). Additionally, more frequent guidance can strain resources, potentially decreasing forecast accuracy (Beyer et al., 2010). On the other hand, dual-class managers, often founders with significant equity stakes, may have strong reputational and financial motivations to provide

accurate and useful information. Even in the absence of market pressure, these managers may voluntarily prepare higher quality forecasts to build investor trust and signal competence (McGuire et al., 2014).

To empirically test whether dual-class firms differ in the quality of their earnings guidance, I focus on two main dimensions: accuracy and precision. Accuracy is measured by the absolute forecast error, while precision is assessed through the use of point estimates, precise language, and the tightness of the range forecasts. Overall, I find no significant difference in accuracy or in precision when measured by the use of point estimates and tightness of range forecasts. However, dual-class firms are modestly more likely to use precise language in their forecasts, particularly when issuing negative guidance.

Taken together, the results suggest that dual-class firms' increased frequency of guidance does not come at the cost of lower quality. If anything, these firms may even exhibit marginally higher precision in some contexts. These findings challenge the assumption that entrenchment leads to opacity and imply that the transparency associated with more frequent guidance in dual-class firms may, in fact, benefit investors by reducing information asymmetry without compromising the integrity of the disclosure. The better voluntary disclosure regime in dual-class firms may be the reason, at least partially, for low informativeness of mandatory earnings disclosure that is documented in Francis et al. (2005).

A key distinction between single-class and dual-class firms lies in how managers respond to negative information. In single-class firms, career concerns and market pressure often incentivize managers to delay the release of bad news, leading to infrequent but highly informative disclosures. In contrast, good news is typically disclosed promptly, resulting in smaller surprises (Kothari et al., 2009). This asymmetry implies that negative guidance, when it does occur, tends to carry more information and provoke stronger market reactions. However, in dual-class firms, where insiders are more insulated from external pressure, managers may have fewer incentives to withhold bad news. Consequently, negative earnings guidance may be issued more frequently but with lower information content per disclosure.

To test this hypothesis, I examine the information content of earnings guidance using two measures: earnings guidance surprise and the market reaction to the guidance. Dual-class firms consistently show smaller surprises in their guidance, particularly for disclosures containing negative news, suggesting earlier and more incremental release of bad information. Similarly, stock price reactions to negative guidance are significantly smaller for dual-class firms. These effects are statistically significant and economically meaningful, reflecting a 12% reduction relative to the average market response. Together, the evidence supports the view that dual-class managers disclose negative news more promptly, leading to more frequent but less information-dense disclosures.

This study adds to the growing literature on dual-class ownership structure. The earlier literature suggests that dual-class structure is associated with lower valuations, primarily among mature firms ([Smart and Zutter, 2003](#); [Smart et al., 2008](#); [Gompers et al., 2010](#)). [Masulis et al. \(2009\)](#) document various outcomes such as value-destroying acquisitions, higher compensation, and poor valuation of cash holdings that contribute to dual-class firms' lower valuation. [McGuire et al. \(2014\)](#) argue that dual-class firms destroy value by sub-optimal level of tax avoidance. Furthermore, earnings in dual-class firms are less informative ([Fan and Wong, 2002](#); [Francis et al., 2005](#)). Despite such agency problems, the number of firms adopting a dual-class capital structures at IPO has increased to 30% in 2022. [Aggarwal et al. \(2022\)](#) attribute this recent prevalence to the founders' stronger bargaining power, allowing them to negotiate for greater control rights at the time of IPO. However, recent studies document that the dual-class structure benefits young firms with high growth opportunities in that it shields them from market pressure ([Bebchuk, 2003](#); [Kim and Michaely, 2019](#); [Cremers et al., 2024](#); [Field and Lowry, 2022](#)). Consistent with this notion, [Jordan et al. \(2016\)](#) find that dual-class firms face lower short-term market pressure and tend to have more growth opportunities. The findings on the effect of dual-class structure on borrowing costs and creditors are mixed as well. [Dey, Nikolaev and Wang \(2016\)](#) show that dual-class firms have higher leverage and [Lin et al. \(2011\)](#) show dual-class firms face higher borrowing

cost. In contrast, [Xu \(2021\)](#) finds that dual-class firms have less operational and financial risk and face lower borrowing costs. Similarly, the evidence on dual-class firms' disclosure is mixed as well. [Palas and Solomon \(2022\)](#) argue that dual-class firms' insulation from market pressures reduces the incentive to manipulate earnings and thus increases the quality of financial reports, while [Li and Zaiats \(2017\)](#) document that dual-class firms engage in more earnings management. This study documents that dual-class firms provide more voluntary disclosure of earnings forecasts, particularly when forecasts contain negative news. The decrease in information asymmetry as the result of the voluntary disclosure is an additional benefit that the dual-class structure provides outside shareholders.

This study also relates to the literature on voluntary disclosure of managerial earnings guidance. Noting the importance of managerial guidance, [Beyer et al. \(2010\)](#) document that 28.37% of the quarterly stock return volatility occurs on days when accounting disclosures are made. Importantly, more than half of this variation is around the disclosure of management forecasts. Earnings guidance increases firm value by reducing information asymmetry ([Ajinkya and Gift, 1984](#)), signaling high managerial ability ([Trueman, 1986](#); [Hui and Matsunaga, 2015](#)), and mitigating litigation risk ([Skinner, 1994](#); [Field et al., 2005](#)). [Chen et al. \(2011\)](#) and [Houston et al. \(2010\)](#) document a negative market reaction to suspension of quarterly earnings guidance, suggesting that investors view guidance as a valuable practice.³ [Lee et al. \(2012\)](#) find a positive relationship between poor guidance and CEO turnover and [Hui and Matsunaga \(2015\)](#) find high-quality disclosure is rewarded by higher CEO compensation. This study shows that in contrast to single-class managers who can bear substantial costs to issue earnings guidance, dual-class managers are isolated from discipline and thus readily disclose information.

The rest of the paper is organized as follows. Section 2 explains the data and reports the descriptive statistics. Section 3 compares the propensity of disclosing management earnings forecasts for dual- and single-class firms. Section 4 offers two additional identification

³There is evidence suggesting that CEOs' strategically time voluntary disclosure to maximize stock option awards and returns to insider trading ([Nagar, Nanda and Wysocki, 2003](#); [Cheng and Lo, 2006](#)).

strategies to address the endogenous nature of dual-class ownership structure. Section 5 examines disclosure characteristics of dual-class firms, including forecast accuracy, precision, and information magnitude. Finally, Section 6 concludes.

2 Data, Sample Construction, and Summary Statistics

The data to construct the sample for the study come from multiple sources. The sample of dual-class firms is hand collected from SEC filings. Voluntary disclosure of managerial guidance is from I/B/E/S and firm characteristics are collected from Compustat and CRSP.

2.1 Dual Class Status

I construct the sample of dual-class firms in three steps. First, I start from Ritter (2022) comprehensive list of firms with a dual-class structure at IPO from 1980 to 2022. Then, I check the first 10-K filings of all dual-class IPOs to remove Limited Partners, ADRs, SPACs, and firms whose dual-class structures do not create differential voting rights. Next, I check the last 10-K of each remaining dual-class firm to ensure they maintain their structure throughout the sample, either at the time of exit or the end of the sample period. If the last 10-K filing records a dual-class structure, then the dual-class structure indicator variable, $Dual_t$, is recorded as 1 for all quarterly observations of the firm. If the last 10-K filing records a single-class structure, I continue to check 10-K filings and proxy statements (DEF 14A) of dual-class firms backwards to identify the date at which they unified the share classes. Then, the dual-class indicator, $Dual_t$, is recorded as 1 when quarter t is between the IPO date and the unification date and 0 otherwise. I also record the unification date for all dual-class firms that unified their share classes. This process yields 703 unique dual-class firms and 112 share structure unification events. However, the final number of dual-class firms in the sample is lower due to various data requirements discussed below.

2.2 Voluntary Disclosure

I obtain the information about analyst earnings forecast and managerial guidance from the I/B/E/S Summary and I/B/E/S Guidance databases, respectively. For each firm-quarter, I define the number of analysts following the firm, the analysts' forecast consensus as the average of all forecasts by analysts following the firm, and the dispersion of analysts forecast as the standard deviation of all forecasts by analysts following the firm. Furthermore, I define multiple attributes of management earnings disclosure: propensity, timing, accuracy, type, precision, and information content.

The propensity to issue managerial guidance is measured by an indicator variable, $Guidance_t$, that equals to 1 if the firm issues at least one earnings forecast in quarter t and zero otherwise. I define two additional indicator variables, $Positive\ News_t$ and $Negative\ News_t$, indicating whether the issued guidance contains an estimate that is higher and lower than the analysts' consensus at the time of guidance issue, respectively. Similarly, $Neutral\ News_t$ takes value of 1 for guidance point estimates equal to the analysts' consensus, and range estimates in which the analysts' consensus is between the upper and lower managerial estimates at the time of guidance issue.

To investigate the timing of guidance, I define two additional indicator variables, $After-Hour_t$ and $Pre-Hour_t$, indicating whether the guidance is issued after the market closes (i.e., 4 pm to 12 am) and before the market opens (i.e., 4 am to 9 am).

Management forecast accuracy is considered as an important indication of disclosure quality (Ajinkya, Bhojraj and Sengupta, 2005). Following the standard practice in the voluntary disclosure literature (Bamber, Jiang and Wang, 2010; Hui and Matsunaga, 2015; Lee, Matsunaga, Oh and Hong, 2024), I measure the accuracy of managerial guidance issues by their error in that higher forecast error indicates lower disclosure accuracy. I measure $Guidance\ Error_t$ as the absolute value of the difference between the management's disclosed earnings forecast and realized earnings, scaled by stock price in quarter $t - 1$.⁴ Moreover,

⁴I use the midpoint of range forecasts in calculation of guidance error. My findings are completely robust

using the variable $Point_t$, I code the type of the disclosed guidance as 1 for point estimates of earnings and as 0 for range, one-sided, and general qualitative forecasts (Bamber et al., 2010). For guidance in which management offers a range forecast, I measure $Precision_t$ as the length of the range, scaled by the firm’s stock price in quarter $t - 1$ (Hui and Matsunaga, 2015). Another measure of guidance precision is the use of precise language in the offering the earnings estimate. I code $Precise\ Language_t$ as 1 when the guidance contains words “about”, “equal to”, “between”, “slightly more”, and “slightly less” and code it as 0 for other words.⁵

Finally, I measure the information content of managerial guidance issues in two ways. First, I calculate $Surprise_t$ as absolute value of the difference between the managerial guidance for earnings and the prevailing analyst consensus forecast, scaled by the stock price at quarter $t - 1$ (Bamber et al., 2010). Second, I compute cumulative abnormal returns around the disclosure of managerial guidance, CAR . CARs are calculated over a three-day window around the announcement date using Fama-French four-factor model.

2.3 Sample Construction

I construct a sample of quarterly observations of all firms in the CRSP/Compustat universe with adequate financial information. CRSP supplies stock return data and Compustat provides financial accounting data. Specifically, I measure firm size, book-to-market ratio, leverage, return on assets, free cash flow, tangibility, and EPS volatility. Appendix A provides a list of variable definitions. I exclude firms with insufficient information to calculate the financial variables as well as firms in the financial and utilities industries (SIC codes 6000–6999 and 4900–4999).

I combine the quarterly panel of firm observations with the dual-class firms as well as the managerial guidance and analyst forecasts to create the *Full Sample*. The final sample to using the lower or the higher ends of range estimates.

⁵Examples of words used in guidance that are not considered precise are “significantly more”, “significantly less”, “expect loss”, etc. IBES codes the language used into 17 bins. I consider codes 1, 2, 3, 12, and 13 as precise.

includes firms with 1) sufficient financial information in CRSP/Compustat and 2) at least one analyst following from IBES between 1995 and 2022. It covers 591 unique dual-class firms that meet the sample criteria and contains 16,569 quarterly observations as well as 5,762 earnings guidance issues. Furthermore, it contains 252,034 quarterly observations of single-class firms and 62,027 guidance issuance.

To mitigate differences between dual-class and single-class firms, I construct the *Matched Sample* by matching each dual-class firm in each quarter with a single-class firm that is in the same 2-digit SIC code that is closest in total assets, book-to-market ratio, firm age, and analyst coverage based on Mahalanobis distance.

