Voluntary Disclosure and Capital Market Insights from Italian Industrial Listed Companies

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Abstract

This research highlights principles and content of an effective voluntary disclosure, deriving them from analysts' dissatisfactions and major guidelines on forward-looking plan. Using the Likert scale, the research evaluates the quality of all types of voluntary information published by Italian industrial listed companies, investigating richness and depth on topics such as strategic intentions, business model, action plan, key value drivers, and expected results, both at the corporate and at the strategic business unit levels. The objective is to trace a relation between the quality of voluntary disclosure and the consensus gathered on financial market, in terms of new capital collected by equity or financial debt, and a lower cost of debt. Findings indicate that very few companies adopt forward-looking plans as a tool for voluntary disclosure, and often their quality is inacceptable. However, financial market does not always penalise the uncertainty and even the lack of voluntary disclosure.

Keywords: voluntary disclosure, forward-looking plan, capital market, Italian Stock Exchange, investors, analysts

1. Introduction

Many companies provide more voluntary information than what is mandated by laws and regulations. They operate a free choice to provide accounting and other data, whether financial or nonfinancial, quantitative or qualitative, deemed relevant to stakeholders, in particular investors, and often recommended by an authoritative code or body (Meek et al., 1995: 555; Shehate, 2014: 18). There are in fact pressing investors' needs for improving quality and quantity of corporate disclosure. Historical financial results are valuable indicators about companies' performances, but these are not able to satisfy the entire information investors need. They would explore how companies conduct their business: their strategic intentions and commercial objectives, competitive advantages, ownership and governance structures, key executives, their remuneration and independence, internal controls, future profitability, and risks. Especially for listed companies, conveying this information to the capital market is an important device to gain consensus and confidence.

Although all publicly traded companies must meet minimum disclosure requirement set by laws and the national stock exchange, they vary substantially in communication channels employed (institutional versus private, formal versus informal agenda), and in the amount of additional information and details provided to the capital market (Holland, 1998a: 260; Lang and Lundholm, 1996: 468). Specifically, information can be communicated to investors whether directly, via financial reports and press releases, or indirectly, via intermediaries such as financial analysts and banks. Furthermore, information can be disclosed across a wide variety of communication sources including annual and interim reports, chairman's letters to shareholders, management forecasts, industrial and business plans, public presentations, conference calls, magazines and newspapers, company's website, investor days, or other private direct contacts and meetings with investors (Barron et al., 1999; Bushee et. al., 2011; Clarkson et al., 1999; Clarkson et al., 1994; Corvi, 2006; Holland and Doran, 1998; Kirk and Markov, 2014; Frankel et al., 1999; Shehata, 2014; Tasker, 1998). Their importance is growing in respect to the more closely regulated and standardized financial report.

The latter has become «too complex, too large, and too cumbersome for many users» (Holland, 1998a: 262; Cook and Sutton, 1995), and it does not clarify all the factors determining the value of a company such as customer relations, supplier chain, intellectual capital and regulatory context (Esendemirli, 2014: 415). Moreover, the financial reports do not provide a forward-looking orientation, which is considered a critical component for understanding the long-term sustainability of a company (Hirst et. al., 1999; Pownall et al., 1993; PricewaterhouseCoopers, 2007). These new channels and documents might put potential investors in a position to assess not only the quantitative results, but also qualitative information on business prospectus and specific risks. Therefore, it has been argued that voluntary disclosure reduces information asymmetry and agency conflicts between managers and investors (Boesso and Kumar, 2007; Healy and Palepu, 2001; Myers and Majluf, 1984; Shin, 2013; Welker, 1995), enabling the latter to make a rational decision regarding their investment on a continuing basis. In addition, the existing theoretical and empirical studies recognize the voluntary disclosure as a device to the development of an efficient capital market. It improves the deployment of scarce resources, making able the market to react to current information by increasing or discounting the cost of capital (Borgia, 2007; Botosan, 2006, 1997; Bushee and Noe, 2000; Choi, 1973; Diamond and Verrecchia, 1991; Dyer and Sridhar, 2002; Ellis and Williams, 1993; Frankel et al., 1995; Holland, 1998a; Healy and Palepu, 1993; Kim and Verrecchia, 1991; Lev and Penman, 1990; Sengupta, 1998). Contrarily, some authors say that voluntary disclosure remains a matter of biased information selected by managers to facilitate their operations on the market, and increase their reputation and compensation (Bertomeu and Magee, 2011; Bhattacharya et al., 2003; Core, 2001; Einhorn and Ziv, 2012; Rogers and Stokers, 2005; Shivakumar, 2000; Verrecchia, 1986).

