

What's in a Name? Eponymous Private Firms and Financial Reporting Quality

Alessandro Minichilli

Bocconi University, Milan (Italy)

Annalisa Prencipe

Bocconi University, Milan (Italy)

Suresh Radhakrishnan

University of Texas at Dallas, Richardson-TX (USA)

Gianfranco Siciliano

CEIBS, Shanghai (P.R.C.)

Current Draft: May 2019

ABSTRACT

We examine the association between eponymy (i.e., naming a firm after the founder) and financial reporting quality (FRQ). We posit that, due to higher reputational concerns, eponymy firms care more about FRQ. Using a proprietary dataset of 2,271 large Italian private firms, we document that eponymy is positively associated with different FRQ proxies, such as a number of accrual quality indicators and tax restatements. Consistent with a reputation argument, we find also that the relation between FRQ and eponymy is more pronounced for eponymous firms that have rarer names and for those firms that have higher visibility in the media. We also find that the eponymy-FRQ relation is stronger for firms that operate only locally vs. companies that operate internationally. Finally, in additional analyses, we document that eponymous firms are associated with a lower cost of debt, both directly and indirectly (i.e. through their higher FRQ). Collectively, these findings suggest that reputation concerns act as a disciplining mechanism for FRQ in private firms.