The matching procedure is a compromise between having fewer matching criteria but a larger sample of dual-class firms, and having more extensive matching criteria with a significantly smaller sample of dual-class firms that is likely less representative of dual-class firms in general. After careful examination of various arrangements of matching criteria, I elect to limit the matching criteria to the few observables above (size, value, age, and analyst coverage) to create a reasonably comparable sample of single-class firms. Expanding the matching requirements results in a significantly smaller sample of dual-class firms, compromising the general representativeness of the matched dual-class firms without meaningfully improving the quality of the matches. The *Matched Sample* contains 16,564 single-class quarterly observations that are matched to the dual-class quarterly observations.

2.4 Summary Statistics

Table 1 reports the descriptive statistics of the variables used in the study as well as a comparison-of-means test between dual- and matched single-class firms. Panel A of Table 1 reports disclosure characteristics. Single-class firms provide managerial earnings guidance in 18.9% of quarters while dual-class firms provide guidance in 25.3% of quarters. While both groups are more likely to provide forecasts that contain positive news than negative news, dual-class firms exhibit a propensity to issue more negative news guidance to the

market. Specifically, the difference in propensity to issue negative news is 3.5% while this difference is only 1.8% for positive news. Guidance accuracy and precision are statistically similar between the two groups. However, dual-class firms’ guidance includes smaller news magnitudes and creates smaller abnormal returns around the announcement of earnings forecast. Lastly, dual-class firms are less likely to issue after-hour guidance but more likely to issue pre-hour guidance in comparison to their single-class counterparts. Specifically, 53% of guidance issued by single-class firms are announced after the markets are closed compared with 43% of guidance issued by dual-class firms. In contrast, 22% of single-class firms’ forecasts are disclosed before the markets are open compared to 31% of dual-class firms’ issues.

Panel B of Table 1 reports general firm characteristics. A comparison of column 1 (all single-class firms), and column 3 (dual-class firms) indicates that dual-class firms are on average smaller, younger, more levered, and more profitable than all other single-class firms. In contrast to my sample, Dual-class firms are older and larger in some previous studies (Gompers et al., 2010; Xu, 2021; Cremers et al., 2024). The reason for such discrepancy is that I require the firms to appear in the IBES sample and have at least one analyst following in any quarter. Since larger and mature firms are more likely to have analysts followings, this requirement disproportionately removes smaller, younger single-class firms from the sample, increasing the size of single-class firms. In comparison to the matched sample of single-class firms in column 2, dual-class firms have similar size, age, and profitability. Although matched firms are similar with regards to many characteristics, dual-class firms still appear to be different in some dimensions. For instance, dual-class firms have more tangible assets and higher book-to-market ratio, and are slightly levered. In all my analysis, I control for a battery of firm characteristics to account for these differences.

3 Managerial Guidance and Dual-class Structure

3.1 All Guidance Issues

Voluntary issuance of managerial earnings forecast is an important source of information for market participants, and has been found to be even more informative than actual earnings announcements ([Ball and Shivakumar, 2008](#); [Beyer et al., 2010](#)). The decision to issue voluntary earnings guidance is the outcome of the trade off between the costs and benefits of disclosure in that managers issue voluntary earnings forecasts if the disclosure increases firm value.

Issuing earnings guidance is costly simply because it requires a substantial investment of time and resources. However, prior literature has documented several costs associated with disclosure beyond the direct cost of gathering, analyzing, and reporting information. [Skinner \(1994\)](#) predicts that issuing earnings guidance reduces litigation costs by revealing negative information prior to the earnings announcement date. This practice makes it more difficult for a plaintiff to argue that the manager withheld unfavorable information from investors. [Field et al. \(2005\)](#) suggest that disclosure deters certain types of litigation. Furthermore, managers face reputation costs and career concerns when their earnings guidance turns to be inaccurate. Specifically, [Lee et al. \(2012\)](#) shows that managers are more likely to experience a turnover when their guidance accuracy is low. [Hui and Matsunaga \(2015\)](#) find a positive relationship between management forecast accuracy and CEO compensation. This suggests that issuing guidance exposes managers to substantial costs when they issue inaccurate earnings guidance. Disclosure costs can also include the consequential costs of revealing proprietary information to competitors, labor unions, and/or regulators ([Arya et al., 2010](#); [Fischer and Verrecchia, 2004](#)).

Prior literature also suggests that issuing earnings guidance may benefit both the firm and its manager in a number of ways. Provision of earnings guidance decreases information asymmetry between the management and outside investors, leading to improved analysts coverage ([Houston et al., 2010](#); [Chen et al., 2011](#)), higher liquidity ([Amihud and Mendelson, 1989](#); [Coller and Yohn, 1997](#); [Balakrishnan et al., 2014](#)), and lower cost of capital ([Easley](#)

and O'hara, 2004). In addition, issuance of accurate earnings guidance may function as a credible signal of managerial ability (Trueman, 1986).

The costs and benefits of issuing earnings guidance differs in a number of dimensions for dual-class firms due to their unique governance structure. Fan and Wong (2002) argues that dual-class structure leads to poorer accounting information due to a desire or need to operate in greater secrecy. They also have incentives to reduce disclosure in an attempt to hide their private extraction of perks (Masulis et al., 2009). In such settings, managers will exercise tighter control over information and thus are less likely to issue earnings guidance.

The entrenchment effect in dual-class firms, however, may increase disclosure since entrenched dual-class managers are less affected by external forces. Jordan et al. (2016) show that dual-class firms face lower market pressure measured by short-term and transient institutional shareholders as well as lower takeover exposure. In contrast to single-class firms where managers face career concerns such as takeover Lee et al. (2012) and compensation penalties Hui and Matsunaga (2015) for poor earnings guidance, dual-class managers don't face the market pressure, punishing actions from the board, and hostile takeovers when disclosing information.

Moreover, dual-class managers have larger ownership stakes in the firm, making litigation exposure personally costlier to them. As a result, dual-class managers have larger incentives to use timely disclosures to deter litigation and to mitigate potential plaintiff's ability to argue that unfavorable information was withheld from investors.

Lastly, as Bebchuk (2003) argues, investors accept the dual-class structure, despite its significant agency costs, primarily due to the belief that the founders have unique skills and visions for the firm. To be viewed as capable and trustworthy, dual-class managers have higher incentives to provide high-quality information by issuing timely earnings guidance.

To examine whether dual-class firms are more likely to issue voluntary earnings guidance, I estimate the following OLS regression:

$$Guidance_{i,t} = \beta \times Dual_{i,t-1} + \Pi \times X_{i,t-1} + \lambda_j + \epsilon_{i,t} \quad (1)$$

where $Guidance_{i,t}$ is an indicator variable taking value of 1 if firm i issues voluntary guidance in quarter t . $Dual_{i,t-1}$ is an indicator variable taking value of 1 if firm i has a dual-class ownership structure in quarter $t - 1$. $X_{i,t-1}$ is an array of firm characteristics that are used as control variables. Specifically, I control for asset size, ROA, book-to-market ratio, firm age, leverage, free cash flows, EPS volatility, asset tangibility, number of analyst following the firm, and the accuracy of analysts forecasts. Appendix A detailed definition of the variables. Lastly, λ_j is industry fixed effects. In my analysis, I use Fama-French 10 Industries to account for unobserved industry-specific shocks. All independent variables are lagged by a quarter relative to the dependent variable to preclude a look ahead bias. Standard errors are robust and are clustered at the firm level and quarter level.

Table 2 reports the ordinary least squares (OLS) regression results. The results show that dual-class firms are significantly more likely to issue managerial guidance than all as well as matched single-class firms. The economic magnitudes are large. In column 1, where the sample of all single-class firms is used and control variables are omitted, dual-class firms are 8.1 percentage points more likely to issue guidance. With the inclusion of control variables in column 2, dual-class firms are 7.6 percentage points more likely to issue guidance. The results are similar in columns 3 and 4 when dual-class firms are compared to the matched sample of single-class firms. Specifically, dual-class firms are 5.4 – 6 percentage points more likely to issue guidance. Given that the unconditional mean of offering a managerial earnings forecast is 19.1%, the most conservative estimate (column 4) indicates the likelihood of issuing managerial guidance is 28% higher among dual-class firms.

In Table 3, I examine the robustness of Equation 1 with respect to alternative specifications. In Panel A, I include various arrangements of industry fixed effects. Specifically, I use 2-digit SIC codes, 2-digit SIC codes interacted with calendar quarter, and Fama-French 10 Industries interacted with calendar quarter fixed effects. The results are very similar to those

reported in Table 2 which includes industry Fixed Effects at the level of Fama-French 10 Industries. Specifically, dual-class firms are 4.9 – 7 percentage points more likely to issue an earnings guidance in comparison to all and matched single-class firms. In Panel B of Table 3, I estimate Equation 1 using a Logit model instead of the OLS and find similar results (marginal effects) with respect to statistical and economic significance.

Overall, the evidence in Tables 2 and 3 indicate that dual-class firms are consistently more likely to issue managerial earnings forecast in comparison to their single-class counterparts.

3.2 Positive vs. Negative News

Managers, in single-class firms, have incentives to strategically time their disclosures. Kothari et al. (2009) show that career concerns, in the form of lost compensation and/or job loss, can motivate managers to withhold bad news and hope that subsequent corporate events will allow them to offset the bad news. In response to the survey in Graham, Harvey and Rajgopal (2006), majority of CFOs respond that they delay the release of negative news with the intention of never disclosing them if the firm’s status improves by the release date of mandatory disclosures. Due to potential negative outcomes of disclosing negative news, managers are likely to release good news promptly while withholding bad news and thus delaying its release (Dye and Sridhar, 2002).

If the higher propensity to issue managerial guidance among dual-class firms is rooted in their entrenchment that offers them immunity against market pressure and takeover exposure, then the higher likelihood to offer guidance is expected to be stronger when negative news are disclosed through the earnings guidance. In addition, revealing unfavorable information in a timely manner builds trust with investors which dual-class managers are more in need of (Palas and Solomon, 2022).

To test this hypothesis, I examine the relation between dual-class structure and managerial guidance for positive and negative guidance separately. Guidance issues that are higher than or equal to the prevailing analyst forecast consensus are *Positive News* and those that

are lower than the analyst consensus are *Negative News*.

Table 4 reports the estimation results. Consistent with the hypothesis, the higher propensity to disclose earnings forecasts among dual-class firms is significantly higher when the earnings forecasts include negative news. Comparing dual-class firms to the full sample of single-class firms, column 1 shows 4.9 percentage point higher likelihood of issuing positive news guidance but column 2 shows a 9.3 percentage point higher likelihood of issuing forecasts containing negative news. In comparison to matched single-class firms, this difference persists. While column 3 estimates that dual-class firms have 3.9 percentage point higher likelihood of disclosing positive news, column 4 estimates a 7.2 percentage point higher propensity for dual-class firms to offer earnings forecasts that contain negative news. Taking the estimates drawn from the matched sample (columns 3 and 4), dual-class firms' higher propensity to issue earnings guidance is 84% higher when the forecast contains negative news.

Overall, the results indicate that the entrenchment of dual-class firms' insiders increases the timely disclosure of negative information since entrenched dual-class managers don't face the market pressure or unfavorable outcomes when disclosing negative information. Therefore, they don't have the incentives that single-class managers have to keep the negative news inside the firm.

3.3 Difficulty of Forecasting Earnings

While entrenched insiders face milder consequences for disclosing information, both from the board and from the shareholders, their voluntary disclosure is not costless. When earnings are more difficult to forecast due to factors related to firm characteristics or economic uncertainty, the cost to disclosure increases. Preparing high-quality disclosure imposes increasing costs on the managers related to executive time and effort required to obtain, analyze, and communicate information (Hui and Matsunaga, 2015). Moreover, disclosure of earnings guidance increases the risk of litigation as well as reputation damage in case

of inaccurate forecasts. Managers may believe *ex ante* that the legal system cannot effectively distinguish between unexpected forecast errors due to chance and uncertainty from those due to deliberate management bias, increasing litigation risk (Healy and Palepu, 2001). Baik et al. (2011) show that the quality of managerial guidance signals managerial ability to shareholders.

Thus, earnings are difficult to forecasts, both single- and dual-class firms are less likely to issue managerial guidance. Moreover, dual-class firms' higher propensity to prepare and provide voluntary earnings guidance may be diminished when they face higher costs of forecasting their earnings.