Obviously, there is no magic disclosure formula that make some companies more prosperous while others fading away. It has been argued that «the need of information multiplies itself when it is started» and that this unleashes a perverse mechanism: the more the markets know, the more it demands to know, the more there seems to be disclose (Borgia, 2007: 49-50). However, we believe that too much disclosure produces a white noise effect, making it difficult to know what is significant or even to sort through all the data. Therefore, the aim of this paper is to clarify the information required by investors and analysts, proposing the content of an effective voluntary disclosure based on the literature and major guidelines. After a literature review (section 2), and a definition of a content checklist (section 3), the paper examines the quality of voluntary disclosure published by industrial companies listed on the Italian Stock Exchange during the years from 2009 to 2012 (section 4). The section 5 analyses the correlation between the quality of voluntary disclosure and the amount of new capital collected by equity or debt, and the cost of debt. The section 6 offers conclusive remarks prospecting future research.

2. Literature Review

Assessing a company's strategic direction and its potential performance requires not just an appreciation of the past and current results, but the need to forecast the future (Bozzolan et al., 2008; Beretta and Bozzolan, 2008). This is difficult given the uncertainties and dynamics of the business environment. Recognizing this fact, investors and financial intermediaries often pay more attention to the voluntary disclosure, and perceive irrelevant the balance sheet, because of its reliance on historical costs and arbitrary write-offs of intangible assets.

The influence of voluntary disclosure is documented by various academics since the 80's. Day (1986) recognizes private corporate contacts as important sources of information for analysts and fund managers, with the annual report acting as a reference. Bence et al. (1995) identify the four highest rated sources of information for a sample of 12 UK institutional investors as company visits, personal interviews, company annual reports and company presentations. Holland and Doran (1998) confirm this trend and reveal that private contacts focus on management quality, succession, coherence of strategy, and other qualitative data. Although many studies have examined how the market responds to these new different means of voluntary disclosure (Baginski et al., 2011, 1993; Baginski and Hassell, 1990; Pownall et al., 1993; Kim and Verrecchia, 1991), they have not jointly considered their characteristics, in term of richness, depth, and consistency of their content and structure.

A survey of 140 star analysts made by Epstein and Palepu (1999, 50-51) delineates that analysts receive very little information for a proper valuation of the company, and that there is a substantial difference in corporate disclosure practices related to whether a company is doing well or not. Moreover, 87% of the star analysts believe that the board of directors does not represent the stakeholders' interests, but only those of the corporate management.

Asking what additional information they find useful in making investment decisions, more than 85% of the analysts say they would like more data on prospective corporate strategy, significant business units (SBUs) and their competitive strategy and profitability, primary drivers of revenues and expenses, business risks and uncertainties, financial liquidity and flexibility. In 2012, reviewing a sample of 200 FTSE companies' reports, PricewaterhouseCoopers (PwC) shows the progress in disclosing all these information. Moreover, it reveals insights on what is essential, but lacking, to effectively secure capital and credit, and build trust in business. Interestingly, PwC (2012: 2-20) makes known that companies are trying to clearly explain their strategic aims and priorities, but all too often these themes are not developed throughout the document, appearing as hollow statements of intents. In particular, 95% of the sample includes strategic priorities in their reporting, and 93% explicitly identifies KPIs, but only 27% details actions taken to deliver strategic priorities, 25% aligns KPIs and remuneration policy, and only 7% provides targets and timeframes for all the reported priorities. The best reporters present their business model identifying key processes, relationships and resources it relies upon, but only 44% of the sample explains some differences among segmental business models. Moreover, only 8% clearly aligns KPIs and strategy at segments levels and only 7% comprehensively communicates SBUs' financial performances. For each segment, PwC suggests consider including additional information such as working capital, operating cash flow and capital employed. Generally, companies have to explain better how they make money, generate cash, and are funded: insights into the cash and debt position are often hard to find, and future funding strategies are often lacking in detail. The same is for the risks profile: 95% of the sample explains the nature of risks, but only 24% describes how risks have changed over time, 21% provides insights into the impact and probability of risks materialising, and 18% reports on risks specific to each SBU. Finally, PwC reveals that only 86% of the sample provides some discussion on future market trends, and 21% clearly links market discussion to strategic choices.

Generally, this information is widely described in forward-looking plans and earnings forecasts, such as the industrial plan and the business plan. Contrary to the idea that they are reserved for start-up companies or in the extraordinary transactions, these tools can be used for systematic strategic planning activities, providing organized information about the existing and expected profitability (Mazzola et al., 2006). In order to encourage the disclosure of comprehensive strategic plans, the Italian Stock Exchange (ISE) released an Industrial Plan Guide, providing listed companies with a common framework for their communication. Often, companies prepare a visual presentation consisting of 20-200 slides. Conveying value-relevant information, Italian regulators subject this disclosure to the same rules as price-sensitive information, requiring uploading presentations in a designated section of the ISE's website and on each respective company's website (Borsa Italiana, 2013b). In this way, disclosure content and timing remain companies-initiated, but we have the opportunity to control better the richness and depth of topics, and then analyse the correlation between the quality of voluntary disclosure and the amount of new share capital, new financial debts, and ROD. Therefore, the remaining part of this paper focuses on Italy, but the argument is taking importance around the world due to calls for more long-range strategy disclosure[1].

The research hypothesis is that the higher is the quality of voluntary disclosure of Italian industrial listed companies:

H1: the higher is the volume of capital they collect by equity or financial debt and
H2: the lower is their ROD.

The existing theoretical research suggests that a major potential benefit from voluntary disclosure is a decline of the cost of capital (Barry and Brown, 1985; Choi, 1973; Diamond and Verrecchia, 1991; Verrecchia, 1983). The rationale beyond this is the fact that «a company's cost of capital is believed to include a premium for investors' uncertainty about the adequacy and accuracy of the information available about the company» (FASB, 2001: 16). Therefore, the higher the information disclosures, the lower the cost of capital. Even empirical research documents a negative association between disclosure index and cost of capital. Many studies use the Association for Investment and Management Research (AIMR) scores as a disclosure index. For example, Sengupta (1998) has found a negative association between the AIMR measure and the cost of debt calculated by yield to maturity and total interest cost of new debt issues.

[1] Baginski et al. (2014: 29) argue that the strategy plan disclosure might be seen as a substitute of quarterly earnings forecasting.

Using AIMR scores, Healy et al. (1999) have found that there is an association among companies' disclosure improvements, investor and analyst following, and stock liquidity. Botosan (1997) also has found a negative association between her disclosure index and the cost of equity capital for companies with low analyst following.

The difference between this paper and the cited literature is that the quality of voluntary disclosure is examined by the content analysis of various documents published by Italian industrial listed companies. The next section proposes the content of a voluntary disclosure, and the section 4 suggests a self-constructed disclosure index.

3. Principles and Content of a Voluntary Disclosure

Capturing the above mentioned dissatisfaction of analysts regarding the adequacy of corporate voluntary communication, this section suggests some improvement deriving principles and content from major guidelines on business plan proposed in Italy by the Italian Stock Exchange (Borsa Italiana, 2013a; 2003), the Italian National Board of Accountants and Accounting Experts (CNDCEC, 2011), and the IBAN-A.I.F.I.-PricewaterhouseCoopers (2002). They have argued that an effective corporate disclosure lays in simplified and shortened reporting that makes know and clarifies quantitative and qualitative information in a few pages. In order to minimize the loss of credibility risk, the same guidelines set out principles that an additional communication should respect. We summarize these characteristics as follows:

- Completeness: it requires the inclusion of all relevant information in order to evaluate strategies, actions and expected results;
- Reliability: it oblige to identify the source of data collection, specify the assumptions underlying the forecasts, and elaborate reasonable and achievable results, according to a proper business model;
- Prudence: it involves the use of realistic assumptions and the most likely scenarios related to the dynamics of the competitive arena, the customers' behaviour, the relationships with suppliers, and in general the technological, social and regulatory context;
- Clarity: it implies the constancy of assumptions and terminology throughout the plan;
- Neutrality: the plan must not pursue any purpose other than those stated;
- Financial sustainability: it requires the absence of financial imbalances, and the construction of the cash flow statement and the balance sheet, to monitor assets owned and liabilities owed, quantity and quality of funding sources, and associated risks.

We believe that the structure of the document should be free. However, companies first have to insert the macro and micro economic analysis: in this period of crises, the strategic viability depends on the dynamics of the context in which they work. Therefore, an effective disclosure takes into account the salient features of the socio-political, technological and cultural environment, together with the characteristics of the specific sector, its wideness, competitive forces, and emerging threats and opportunities. An effective disclosure also takes into account the present strengths and weaknesses of the company, its actual market share and core competencies, in order to highlight the current positioning and its potential evolution.