I measure the difficulty to forecast future earnings with three proxies of low tangibility, high analyst forecast dispersion, and low analyst forecast accuracy. Firms with less tangible assets have riskier operations and experience higher firm risk. Therefore, they face higher difficulties and thus higher costs to offer managerial earnings forecast. Moreover, extracting private control benefits is harder for firms with more tangible assets (Dyck and Zingales, 2004). Hence, the incentive to provide frequent disclosures is weaker among dual-class firms with less tangible assets. I test this hypothesis by including in Equation 1 an interaction of $Dual_{i,t-1}$ with a dummy variable, $Low\ Tangibility_{i,t-1}$, taking value of 1 if the firm's asset tangibility in quarter $t - 1$ is below the median. I measure asset tangibility as the sum of plants, property, and equipment (PPE) divided by total assets.

Another set of metrics of uncertainty and difficulty around forecasting earnings is analysts disagreement and forecast accuracy. The rationale behind these metrics is that firms for which the analysts forecast shows low accuracy and high dispersion face the same challenges to forecast their own earnings.⁶ While managers are not required to provide earnings forecasts, they are required to update prior announcements when they are no longer accurate. When earnings are uncertain and difficult to forecast, this requirement could result in increased costs related to frequent updating.

⁶One limitation is that the insiders of the firm may have better information about future earnings and thus the analysts' struggle to forecast earnings may be due to information asymmetry.

To test this hypothesis, I include in Equation 1 an interaction of $Dual_{i,t-1}$ with a dummy variable, $High\ Analyst\ Dispersion_{i,t-1}$, taking value of 1 if the forecasts offered by the analysts following the firm in quarter $t-1$ show dispersion that is above the median as well as a dummy variable, $Low\ Analyst\ Accuracy_{i,t-1}$, taking value of 1 if the consensus forecast offered by the analysts in quarter $t-1$ show accuracy that is below the median. I measure dispersion in analysts forecasts as the standard deviation of all analyst forecasts for the quarter. I measure forecast accuracy by the scaled absolute error in the forecast where error is defined by the difference between the forecast and the realized earnings.

Table 5 reports the estimation results. Columns 1 and 2 include the interaction of $Dual_{i,t-1}$ and $Low\ Tangibility_{i,t-1}$. The results are consistent with the earlier findings in Table 2 that dual-class firms are more likely to provide earnings guidance than single-class firms. More importantly, the interaction term has significantly negative coefficients across all specifications, showing that dual-class firms that have have intangible assets are less likely to offer guidance relative to other dual-class firms. The estimated effect is robust to whether the full or the matched sample is used. Taking column 2, in which dual-class firms are compared with matched single-class firms, the economic magnitude of the effect is strong. While the dual-class firms with above-median tangibility are 6.1 percentage points more likely to issue guidance relative to single-class firms, dual-class firms with below-median tangibility are only 4.7 percentage points ($6.1 - 1.4$) more likely to issue guidance. This difference indicates that the effect of dual-class structure on higher likelihood of issuing guidance is 23% weaker when asset tangibility in dual-class firms drops below the median. However, it is noteworthy that dual-class firms with intangible assets are still more likely, on average, to issue guidance when compared with single-class firms.

Columns 3 and 4 include the interaction of $Dual_{i,t-1}$ and $High\ Analyst\ Dispersion_{i,t-1}$. First, firms with high forecast dispersion are less likely to offer guidance, supporting the notion that managers are less likely to offer voluntary forecasts, in general, when earnings are difficult to predict. Second, the interaction term has significant negative coefficients,

showing that dual-class firms are less likely to offer guidance when analysts following the firm show more disagreement. Comparing column 3 and 4 shows that the economic magnitude of the effect is stronger when dual-class firms are compared to all single-class firms, indicating that part of the effect may be the results of differences between dual- and single-class firms. Taking column 4, the dual-class firms with below-median forecast dispersion are 7 percentage points more likely to issue guidance relative to single-class firms. However, dual-class firms with above-median forecast dispersion are only 3.8 percentage points ($7 - 3.2$) more likely to issue guidance, translating to a 45% decline in likelihood of issuing guidance among dual-class firms when analysts forecasts have high variation.

Columns 5 and 6 include the interaction of $Dual_{i,t-1}$ and $Low\ Analyst\ Accuracy_{i,t-1}$. The results are similar in that firms with low analyst forecast accuracy are less likely to offer guidance, supporting the notion that managers are less likely to offer voluntary forecasts, in general, when earnings are difficult to predict. More importantly, the interaction term has significantly negative coefficients, showing that dual-class firms with less accurate analysts following the firm are less likely to offer guidance in comparison to dual-class firms with more accurate analysts. Taking column 6, the economic magnitude of the effect is 34% decrease in issuing earnings guidance among dual-class firms with lower analyst accuracy relative to other dual-class firms. Specifically, dual-class firms with high analyst accuracy are 6.4 percentage points more likely to issue guidance relative to single-class firms. However, this difference is cut to 4.2 percentage points ($6.4 - 2.2$) for dual-class firms with low analyst forecast accuracy.

Overall, the analysis in Table 5 offers two insights. First, firms are less likely to issue earnings guidance when forecasting the earnings is more difficult. More importantly, the positive effect of dual-class structure on the propensity to issue guidance is partly erased when the cost to forecast the earnings are high.

3.4 Founder Control

While dual-class firms are generally considered by academic studies a single type of firm in which insiders have disproportionate control, [Aggarwal et al. \(2022\)](#) document that the type of insiders that control the dual-class firms varies considerably. The most common and salient form of a controller of dual-class firms is the firm’s founders. However, other entities such as a parent and holding company that issued shares in a subsidiary, private equity firms, and venture capital investors often maintain control of the dual-class voting power.

Despite this diversity in the controlling entities among dual-class firms, founder-controlled dual-class firms exhibit distinct characteristics. First, they are the most prevalent type, accounting for slightly more than half of all dual-class observations in my sample. Second, the recent increase in the adoption of dual-class structures at IPOs is primarily driven by dual-class firms controlled by founders. [Goshen and Hamdani \(2015\)](#) show that founders who possess strong bargaining power are able raise capital without relinquishing control, despite the potential agency costs.

More importantly, the agency problems associated with disproportionate control are stronger when the founders maintain full control. Compared to other controllers—such as private equity, venture capital, or parent firms—founders are more likely to extract private benefits of control and avoid scrutiny by reducing disclosures. Founders face less external pressure from the market, investors, and the board, only if they control the superior voting rights in the firm. In other words, the entrenchment effect of dual-class structure is significantly stronger among founder-controlled dual-class firms. Therefore, shielded from the disciplinary cost of disclosure ([Lee et al., 2012](#); [Hui and Matsunaga, 2015](#); [Jordan et al., 2016](#)), founder-controlled dual-class firms are more likely to issue earnings forecasts.

I investigate whether the earnings guidance policy of founder-controlled dual-class firms differ from other dual-class firms. In doing so, I categorize dual-class firms into those controlled by the founders and other dual-class firms that are not controlled by the founders. I define *Founder-controlled Dual* $_{i,t-1}$ if the dual-class firm i is controlled by the firm’s founder

at time $t - 1$. Following [Aggarwal et al. \(2022\)](#), the founders qualify as having control if they have more than fifty percent of voting power or more than double the voting power of any other shareholder. I define a second measure of founders' control as *Founder-CEO* $Dual_{i,t-1}$ if the CEO of the dual-class firm i at time $t - 1$ is the firm's founder. Lastly, if the founder(s) of a dual-class firm neither own the majority of the voting rights nor serve as the CEO, I categorize the firm as *Other* $Dual_{i,t-1}$.

To examine the role of founder control in the likelihood of issuing voluntary guidance, I estimate Equation 1 for founder-controlled and other dual-class firms separately and report the results in Table 6. In columns 1 and 2, I regress $Guidance_{i,t}$ on *Founder-controlled* $Dual_{i,t-1}$ and other firm characteristic. Column 1 reports the results for the full sample, while column 2 reports the results for the matched sample. Dual-class firms that are controlled by their founders are 9.3 – 7.5 percentage points more likely to issue voluntary disclosure compared to single-class firms. In columns 3 and 4, I repeat the analysis using *Founder-CEO* $Dual_{i,t-1}$ as the key independent variable. I find qualitatively similar results with dual-class firms issuing 10.4 – 7.4 percentage points more guidance disclosures relative to single-class firms. In columns 5 and 6, I repeat the estimation for other dual-class firms with *Other* $Dual_{i,t-1}$ as the variable of interest. The estimated results show that dual-class firms that are neither controlled nor managed by the founders are still more likely to issue guidance in comparison to single-class firms. Specifically, even in the absence of founder control, dual-class firms are 5.2 – 3.3 percentage points more likely to issue earnings guidance.

The results in Table 6 indicate that while all dual-class firms tend to issue more frequent earnings forecasts, those controlled or managed by their founders are the most likely to issue earnings guidance. In fact, the coefficient estimates for founder-controlled and founder-managed dual-class firms are roughly twice as large as those of other dual-class firms, suggesting that founders' control plays an important role in the higher tendency to issue earnings forecasts. This results support the hypothesis that the entrenchment effect of the dual-class structure is particularly stronger when the founders control the firm as

opposed to other entities such as venture capital investors.

3.5 Life Cycle of Dual Class Structure

While dual-class firms are generally more likely to issue earnings guidance, this section explores whether the effect varies over the firm’s life cycle. Specifically, I examine how the relationship between dual-class structure and voluntary disclosure evolves with firm age. The central hypothesis is that younger dual-class firms face countervailing incentives that suppress disclosure, partially offsetting the entrenchment effect that typically leads to higher guidance issuance. As firms mature, these incentives diminish while the entrenchment effect persists, resulting in a stronger tendency to disclose earnings guidance over time.

Two main arguments support this hypothesis. First, firms face proprietary costs of disclosure—costs that arise when information revealed through guidance can be exploited by competitors, labor unions, or regulators ([Arya et al., 2010](#)). Prior research suggests that these costs are particularly acute for firms with high growth potential, ambitious strategic visions, or high exposure to acquisition threats ([Fischer and Verrecchia, 2004](#)). These characteristics are especially prevalent in younger dual-class firms, which are often founded with disruptive goals and expansive visions. However, as these firms age and their strategic visions are realized, growth slows, and the threat of takeovers recedes, the proprietary costs of disclosure are likely to decline. In the absence of strong market discipline and investor scrutiny—due to the entrenchment afforded by superior voting rights—there remains little reason for mature dual-class firms to withhold disclosure. As a result, the likelihood of issuing earnings guidance should further increase as dual-class firms age.

Second, as documented by [Cremers et al. \(2024\)](#), the market valuation premium typically associated with dual-class firms tends to dissipate with time. Early in the firm’s life, this premium reflects investor optimism about the founder’s unique vision and managerial ability ([Bebchuk, 2003](#)). However, over time, as growth potential is realized, the valuation advantage wanes. [Cremers et al. \(2024\)](#) document that the dual-class structure even

carries a valuation discount in later years. At this stage, insiders may have incentives to increase disclosure in order to reduce information asymmetry (Balakrishnan et al., 2014), build credibility with investors (Trueman, 1986; Palas and Solomon, 2022), and counterbalance the perceived governance weaknesses of the dual-class structure (Masulis et al., 2009). Voluntary guidance, therefore, becomes a strategic tool for maintaining investor confidence.

To test this hypothesis, I regress the likelihood of issuing earnings guidance on dual-class status across different firm age groups. I divide the sample based on years since IPO into five cohorts: 0–5 years, 6–10 years, 11–15 years, 16–20 years, and 20+ years. For each group, I estimate the effect of dual-class structure on the probability of issuing guidance using Equation 1. Figure 1 presents the results. The figure displays the coefficient estimates for each age group separately, with statistical significance denoted by stars. Panel A depicts the estimation results from the full sample, while Panel B depicts the estimation driven from the matched sample.

The results indicate that while dual-class firms consistently exhibit a higher likelihood of issuing guidance across all age groups, the magnitude of the effect increases with firm age. Among firms 0–5 years post-IPO, dual-class firms are approximately 3.75 – 5.75 percentage points more likely to issue guidance compared to single-class firms, depending on whether dual-class firms are compared to the full or the matched sample of dual-class firms. This effect grows steadily: dual-class firms aged 6–10 years are 4.75 – 7.5 percentage points more likely to issue guidance; those aged 11–15 years are 7.25 – 8 percentage points more likely; and the effect peaks at 10.75 – 11 percentage points for firms aged 16–20 years. For firms older than 20 years, the estimated effect remains positive but experiences a drop, which is likely due to the limited number of observations in this group, resulting in reduced statistical power.

Taken together, these findings suggest that the relationship between dual-class ownership and voluntary disclosure is dynamic over the firm life cycle. While the entrenchment effect leads dual-class firms to issue more guidance on average, younger firms are constrained by

higher proprietary costs and strategic opacity. As these constraints diminish with firm maturity, the underlying tendency of dual-class insiders to disclose becomes more pronounced. This finding is in line with the findings in [Palas and Solomon \(2022\)](#) that the quality of mandatory financial reports among dual-class firms increases over time as they age. This life cycle effect highlights the importance of considering firm age when evaluating the governance and disclosure behavior of dual-class firms.

4 Addressing Endogeneity

The earlier results in Section 3 demonstrate a positive relationship between dual-class ownership structure and the propensity to offer voluntary managerial earnings guidance. However, firms' ownership structure is an endogenous choice made at the IPO stage. Dual-class share structure, therefore, may be correlated with observable as well as unobservable characteristics that directly affect voluntary guidance disclosure choices as well as the quality of those disclosures.

Firm risk and growth potential, for instance, may play a role in the decision to adopt a dual-class structure. Dual-class structures shield the founders from potentially myopic pressure of less-informed public investors ([Cremers et al., 2024](#)). Riskier and high-growth firms, motivated by this protection, are more likely to adopt a dual-class structure ([Xu, 2021](#); [Field and Lowry, 2022](#); [Aggarwal et al., 2022](#)). These firms may be less likely to issue guidance due to the uncertainty around their earnings. In contrast, they may choose to issue guidance more frequently with the intention of alleviating the information asymmetry. The ownership structure decision is also related to the insiders' desire to consume private benefits of control: insiders could increase their voting rights through adoption of a dual-class structure to tighten their control over the firm and thus protecting their consumption of private benefits ([Masulis et al., 2009](#)). The same insiders may choose to reduce voluntary disclosure to obfuscate their private benefits. Moreover, the choice of dual-class structure is

endogenous to industries. [Smart and Zutter \(2003\)](#) report that media firms are more likely to have dual-class status, since control of a media company provides many opportunities for private benefits and influence. In addition, firms in industries in which the need for capital is lower have more bargaining power as more investors compete and chase the firm and thus are more likely to adopt dual-class structures. [Aggarwal et al. \(2022\)](#) report a sharp concentration of dual-class firms in the technology industry – particularly in cloud computing – in recent years.⁷ Lastly, availability of private capital at the time of IPO increases the founder’s bargaining power and thus the likelihood of adopting a dual-class structure whereby the founder gets superior voting rights ([Field and Lowry, 2022](#); [Aggarwal et al., 2022](#)).

I adopt two measures in my analysis in Section 3 to mitigate these concerns. First, I control for a battery of observable firm characteristics (including growth potential, size, and risk) that are related to disclosure choices to account for observable differences across dual- and single-class firms and include industry Fixed Effects to account for industry-specific, unobservable and time-invariant characteristics. Second, I compare dual-class firms with a matched sample of single-class firms as the counterfactual. Each dual-class firm is matched to the most similar single-class firm in the same industry, based on observable characteristics, ensuring that the sample of control (single-class) firms is similar and comparable to the treatment (dual-class) firms.

Nonetheless, the concern for the endogenous nature of the ownership structure is still relevant since the dual-class firms may differ across some unobservable dimensions. To further mitigate the endogeneity concern, I utilize a difference-in-differences analysis of a sample of dual-class firms that unified their shares into a single class of shares, allowing me to further draw a casual inference.

⁷[Ewens, Nanda and Rhodes-Kropf \(2018\)](#) identify the advent of commercial cloud computing through Amazon’s Web Services (AWS) in 2006 as the defining moment that lowered the initial costs of starting a business in the software-and service-related industries

4.1 Evidence from Share Unifications

While many firms go public with a dual-class structure, these structures do not necessarily persist indefinitely. Dual-class firms often undergo an ownership restructuring in which all share classes are unified into a single class of shares with equal voting rights. [Smart and Zutter \(2003\)](#) find that unifications are followed by positive market reactions. [Howell \(2011\)](#) shows that share unification is an effective tool for insiders to gain individual liquidity. A few studies utilize the unification of dual-class shares to establish causality ([Jordan et al., 2016](#); [Li and Zaiats, 2017](#); [Xu, 2021](#)). My identification strategy relies on changes in the dual-class ownership structure of dual-class firms that unified their share classes into a single class at some point in time. In a stacked difference-in-differences (DiD) approach,⁸ I compare the change in disclosure regime of unifying firms to that of matched non-unifying dual-class firms around the unification event.

[Aggarwal et al. \(2022\)](#) document that some dual-class firms adopt a “sunset” provision at IPO to restructure into a single class of shares. Sunsets may trigger the conversion into a single-class structure at a pre-determined time after IPO or when the economic stake of the superior shares falls below a pre-determined threshold. The unifications that are triggered by time sunsets are fully determined at IPO and thus are unrelated to firm performance, economic conditions, and insiders’ decisions. The unifications triggered by economic stake thresholds can occur under different circumstances. First, superior shares are automatically converted into inferior shares and lose their superior voting rights when the insiders sell them. Once insiders’ ownership reaches the pre-determined threshold, the unification is triggered. While these events are triggered by the insiders’ choice to sell their shares, [Howell \(2011\)](#) documents that these share-class unifications are primarily triggered by insiders’ personal liquidity needs, which are arguably exogenous to firms’ disclosure regimes. Second, the

⁸[Baker, Larcker and Wang \(2022\)](#) recommend this estimation as a versatile and unbiased approach in lieu of the traditional two-way fixed effects (TWFE) difference-in-differences estimation. See [Deshpande and Li \(2019\)](#), [Hu \(2022\)](#), [Dayani \(2023\)](#), [Krueger, Sautner, Tang and Zhong \(2024\)](#), and [Duchin, Gao and Xu \(2024\)](#) as examples of recent studies using this estimation approach.

economic stake threshold may be reached by other corporate events including acquisitions, divestitures, and bankruptcies. These unifications are clearly endogenous given that that these events may directly affect the disclosure regime in the firm due to potential significant changes in management, the board, and the investor base.

To identify unifying firms, I start from all dual-class firms that transitioned into single-class firms during my sample period. I then exclude unification events that are accompanied by major acquisitions,⁹ divestitures, or bankruptcies due to the endogenous nature of such events. Therefore, the sample of unification events only includes share conversions that are triggered by either a time sunset provision or sales of superior shares due to liquidity needs of insiders. In order to have sufficient number of observations before and after the unification, I require the unifying firms to have 8 quarters of financial data before and after the unification date.

To serve as a control firm for each remaining unifying firm (treatment), I choose a non-unifying dual-class firm in the same industry that is closest to the treatment firm in asset size, book-to-market ratio, and age. The matched, non-unifying, dual-class firms also must have 8 quarters of financial data before and after the unification event of their matched unifying firm. This procedure yields 106 cases of uncontaminated unifications with sufficient observations pre- and post-treatment.

To estimate the effect of share class unification events on disclosure policy, I create an event-specific dataset for each treatment event (i.e., unification) which includes all observations for the treated dual-class firm and its matched control dual-class firm for a seventeen-quarter window ($t = -8$ to $t = 8$). Then, I stack these event-specific data sets based on quarters relative to treatment instead of calendar time. Finally, I estimate an average effect across all events using the following equation:

$$Guidance_{i,t,g} = \beta \times Unification_{i,t-1,g} + \Pi \times X_{i,t-1,g} + \lambda_{i,g} + \phi_{t,g} + \epsilon_{t,g} \quad (2)$$

⁹I define a *major* acquisition as deals in which the target is larger than 25% of the acquirer's size.

where i denotes firm, t denotes quarter relative to the unification quarter for each event instead of a calendar quarter, and g denotes a treatment event. $Unification_{i,t-1,g}$ is an indicator variable taking value of 1 for the dual-class firm that unified its shares (treated firm) for all 8 quarters after the unification and taking value of 0 for all other quarters prior to the treatment as well as all observations for the matched dual-class firm (control firm).¹⁰ $\lambda_{i,g}$ is a set of firm-event Fixed Effects and $\phi_{t,g}$ is a set of relative quarter-event Fixed Effects. The difference between this functional form and the standard TWFE is that the firm and quarter fixed effects are event specific. As a result, by stacking and aligning events in event-time, this approach is equivalent to a setting where the treatment events happen contemporaneously, and it prevents using past treated firms as effective comparison firms, leading to dynamic treatment bias (Goodman-Bacon, 2021).

I report the estimation results in Table 7. Column 1 includes the sample of all earnings guidance issues. The coefficient estimate is negative and statistically significant, showing that dual-class firms decrease their propensity to provide voluntary disclosure following unification events compared with matched, non-unifying firms. Columns 2 and 3 examine the propensity to disclose positive and negative earnings guidance, respectively. Consistent with prior findings in Section 3, the transition to a unified share-class structure has a smaller impact on the propensity to disclose positive earnings news whereas it has a strong negative impact on the propensity to release negative earnings guidance. Specifically, unified firms are 6.4 percentage point less likely to provide earnings guidance that contain negative news but only 2.3 percentage points less likely to issue positive guidance following the unification event.

As a robustness test to further validate my results, I conduct a falsification test to mitigate the parallel trend concerns around the difference-in-differences estimates. Specifically, I repeat my estimation while assuming that unifying restructuring of share-classes occur 12 quarters before the actual unification events. I report the estimation results in columns 4

¹⁰ $Unification_{i,t-1,g}$ is effectively a $Post \times Treatment$ indicator variable. The two variables $Post$ and $Treatment$ are absorbed by the firm and relative quarter-event Fixed Effects, respectively.

to 6 and find no significant effects, suggesting that the change in the disclosure regime only occurs *after* the actual unification event occurs.

To shed light on the dynamics of the change in earnings guidance issuance around the unification events, I estimate Equation 2 but replace $Unification_{i,t-1,g}$ with a series of indicators, $Relative\ Quarter_{i,t-j}$, that capture the effect of unification for each quarter after the event separately. $Relative\ Quarter_{i,t-j}$ is a dummy variable for dual-class firms that unified their share classes in quarter t taking value of 1 only on quarter $t-j$ where $j \in [-8 : +8]$ and zero otherwise. Figure 2 shows the dynamic effect of dual class share structure unification on issuance of managerial guidance. The figure plots the estimated average difference in the likelihood of issuing earnings guidance by unifying dual-class firms relative to the control dual-class firms from 8 quarters before to 8 quarters after the unification event. While the difference between unifying and control dual-class firms is not significant prior to the events, the likelihood of issuing an earnings guidance is significantly lower for unifying dual-class firms following the unification. These findings are consistent with the hypothesis that dual-class firms' entrenchment that offers them immunity against adverse outcomes, affords them prompt release of negative news. Therefore, once dual-class firms transition to single-class, they have incentives to strategically time their disclosures and delay the disclosure of negative news and cluster their disclosures in time (Dye and Sridhar, 2002; Kothari et al., 2009).

5 Disclosure Characteristics

The analysis in Sections 3 and 4 documents that dual-class firms issue more managerial earnings guidance than comparable single-class firms. This finding raises two important questions. First, does higher frequency of issuing guidance reduce the quality of the managerial disclosures? Second, does the higher frequency reduce the magnitude of the information content of each disclosure? I investigate these two questions in this section using a sample of all managerial guidance issued during the sample period.

5.1 Timing of Guidance Issues

Firms have control over the timing of their disclosures including the day of the week as well as time of the day. [Doyle and Magilke \(2009\)](#) posit that firms often release information to the public during evening hours when the markets are closed with the purpose of mitigating the market’s reaction to the released information. [DeHaan et al. \(2015\)](#) document that attention is indeed higher during market hours while decreases after markets close and that managers report bad news after market hours, on busy days, and with less advance notice. Consistent with firms taking advantage of investors inattention, [DellaVigna and Pollet \(2009\)](#) show that firms frequently issue earnings on Fridays and that market reaction to Friday announcements is weaker.

Dual-class firms are less affected by the negative consequences of releasing information to the market due to their extensive control and entrenchment. Therefore, dual-class firms benefit less from issuing after-hour disclosures. Consistent with this hypothesis, [Table 1](#) shows that 53% of managerial guidance issues by single-class firms are released to the public in after hours. In contrast, only 43% of voluntary earnings guidance issued by dual-class firms is released during after hours. In contrast, 31% of guidance issued by Dual-class firms are issued in the hours before the market opens while only 22% of guidance issued by single-class firms are issued prior to the opening of the market.

[Figure 3](#) demonstrates this pattern by plotting the share of earnings forecasts released at any given hour of the day. The earnings forecasts are clustered at two specific hours immediately before the market opens and immediately after it closes. However, the choice between issuing guidance before versus after the market hours differs between single- and dual-class firms. Specifically, earnings guidance issued during the pre-market hours are more likely to be issued by dual-class firms. In contrast, the majority of earnings guidance released immediately after the market closes are issued by single-class firms.

I formally test this hypothesis in [Table 8](#). In Panel A, I regress $After-Hour_{i,t}$, an indicator that takes value of 1 if the voluntary disclosure is released during after hours (i.e., between

4 pm and midnight) on $Dual_{i,t-1}$ and other firm characteristic in Equation 1. Columns 1 and 2 report the results for all guidance issues. Dual-class firms are 4.7 – 6.1 percentage points less likely to issue an after-hour voluntary disclosure compared to single-class firms. Columns 3 and 4, show similar results with dual-class firms issuing 4.8 – 5.1 percentage points fewer after-hour disclosures with positive news relative single-class firms. As expected, columns 5 and 6 show the strongest effects for voluntary disclosures containing negative news. Specifically, dual-class firms are 8.1 – 8.6 percentage points less likely to issue after-hour negative earnings guidance compared with the sample of single-class firms.

In Panel B, I regress $Pre-Hour_{i,t}$, an indicator variable that takes value of 1 if the voluntary disclosure is released prior to the trading session opens (i.e., 4 am to 9 am) on $Dual_{i,t-1}$ and other firm characteristic in Equation 1. Columns 1 and 2 show that dual-class firms are 8.4 – 9.6 percentage points more likely to issue an pre-hour voluntary disclosure compared to single-class firms. Columns 3 and 4, show similar results with dual-class firms issuing 6.2 – 6.6 percentage points more pre-hour disclosures with positive news relative single-class firms. Consistent with dual-class firms’ lack of incentives to delay or withhold negative information, columns 5 and 6 show the strongest effects for voluntary disclosures containing negative news. Specifically, dual-class firms are 9.4 – 10.2 percentage points more likely to issue pre-hour negative earnings guidance compared with the full and the matched sample of single-class firms.

5.2 Disclosure Quality

Dual-class ownership structure may affect the quality of disclosure in multiple ways. First, the incentive to provide high-quality disclosure is rooted in the market’s disciplinary role through valuation effects (Masulis et al., 2009; Gompers et al., 2010), lower compensation (Hui and Matsunaga, 2015), higher likelihood of job loss (Lee et al., 2012), and reputation damage (Baik et al., 2011). Since entrenched managers in dual-class firms are insulated from these adverse outcomes, they have lower incentives to incur the costs of maintaining higher

disclosure quality. Second, dual-class insiders pursue private benefits at the expense of the outside investors (Masulis et al., 2009). As a result, dual-class firms may adopt disclosure choices to conceal their private benefits consumption. Consistent with this hypothesis, Li and Zaiats (2017) determine that the quality of information environment is lower among dual-class firms, and attribute this effect to managers’ incentive to provide opaque disclosures. Third, higher frequency of preparing and issuing disclosures may come at the cost of decreased quality due to high costs of forecasting earnings, preparing guidance, and arranging press calls Beyer et al. (2010).

In contrast, managers in dual-class firms have aligned incentives with the shareholders (McGuire et al., 2014). These insiders are often the original founders and have their wealth as well as their reputation tied to the firm’s outcome. Therefore, dual-class managers may have genuine interest in incurring the costs of gathering and analyzing information, preparing earnings forecasts, and sharing them with outside investors through more frequent and higher quality disclosures. Given the contrasting sources discussed above, the effect of dual-class ownership structure on disclosure quality is an empirical question.

I measure the quality of earnings guidance across two general dimensions: accuracy and precision. To measure accuracy of the management’s forecasts, I define *Guidance Error*_{*i,t*} as the absolute difference between the actual realized earnings in quarter *t* and the management’s latest earnings forecast, scaled by the stock price at quarter *t* – 1 (Bamber et al., 2010; Lee et al., 2012; Hui and Matsunaga, 2015). Obviously, this measure is inversely related to accuracy in that an accurate earnings guidance will have a low guidance error. I regress *Guidance Error*_{*i,t*} on *Dual*_{*i,t-1*} using Equation 1 and report the estimation results in Table 9. Columns 1 and 2 use the sample of all issued guidance while columns 3 – 6 use the samples of guidance issues with positive and negative news, separately. Positive guidance is defined as those in which the managerial forecast exceeds the analysts’ consensus. In contrast, negative guidance is defined as those in which the managerial forecast is lower than the analysts’ consensus. Overall, none of the estimated coefficients are either statistically or

economically strong, suggesting that dual-class firms do not differ from comparable single-class firms in the accuracy of their disclosures despite dual-class firms’ higher frequency of providing managerial guidance.

Another measure of disclosure quality is precision of the earnings forecast since issuing a precise forecast for the earnings such as a point estimate is costlier than providing a less precise forecast such as a range estimate (Bamber et al., 2010). A point forecast requires that managers gather greater amounts of information which potentially costs more money, time, and effort. Hughes and Pae (2004) suggest that point forecasts require greater managerial certainty. A range forecast, on the other hand, is more amenable to the use of estimates and best guesses. Thus management should be able to generate range forecasts with less associated costs and effort. Dual-class firms, given their higher frequency of disclosure as well as their immunity to the market pressure, may exhibit higher likelihood of offering less precise estimates.

I measure precision of the earnings forecast by $Point_{i,t}$ which takes the value of 1 if the firm’s guidance includes a point estimate of the earnings and takes 0 otherwise. I regress $Point_{i,t}$ on $Dual_{i,t-1}$ using Equation 1 and report the estimation results in Panel A of Table 10. Columns 1 and 2 use the sample of all issued guidance while columns 3 – 6 use the samples of guidance issues with positive and negative news, separately. The estimation results are insignificant across all columns indicating that dual-class firms’ likelihood of offering point estimates in their earnings guidance disclosures is similar to that of single-class firms.

Another measure of guidance precision is the use of precise language when describing the earnings estimate. For example, with a numerical earnings estimate of \$2, a description of “slightly higher than \$2” is more precise than “significantly higher than \$2”. I code $Precise\ Language_{i,t}$ as 1 when the guidance contains words “about”, “equal to”, “between”, “slightly more”, and “slightly less” and code it as 0 for other words.¹¹ I regress $Precise\ Language_{i,t}$

¹¹Examples of words used in guidance that are not considered precise are “significantly more”, “significantly less”, “expect loss”, etc. IBES codes the language used into 17 bins. I consider codes 1, 2, 3, 12, and 13 as precise.

on $Dual_{i,t-1}$ using Equation 1 and report the estimation results in Panel B of Table 10.

Contrary to Panel A, the use of precise language in the description of the numerical earnings forecast differs between dual- and single-class firms. Dual-class firms are around 1 percentage point more likely to use a more precise language when describing their estimates (columns 1 and 2). In columns 3 – 6, I examine positive and negative forecasts separately and find that this effect is primarily concentrated in the sample of negative forecasts. Dual-class firms are 1.4 – 2.2 percentage points more likely to use precise language when issuing a negative guidance.

During the sample period, only 16% of managerial forecasts are point estimates and thus 84% are range estimates (See Table 1). Therefore, it is more relevant to examine whether the precision of earnings forecasts is different for dual-class firms when a range estimate is offered. Specifically, for the sample of range guidance issues, I define $Precision_{i,t}$ as the forecast range (high estimate – low estimate), scaled by the stock price at quarter $t - 1$. I regress $Precision_{i,t}$ on $Dual_{i,t-1}$ using Equation 1 for the sample of range guidance issues and report the estimation results in Table 11. Columns 1 and 2 use the sample of all issued guidance while columns 3 – 6 use the samples of guidance issues with positive and negative news, separately. The estimation results show a very weak relationship between dual-class structure and higher precision (narrower range). However the statistical significance disappears once dual-class firms are compared to the sample of matched single-class firms. These estimates suggest that dual-class firms do not provide wider or narrower range estimates than single-class firms.

Overall, the findings in Table 9, Table 10, and Table 11 show that the higher frequency of offering earnings guidance by dual-class firms does not reduce the disclosure quality as measured by accuracy and precision. If anything, dual-class firms are more likely to utilize a more precise language in providing earnings forecasts. The important implication is that the benefit of more transparent and more frequent disclosure regime among dual-class firms does not come at the cost of lower disclosure quality and therefore benefits the shareholders

through reductions in information asymmetry.

5.3 News Magnitude of Disclosures

A range of career concerns, including lost compensation, potential termination, and adverse market reaction, motivates managers to withhold bad news up to a certain threshold, but quickly reveal good news to investors. [Kothari et al. \(2009\)](#) argue and show that the implication of such behavior is that information content of each disclosure depends on whether the disclosure contains good or bad news. Specifically, each positive disclosure contains smaller magnitudes of new information as managers, on average, readily release good news. In contrast, each disclosure of bad news contains a larger magnitude of new information since managers have incentives to withhold negative news up to a threshold. However, the firm must disclose the negative news eventually. Therefore, negative news regarding future earnings will accumulate and the negative news will be disclosed to investors at lower frequencies but larger magnitudes.

Contrary to single-class firms, the insiders in dual-class firm, maintaining a tighter control, do not share the same incentives and thus readily release negative news to shareholders. As a results, earnings guidance with negative news is disclosed to investors frequently but with smaller magnitudes. Consistent with this hypothesis, the findings in [Table 4](#) already demonstrate that dual-class firms disclose guidance with negative news more frequently than comparable single-class firms. In this section, I examine whether dual-class disclosure of negative news has lower amounts of information content. To test this hypothesis, I measure the information content of earnings guidance in two ways: earnings surprise of the issued guidance and the market reaction to the guidance.

I define $Surprise_{i,t}$ as the difference between the management earnings forecast and the analysts' consensus forecast for quarter t , scaled by the stock price in quarter $t - 1$. I regress $Surprise_{i,t}$ on $Dual_{i,t-1}$ using [Equation 1](#) and report the estimation results in [Table 12](#). Columns 1 and 2 use the sample of all issued guidance while columns 3 – 6 use the samples

of guidance issues with positive and negative news, separately.

The estimated coefficients are consistent with my hypothesis. For the sample of all issued guidance (columns 1 and 2), both estimated coefficients are negative and statistically significant, suggesting that dual-class firms' earnings guidance contain 5.1 – 3.2 basis points smaller surprise. Columns 3 and 4 repeat this analysis with the sample of guidance issues that convey positive news to investors. The magnitude of the disclosed news is statistically indistinguishable between single- and dual-class firms indicating earnings forecasts of dual-class firms that contain positive news carry the same surprise as those of single-class firms. This finding is consistent with managerial incentives. Single-class firms, similar to dual-class firms, promptly disclose positive news and thus carry the same surprise.

Columns 5 and 6 report the estimated coefficients for the sample of guidance issues disclosing negative news. Both columns report a stronger negative effect showing that dual-class firms' earnings guidance with negative news contain 7.3 – 10.8 basis points smaller surprise. This finding is consistent with the tendency of single-class firms to withhold negative information [Kothari et al. \(2009\)](#). The findings in Table 12, in line with the results in Table 4, support the hypothesis that dual-class firms promptly release news to shareholders leading to more frequent disclosures each containing smaller magnitudes of information content.

The second measure of information content of managerial earnings guidance is the market's reaction to the disclosure of the news. When guidance contains larger surprises, investors substantially update their beliefs about the firm and thus the stock price adjusts drastically. In contrast, stock prices move less when there is less information in the disclosed guidance. [Kothari et al. \(2009\)](#) document that, on average, stock price reaction to bad news disclosures are greater than that of the positive stock price reaction to good news disclosures. If dual-class firms' disclosure of negative news contains less information, then the market reaction to the disclosures must be smaller.

To measure the market reaction to news, I calculate the absolute value of cumulative abnormal returns around the disclosure of earnings guidance, $|CAR|_{[-1,+1]}$. I use the absolute

value of the CARs since I am interested in the magnitude of the price movement in response to the earnings guidance rather than the direction of the price response. For example, CARs are expected to be negative when guidance with negative news are disclosed. The question is whether the magnitude of this price response is smaller for dual-class firms.

For each earnings guidance issued, CAR is defined as the realized returns in excess of the expected returns during the 3-day window around the disclosure. The expected returns are calculated using the 4-factor model that is estimated using daily returns of 250 trading days. The estimation window ends in the quarter prior to the guidance issue to ensure that the estimation of the 4-factor model is not contaminated by the information during the quarter in which the guidance is for.

Table 13 reports the estimation results from a regression of $|CAR|_{[-1,+1]}$ on $Dual_{i,t-1}$ using Equation 1. Columns 1 and 2 use the sample of all issued guidance while columns 3 – 6 use the samples of guidance issues with positive and negative news, separately. The results are supportive of the hypothesis that dual-class firms’ disclosure of negative news through earnings guidance contains less information. For the sample of all issued guidance (columns 1 and 2), $CARs$ are lower for dual-class firms, but only statistically significant when compared to all single-class firms. Specifically, the market reaction to disclosure of earnings forecast is 20 – 30 basis points lower for dual-class firms. Columns 3 and 4 repeat this analysis with the sample of guidance issues that convey positive news to investors. Similar to surprise in Table 12, both estimated coefficients are negative but insignificant. Columns 5 and 6 report the estimated coefficients for the sample of guidance issues disclosing negative news. Consistent with previous results, both columns show significant and strong negative estimated effects showing that stock price responses to dual-class firms’ earnings guidance are significantly smaller than single-class firms when the earnings forecasts contain negative news. The magnitude of the effects is 0.9 – 1.4 percentage points smaller price response to dual-class firms’ negative news forecasts. Given that the unconditional mean of the absolute value of the price response to news is 7.1%, the estimated effect in column 6 indicates a 12%

decrease in the magnitude of the market reaction to earnings forecasts of dual-class firms containing negative news.

The results in Table 12 and Table 13, along with the results in Section 3.2 support the hypothesis that dual-class firms promptly release negative news to shareholders leading to more frequent disclosures each containing smaller magnitudes of information content. In contrast, single-class firms, fearing market pressure and negative career outcomes, are likely to withhold negative information for longer. This practice leads to fewer disclosures of negative news, each carrying more information and ultimately being followed by larger stock price reactions.

6 Conclusion

This paper explores how dual-class ownership structure influences voluntary disclosure, with a particular focus on the issuance of managerial earnings forecasts. Dual-class structures, granting disproportionate control to insiders, uniquely alter the governance environment of the firm. While the literature has extensively documented the agency costs of such structures, there is still limited understanding of how these dynamics affect voluntary disclosures. Voluntary earnings guidance represents a key communication tool between management and investors, and the decision to disclose such information involves weighing complex trade-offs between transparency, litigation risk, proprietary costs, and market discipline. These considerations become particularly nuanced in dual-class firms, where the traditional incentives and constraints that guide managerial behavior are either weakened or reshaped by the control structure.

Using a large sample of U.S. dual-class firms from 1995 to 2022, this study finds that dual-class ownership is associated with a significantly higher likelihood of issuing earnings forecasts, particularly when the guidance contains negative news. This contrasts with single-class firms, whose managers often delay the release of bad news due to reputational and career

concerns. Dual-class managers, more insulated from such external pressure, are more willing to disclose negative information incrementally and proactively. Further analysis shows more nuance in the relationship between dual-class ownership and voluntary guidance. The positive effect of dual-class structure on forecast frequency is stronger among founder-controlled firms and becomes more pronounced as firms mature. Finally, aligned with the broader narrative that dual-class managers are shielded from external pressures, I find that they are less likely to time their disclosures opportunistically, such as releasing them after trading hours to dampen market reaction. Importantly, while dual-class firms issue more frequent guidance, this does not come at the expense of disclosure quality. Measures of forecast accuracy and precision reveal no significant deterioration, and in some cases, dual-class firms use more precise language, particularly when communicating negative news. This challenges the assumption that entrenchment necessarily leads to opaque or low-quality disclosures.

Overall, the evidence in this paper contributes to a more nuanced understanding of the governance effects of dual-class ownership. While prior literature has emphasized the value-destructive potential of entrenchment, these findings suggest that dual-class structures can also facilitate more transparent disclosure practices under certain conditions. By proactively releasing earnings guidance (particularly negative news), dual-class firms may reduce information asymmetry and benefit outside investors. These results also extend the literature on voluntary disclosure by showing that the ownership and control environment plays a critical role in shaping not only the decision to disclose but also the timing and quality of such disclosures. As the prevalence of dual-class structures continues to rise, particularly among high-growth and founder-led firms, understanding these disclosure dynamics is increasingly important for regulators, investors, and researchers alike.

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Table 1: Descriptive Statistics

This table reports descriptive statistics for all variables used in the analysis. Variable definitions are described in Section 2. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Column 4 reports the *p-value* of a comparison-of-means test between dual-class and matched single-class firms. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	All Single Class	Matched Single Class	Dual Class	<i>p - value</i>
	1	2	3	4
<i>Panel A: Disclosure Characteristics</i>				
Issue Guidance	0.189	0.204	0.253	(0.000)***
Positive News	0.086	0.094	0.104	(0.000)***
Negative News	0.056	0.061	0.091	(0.000)***
Guidance Accuracy	0.006	0.006	0.006	(0.069)*
Point Guidance	0.160	0.161	0.167	(0.348)
Guidance Precision	0.004	0.003	0.003	(0.014)*
Precise Language	0.944	0.947	0.955	(0.067)*
Surprise	0.489	0.431	0.370	(0.021)**
$ CAR [-1, +1]$	0.074	0.074	0.071	(0.011)**
After Hours Guidance	0.532	0.496	0.429	(0.000)***
Pre Hours Guidance	0.226	0.251	0.311	(0.000)***
Num. Issued Guidance	57,029	5,376	5,376	—
<i>Panel B: Firm Characteristics</i>				
Assets	4,212	3,924	3,968	(0.639)
Firm Age	15.104	11.827	11.925	(0.405)
BM Ratio	0.501	0.513	0.523	(0.078)*
Leverage	0.182	0.214	0.208	(0.083)*
ROA	0.017	0.027	0.027	(0.723)
Cash Flow	0.002	0.011	0.010	(0.307)
EPS Volatility	0.422	0.441	0.445	(0.614)
Tangibility	0.261	0.251	0.287	(0.007)**
Num Analyst	7.128	7.553	7.395	(0.627)
Analyst Accuracy	0.893	0.716	0.685	(0.242)
Analyst Dispersion	0.374	0.302	0.281	(0.036)**
Num. Firm-quarter	236,242	16,178	16,178	—

Table 2: Issuance of Managerial Guidance

This table reports estimates from the regressions of $Guidance_{i,t}$ on $Dual_{i,t-1}$ and other firm characteristics. $Guidance_{i,t}$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has a dual-class ownership structure in quarter $t - 1$. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependent Variable: Guidance_{i,t}</i>			
	Full Sample		Matched Sample	
	1	2	3	4
Dual $_{i,t-1}$	0.081*** (0.000)	0.076*** (0.000)	0.060*** (0.001)	0.054*** (0.003)
Ln(Total Assets) $_{i,t-1}$		0.021*** (0.000)		0.007 (0.331)
ROA $_{i,t-1}$		0.011 (0.919)		0.297 (0.229)
BM Ratio $_{i,t-1}$		-0.012* (0.053)		-0.015 (0.244)
Ln(Firm Age) $_{i,t-1}$		0.019*** (0.000)		0.040*** (0.000)
Leverage $_{i,t-1}$		-0.067*** (0.000)		-0.097* (0.005)
Free Cash Flow $_{i,t-1}$		0.512*** (0.000)		0.327 (0.110)
EPS Volatility $_{i,t-1}$		-0.032*** (0.000)		-0.040*** (0.000)
Tangibility $_{i,t-1}$		-0.120*** (0.000)		-0.109*** (0.005)
Num. Analysts $_{i,t-1}$		0.002*** (0.001)		0.004*** (0.007)
Accuracy $_{i,t-1}$		-0.453*** (0.000)		-0.667*** (0.000)
Num.Obs.	268,598	265,313	33,128	32,660
Adj. R^2	0.055	0.091	0.055	0.084
Fixed Effects	Industry	Industry	Industry	Industry

Table 3: Issuance of Managerial Guidance – Alternative Models

This table reports estimates from the regressions of $Guidance_t$ on $Dual_{t-1}$ and other firm characteristics. $Guidance_t$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . $Dual_{t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t-1$. Panel A reports OLS regressions with various industry Fixed Effects arrangements. Panel B reports Logit regressions. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. p -values are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

<i>Panel A: Alternative Fixed Effects</i>						
	<i>Dependent Variable: Guidance_{i,t}</i>					
	Full Sample			Matched Sample		
	1	2	3	4	5	6
Dual _{<i>i,t-1</i>}	0.067*** (0.000)	0.062*** (0.000)	0.070*** (0.000)	0.050*** (0.003)	0.049*** (0.005)	0.055*** (0.002)
Num.Obs.	265,313	265,313	265,313	32,660	32,660	32,660
Adj. <i>R</i> ²	0.102	0.171	0.144	0.113	0.290	0.163
Controls	Yes	Yes	Yes	Yes	Yes	Yes
FE: SIC 2	X			X		
FE: SIC 2 × Date		X			X	
FE: FF10 × Date			X			X
<i>Panel B: Logit Regressions</i>						
	<i>Dependent Variable: Guidance_{i,t}</i>					
	Full Sample		Matched Sample			
	1	2	3	4		
Dual _{<i>i,t-1</i>}	0.071*** (0.003)	0.063*** (0.006)		0.058*** (0.005)	0.051** (0.018)	
Num.Obs.	265,313	265,313		32,660	32,660	
Controls	Yes	Yes		Yes	Yes	
Adj. <i>R</i> ²	0.116	0.161		0.152	0.166	
Fixed Effects:	FF10	SIC 2		FF10	SIC 2	

Table 4: Positive and Negative Managerial Guidance

This table reports estimates from the regression of $Guidance_{i,t}$ on $Dual_{i,t-1}$ and other firm characteristics. $Guidance_{i,t}$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t - 1$. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependant Variable: Guidance_{i,t}</i>			
	Full Sample		Matched Sample	
	Positive News	Negative News	Positive News	Negative News
	1	2	3	4
Dual $_{i,t-1}$	0.049*** (0.003)	0.093*** (0.000)	0.039* (0.082)	0.072*** (0.001)
Num.Obs.	237,034	229,351	28,311	27,484
Adj. R^2	0.076	0.041	0.072	0.055
Fixed Effects:	Industry	Industry	Industry	Industry

Table 5: Earnings Forecast Difficulty and Managerial Guidance

This table reports estimates from the regressions of $Guidance_{i,t}$ on $Dual_{i,t-1}$ and other firm characteristics. $Guidance_{i,t}$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t-1$. $Low\ Tangibility_{t-1}$ is a dummy variable indicating the firm's *Tangibility* in quarter $t-1$ is below the median. Tangibility is measured as the net property, plant, and equipment (PPE) divided by total assets. $High\ Analyst\ Dispersion_{t-1}$ is a dummy variable indicating the firm's analysts Forecast Dispersion in quarter $t-1$ is above the median. Analysts Forecast Dispersion is measured as standard deviation of all analysts' forecasts for quarter $t-1$ reported prior to the guidance. $Low\ Analyst\ Accuracy_{t-1}$ is a dummy variable indicating the firm's analysts Forecast Accuracy in quarter $t-1$ is below the median. Analysts Forecast Accuracy is measured as the difference between analysts consensus and the realized EPS scaled by lagged stock price. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Dual $_{i,t-1}$	0.085*** (0.000)	0.061*** (0.000)	0.094*** (0.000)	0.070*** (0.000)	0.087*** (0.000)	0.064*** (0.000)
Dual $_{i,t-1} \times Low\ Tangibility_{i,t-1}$	-0.018** (0.033)	-0.014* (0.072)				
Low Tangibility $_{i,t-1}$	-0.017*** (0.000)	-0.003 (0.726)				
Dual $_{i,t-1} \times High\ Analyst\ Dispersion_{i,t-1}$			-0.049*** (0.000)	-0.032*** (0.000)		
High Analyst Dispersion $_{i,t-1}$			-0.097*** (0.000)	-0.130*** (0.000)		
Dual $_{i,t-1} \times Low\ Analyst\ Accuracy_{i,t-1}$					-0.031*** (0.000)	-0.022** (0.005)
Low Analyst Accuracy $_{i,t-1}$					-0.073*** (0.000)	-0.085*** (0.000)
Num.Obs.	265,210	32,650	226,349	28,811	265,313	32,660
R2 Adj.	0.091	0.084	0.104	0.107	0.098	0.094
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

Table 6: Founder Control and Managerial Guidance

This table reports estimates from the regression of $Guidance_{i,t}$ on a dual-class structure variable and other firm characteristics. $Guidance_{i,t}$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . *Founder-controlled* $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class that is controlled by the firm's founder in quarter $t-1$. *Founder-CEO* $Dual_{i,t-1}$ is a dummy variable taking value of 1 if the firm has dual-class structure and a founder CEO in quarter $t-1$. *Other* $Dual_{i,t-1}$ is a dummy variable indicating taking value of 1 for dual-class firms that are not controlled or managed by founders in quarter $t-1$. Control variables are the same as in Table 2 but are not reported for brevity. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependent Variable: Guidance_{i,t}</i>					
	Founder Control		Founder CEO		Other	
	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Founder-controlled Dual $_{i,t-1}$	0.093*** (0.000)	0.075*** (0.000)				
Founder-CEO Dual $_{i,t-1}$			0.104*** (0.000)	0.074*** (0.000)		
Other Dual $_{i,t-1}$					0.052*** (0.000)	0.033*** (0.000)
Num.Obs.	265,313	32,660	265,313	32,660	265,313	32,660
Adj. R^2	0.192	0.181	0.189	0.180	0.190	0.182
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

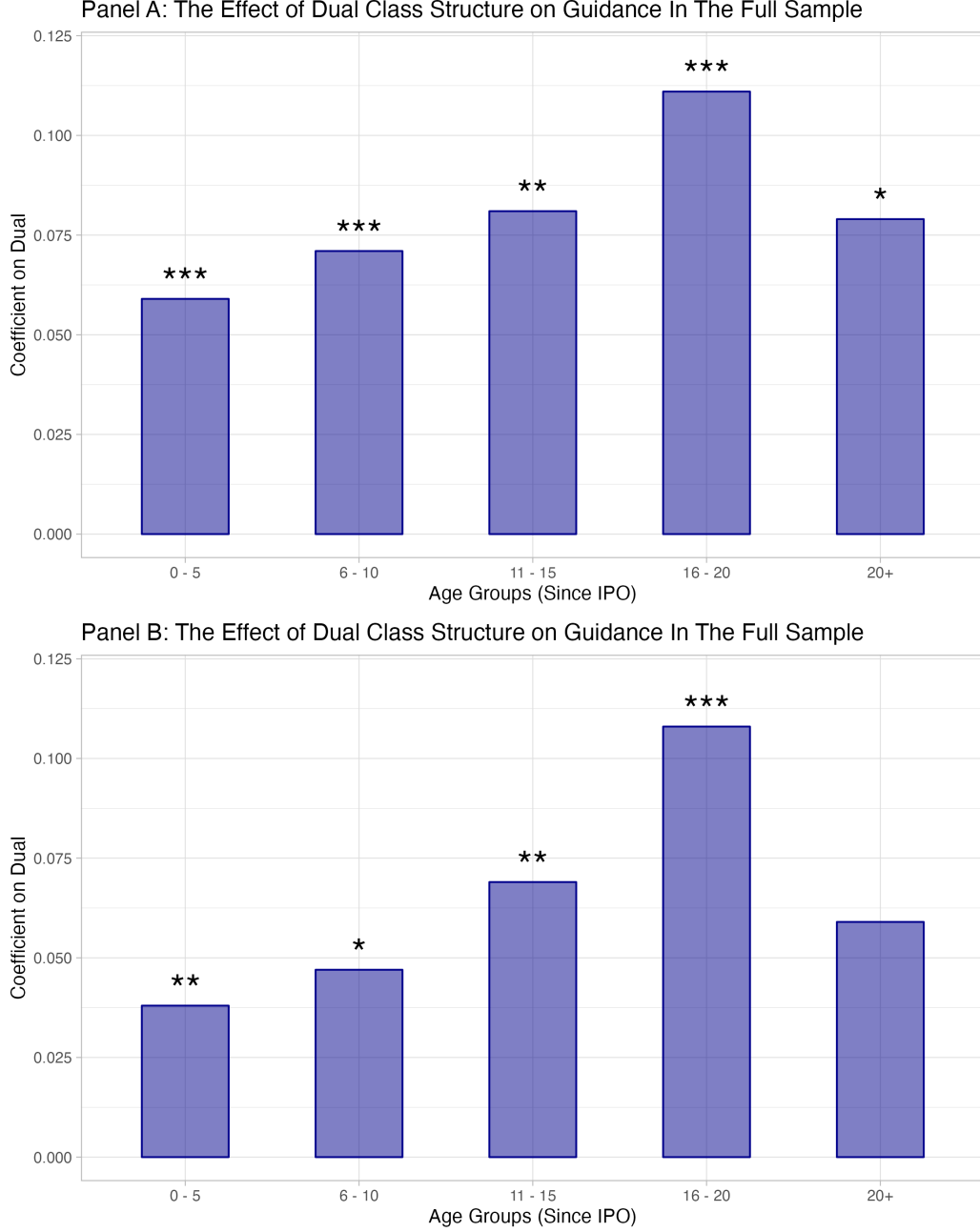


Figure 1: Issuance Of Managerial Guidance Across Life Cycle of Dual Class Firms

This Figure shows the coefficient estimates on $Dual_{i,t-1}$ from the regressions of $Guidance_{i,t}$ on $Dual_{i,t-1}$ and other firm characteristics for firms of various age groups. $Guidance_{i,t}$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t - 1$. Firm age is measured as the number of years since IPO. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 7: Guidance Issue and Unification of Dual Class Structure

This table reports the stacked difference-in-differences estimation of $Guidance_{i,t}$ on $Unification_{i,t-1}$ and other firm characteristics. $Guidance_{i,t}$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . $Unification_{i,t-1}$ is a dummy variable taking value of 1 for dual-class firms that unified their share classes in a quarter prior to $t - 1$ and zero otherwise. $Unification_{i,t-12}$ is a dummy variable taking value of 1 for dual-class firms that unified their share classes in a quarter prior to $t - 12$ and zero otherwise. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The sample includes all quarterly observations of dual-class firms that unified their shares as well as their matched dual-class firm that did not unify their shares from 8 quarters prior to 8 quarters after the unification event. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. p -values are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependent Variable: Guidance_{i,t}</i>					
	Matched Sample			Matched Sample		
	All Guidance	Positive Guidance	Negative Guidance	All Guidance	Positive Guidance	Negative Guidance
	1	2	3	4	5	6
Unification _{i,t-1}	-0.044*** (0.009)	-0.023** (0.035)	-0.064*** (0.000)			
Unification _{i,t-12}				0.011 (0.883)	-0.001 (0.977)	-0.026 (0.470)
Num. Obs.	2,970	2,970	2,970	1,889	1,889	1,889
Num. Unification	106	106	106	69	69	69
Adj. R^2	0.598	0.344	0.681	0.479	0.392	0.328
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm-Event FE	Yes	Yes	Yes	Yes	Yes	Yes
Quarter-Event FE	Yes	Yes	Yes	Yes	Yes	Yes

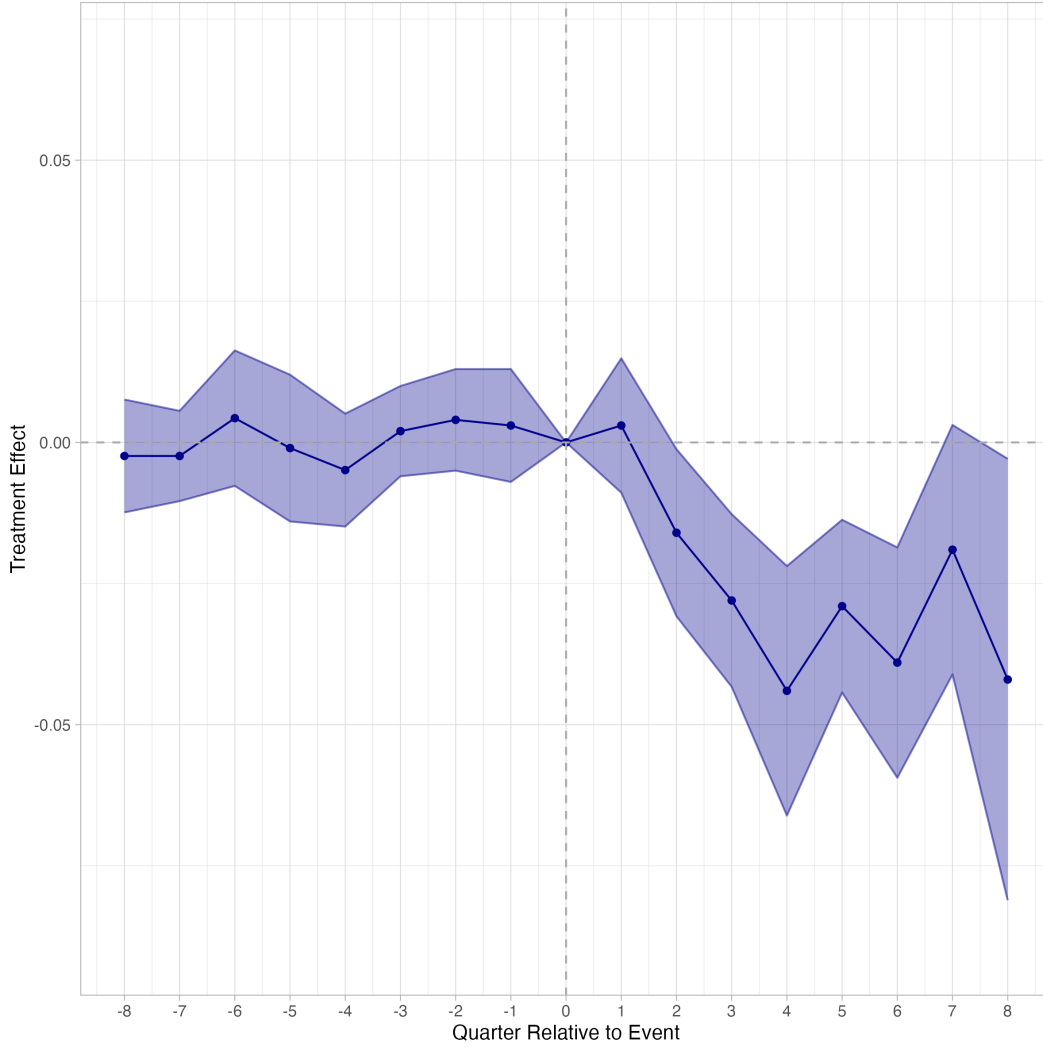


Figure 2: Dynamic Effect of Share Class Unification on Managerial Guidance

This figure shows the dynamic effect of dual class share structure unification on issuance of managerial guidance using a dynamic stacked difference-in-differences estimation of $Guidance_{i,t}$ on $Relative\ Quarter_{i,t-j}$ and other firm characteristics. $Guidance_{i,t}$ is a dummy variable taking value of 1 if the firm issues an earnings guidance in quarter t . $Relative\ Quarter_{i,t-j}$ is a dummy variable for dual-class firms that unified their share classes in quarter t taking value of 1 only on quarter $t - j$ where $j \in [-8 : +8]$ and zero otherwise. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The sample includes all quarterly observations of dual-class firms that unified their shares as well as their matched dual-class firm that did not unify their shares from 8 quarters prior to 8 quarters after the unification event. p -values are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

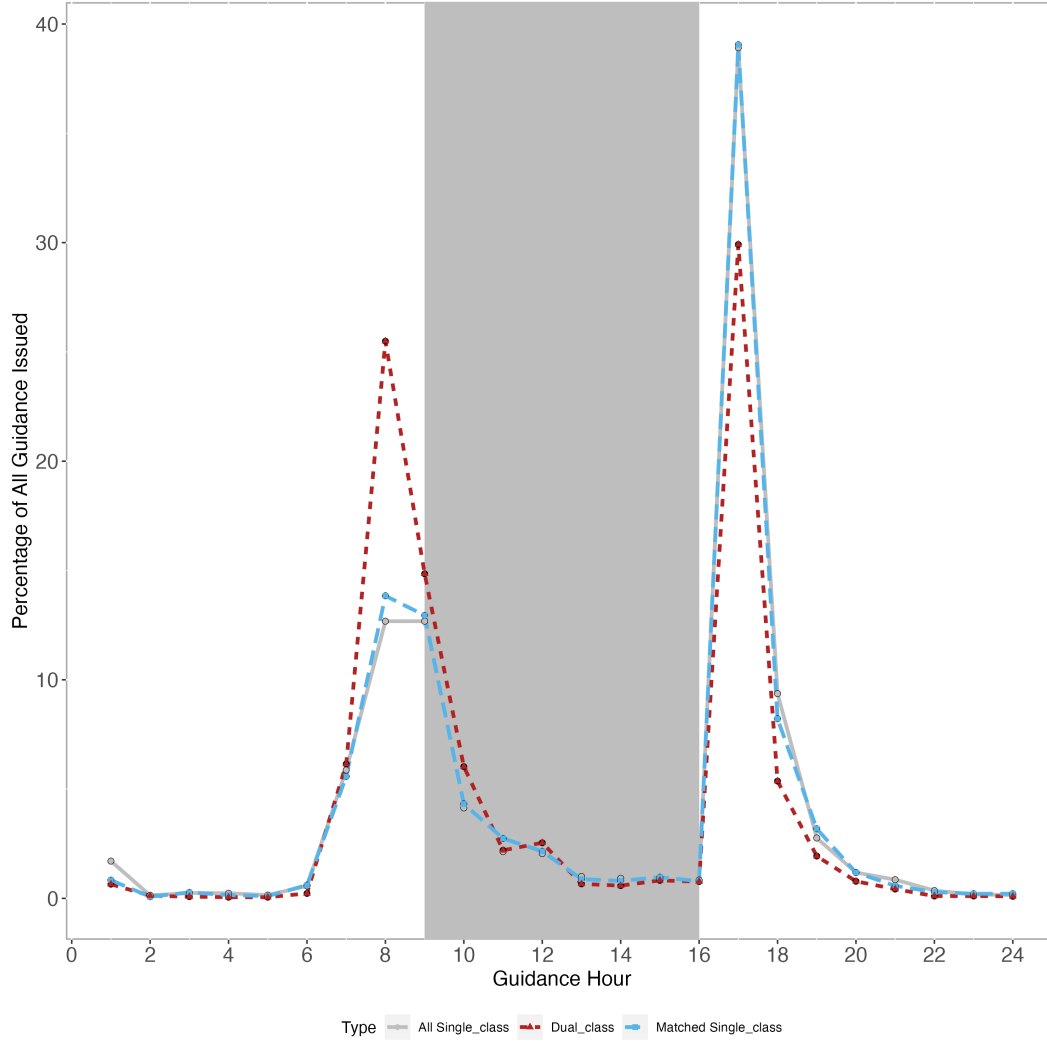


Figure 3: Share of Issued Guidance By Hour of Day

This figure shows the share of issued managerial guidance by each hour of the day for dual-class and single-class firms. Hours are reported in the x-axis in 24H format. The gray shaded area represents the trading hours. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter.

Table 8: Issuance of After-Hour and Pre-Hour Guidance

This table reports estimates from the regressions of $After-Hour_{i,t}$ (Panel A) and $Pre-Hour_{i,t}$ (Panel B) on $Dual_{i,t-1}$ and other firm characteristics. $After-Hour_{i,t}$ is a dummy variable taking value of 1 if the firm's guidance is issued after the trading hours (i.e., between 4 pm and 12 am) in quarter t . $Pre-Hour_{i,t}$ is a dummy variable taking value of 1 if the firm's guidance is issued prior to the trading hours (i.e., between 4 am and 9 am) in quarter t . $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t - 1$. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. p -values are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

<i>Panel A: Dependent Variable: After-Hour_{i,t}</i>						
	All Guidance		Positive Guidance		Negative Guidance	
	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Dual _{i,t-1}	-0.047** (0.012)	-0.061** (0.013)	-0.048** (0.028)	-0.051** (0.034)	-0.086*** (0.006)	-0.081*** (0.008)
Num.Obs.	67,480	11,452	31,482	5,352	18,957	3,638
Adj. R ²	0.119	0.166	0.142	0.196	0.147	0.213
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry
<i>Panel B: Dependent Variable: Pre-Hour_{i,t}</i>						
Dual _{i,t-1}	0.096*** (0.006)	0.084** (0.012)	0.066** (0.032)	0.062** (0.041)	0.102*** (0.000)	0.094*** (0.002)
Num.Obs.	67,480	11,452	31,482	5,352	18,957	3,638
Adj. R ²	0.039	0.045	0.052	0.065	0.066	0.065
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

Table 9: Guidance Accuracy

This table reports estimates from the regressions of $Guidance\ Error_{i,t}$ on $Dual_{i,t-1}$ and other firm characteristics. $Guidance\ Error_{i,t}$ is 100 times the absolute difference between the management earnings forecast and the *ex-post* realized earnings, scaled by stock price at quarter $t-1$. $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t-1$. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependent Variable: Guidance Error_{i,t}</i>					
	All Guidance		Positive Guidance		Negative Guidance	
	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Dual $_{i,t-1}$	-0.022 (0.428)	0.001 (0.459)	0.004 (0.739)	-0.001 (0.291)	-0.042 (0.452)	0.012 (0.828)
Num.Obs.	67,480	11,452	31,482	5,352	18,957	3,638
Adj. R^2	0.265	0.246	0.341	0.310	0.275	0.225
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

Table 10: Guidance Precision – Point Estimates And Language

This table reports estimates from the regressions of $Point_{i,t}$ (Panel A) and $Precise\ Language_{i,t}$ (Panel B) on $Dual_{i,t-1}$ and other firm characteristics. $Point_{i,t}$ is a dummy variable indicating whether the management’s earnings forecast is a point estimate and 0 if it is a range estimate. $Precise\ Language_{i,t}$ is a dummy variable indicating whether the management’s earnings forecast uses a precise language and 0 otherwise. Precise Language is defined as the use of words “between”, “about”, “slightly more”, and “slightly less”. $Dual_{t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t - 1$. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

<i>Panel A: The Type of Guidance Issued</i>						
	<i>Dependent Variable: $Point_{i,t}$</i>					
	All Guidance		Negative Guidance		Positive Guidance	
	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Dual $_{i,t-1}$	-0.014 (0.375)	-0.002 (0.913)	-0.013 (0.545)	-0.004 (0.844)	-0.006 (0.711)	-0.005 (0.812)
Num.Obs.	67,480	11,452	31,482	5,352	18,957	3,638
Adj. R^2	0.009	0.023	0.012	0.022	0.011	0.037
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry
<i>Panel B: Precise Language of Guidance</i>						
	<i>Dependent Variable: $Precise\ Language_{i,t}$</i>					
Dual $_{i,t-1}$	0.010** (0.042)	0.009* (0.088)	0.006 (0.272)	0.003 (0.586)	0.022*** (0.002)	0.014** (0.023)
Num.Obs.	67,190	11,396	31,416	5,340	18,920	3,631
Adj. R^2	0.022	0.024	0.009	0.015	0.004	0.012
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

Table 11: Guidance Precision – Range

This table reports estimates from the regressions of $Guidance\ Precision_{i,t}$ on $Dual_{i,t-1}$ and other firm characteristics. For a sample of “range” management forecasts, $Precision_{i,t}$ is 100 times the difference between the top and bottom estimates, scaled by stock price at quarter $t - 1$. $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t - 1$. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependent Variable: Guidance Precision_{i,t}</i>					
	All Guidance		Positive Guidance		Negative Guidance	
	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Dual $_{i,t-1}$	−0.072* (0.081)	−0.033 (0.493)	−0.058 (0.198)	−0.013 (0.804)	−0.082* (0.066)	−0.058 (0.144)
Num.Obs.	53,211	9,172	26,610	4,525	16,655	3,210
Adj. R^2	0.410	0.361	0.448	0.363	0.419	0.336
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

Table 12: Magnitude of Guidance Surprise

This table reports estimates from the regressions of $|Surprise|_{i,t}$ on $Dual_{i,t-1}$ and other firm characteristics. $|Surprise|_{i,t}$ is 100 times the absolute difference between the management forecast and the analyst consensus, scaled by stock price at quarter $t - 1$. $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t - 1$. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependent Variable: $Surprise _{i,t}$</i>					
	All Guidance		Positive Guidance		Negative Guidance	
	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Dual $_{i,t-1}$	-0.051** (0.029)	-0.032* (0.068)	-0.038* (0.057)	-0.022 (0.152)	-0.108*** (0.002)	-0.073*** (0.007)
Num.Obs.	66,458	11,272	31,036	5,260	18,768	3,607
Adj. R^2	0.308	0.286	0.284	0.276	0.376	0.285
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

Table 13: Guidance CARs

This table reports estimates from the regressions of $|CAR|_{[-1,+1]}$ on $Dual_{i,t-1}$ and other firm characteristics. $|CAR|_{[-1,+1]}$ is the absolute cumulative abnormal returns (in percentage point) from a day prior to the guidance issue day to a day after. Expected returns are based on a Fama-French four-factor model that is estimated using daily returns over 250 days prior to quarter t . $Dual_{i,t-1}$ is a dummy variable indicating whether the firm has dual-class ownership structure in quarter $t-1$. Positive News includes all guidance in which the management forecast exceeds the analysts consensus at the time of guidance. Negative News includes all guidance in which the management forecast is below analysts consensus at the time of guidance. The *Full Sample* includes all single-class firms between 1995 and 2022. The *Matched Sample* includes single-class firms that are matched to dual-class firms. Each dual-class firm is matched to a single-class firm with the closest asset size, age, and analyst coverage in the same industry and quarter. Control variables are the same as in Table 2 but are not reported for brevity. Each unit of observation is at firm-quarter level and all independent variables are lagged by one quarter. *p-values* are based on two-way clustered standard errors at firm and year-quarter levels and are reported in parenthesis. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

	<i>Dependent Variable: $CAR _{[-1,+1]}$</i>					
	All Guidance		Positive Guidance		Negative Guidance	
	Full Sample	Matched Sample	Full Sample	Matched Sample	Full Sample	Matched Sample
	1	2	3	4	5	6
Dual $_{i,t-1}$	-0.003* (0.072)	-0.002 (0.204)	-0.002 (0.396)	-0.001 (0.470)	-0.014** (0.033)	-0.008** (0.029)
Num.Obs.	57,245	13,839	27,868	6,945	16,542	4282
Adj. R^2	0.149	0.186	0.184	0.176	0.175	0.185
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects:	Industry	Industry	Industry	Industry	Industry	Industry

Appendix A: Variable Definitions

Variable Name	Variable Definition
Issue Guidance	An indicator variable taking value of 1 if the firm issues an earnings guidance in the quarter and 0 otherwise.
Positive News	An indicator variable taking value of 1 if the earnings guidance exceeds the analysts' consensus at the time of guidance issue.
Negative News	An indicator variable taking value of 1 if the earnings guidance is lower than the analysts' consensus at the time of guidance issue.
Guidance Accuracy	100 times the absolute value of the difference between the earnings guidance and the realized earnings, scaled by stock price in the previous quarter.
Point Guidance	An indicator variable taking value of 1 if the earnings guidance is a single point estimate and 0 if the guidance is a range or qualitative estimate.
Guidance Precision	100 times the difference between the two ends of the range offered in the earnings guidance, scaled by stock price in the previous quarter.
Precise Language	An indicator variable taking value of 1 if the earnings guidance includes words that are precise and 0 otherwise. IBES codes the language used into 17 bins. I consider codes 1, 2, 3, 12, and 13 as precise.
Surprise	100 times the absolute value of the difference between the earnings guidance and the analysts' consensus at the time of guidance, scaled by stock price in the previous quarter.
$ CAR [-1, +1]$	The realized returns in excess of the expected returns during the 3-day window around the disclosure. The expected returns are calculated using the 4-factor model that is estimated using daily returns of 250 trading days ending to prior the guidance quarter.
After-Hours Guidance	An indicator variable taking value of 1 if the earnings guidance is issued between 4 pm and midnight.
Pre-Hours Guidance	An indicator variable taking value of 1 if the earnings guidance is issued between 4 am and 9 am.
Assets	Total assets in \$million.
Firm Age	Number of years since the firm's IPO.
BM Ratio	Book value of shareholders Equity scaled by market capitalization.
Leverage	Long-term debt scaled by total assets.
ROA	Operating income before depreciation scaled by total assets.
Cash Flow	Operating income before depreciation minus income taxes minus total interest expense minus dividends scaled by total assets.
EPS Volatility	Standard deviation of quarterly EPS during the previous 12 quarters.
Tangibility	Plants, property, and equipments (PPE) scaled by total assets.
Num Analyst	Number of analysts following the firm.
Analyst Accuracy	100 times the average of the absolute value of the difference between the analyst forecast and the realized earnings for all analysts following the firm, scaled by stock price in the previous quarter.
Analyst Dispersion	Standard deviation of analysts' forecasts across all analysts following the firm.