Consequently, the voluntary disclosure should focus on the following information:

- Realized strategy: past objectives and results, in term of absolute and relative profitability (compared to other companies in the same sector), at the corporate and the SBUs levels.
- Strategic intentions: choice about the role the company will play in the market, defining target customers, product/service portfolio, pricing strategies, distribution channels, key processes and value drivers, and other factors underlying the future competitive advantage.
- Action plan: list of activities allowing the achievement of the strategic intentions, together with a thorough analysis on their conditions and constraints, and their organizational, economic and financial impacts.
- Assumptions and expected financial results: clarification of hypothesis, definition of targets related to costs, revenues, taxation, interest rates, exchange rates, inflation, etc., and criteria used to quantify the risks and the economic and financial results. It is useful to make a sensitivity analysis, constructing different scenarios (among the most optimistic and the most pessimistic), and identifying those variables that most influence the results.

Such an articulation, summarized in the Table 1, should enable the reader to identify the company's value proposition. If a company is in multiple businesses, the disclosure should be organized so the discussion focuses on each SBU.

Table 1: the Survey form for Content Analysis

Realized strategy
1.1. Corporate competitive strategy
1.2. Competitive strategy of each Strategic Business Units
1.3. Story and KPIs of each Strategic Business Units
Strategic intentions
2.1. Need and opportunity of a strategic renewal
2.2. Strategic intentions at the corporate level
2.3. Strategic intentions of each Strategic Business Units
Action Plan
3.1. Main actions, timing, and responsible managers
3.2. Economic and financial impact of actions
3.3. Investments and funding source
3.4. Organizational impact of actions
3.5. Conditions and constraints to actions implementation
Assumptions and expected financial results
4.1. Business model
4.2. Assumptions underlying the economic and financial forecasts
4.3. Comparison between forecast data and historical data
4.4. Primary drivers of revenues and expenses and their dynamics
4.5. Key Performance Indicators
4.6. Sensitivity analysis
4.7. Other critical aspects to highlight, such as risks

An effective way to link management actions with their remuneration and financial results is to use leading metrics that captures future consequences of a business decision. Therefore, our final recommendation is to specify KPIs, and discuss their relation with future earnings.

4. Methodology

This section evaluates the quality of public voluntary disclosure presented by all the 58 industrial companies listed on the Italian Stock Exchange. We have collected their voluntary communications related to the years from 2009 to 2012. We have considered annual and interim reports, chairman's letters to shareholders, management forecasts, and industrial or business plans published in their website or in the ISE's website. Our objective is to evaluate the presence of all the characteristics and minimal content analysed in section 3. The method chosen to evaluate the quality of public voluntary disclosure is content analysis. It is a method widely adopted in corporate disclosure studies because it allows repeatability and valid inferences from data according to their context (Krippendorf, 2004). Neuendorf (2002:10) defines content analysis as a summarizing and quantitative analysis of messages that relies on the scientific method, and that is not limited as to the types of variables that may be measured or the context in which the messages are created or presented. In other words, content analysis is a scholarly methodology in the social sciences and humanities in which texts are studied as to authorship, authenticity, or meaning. It is conceived as a technique for making inferences, in order to objectively and systematically identifies specified characteristics of messages (Holsti, 1969).

Four researchers have conducted the analysis (two post-graduate students and two assistant professors). They have evaluated content richness and depth by using a Likert scale. Based on characteristics above mentioned, a list of detection and classification rules was defined and discussed within the research team. Some tests of the coding procedure were conducted to highlight ambiguous or unclear interpretation of coding rules. Each member of the team independently examined three 2012 disclosure documents. The results were compared and differences of interpretation discussed. This resulted in a final set of 18 detection and classification rules (Table 1). Lastly, the revised procedure was tested on another 2012 disclosure document – this time by the whole team – to align the conduct of all the members. The next step was to distribute documents for content analysis among team members (coordinator except), dividing the workload in a way as to ensure that each member had a chance to analyse disclosure documents of every listed company.

The coordinator afterwards has compared the results obtained by the other three members, checking that there were no differences of interpretation concerning the research questions. In order to evaluate the presence and richness of the content in all the documents analyzed, we have attributed the dummies from 0 to 4, according to a Likert scale articulated in five levels (inacceptable=0; very poor=1; satisfactory=2; very good=3; excellent=4). After that, for every company we have determined the total scoring of quality in voluntary disclosure as the sum of the dummies. In such a way, every company could obtain a total maximum score of 72.

Surprisingly, 43 Italian industrial listed companies have obtained a score of 0. Only 1 company has awarded the highest score of 30, followed by 1 company with 29 points and 2 companies with 28 points. The mean was 3, 69. As we can see in Table 2, no company has provided sensitivity analysis, and only 1 company has provided conditions and constrains to actions implementation (in a very poorly way). Companies have focused their voluntary disclosure on realized strategy and strategic intentions, in particular at the corporate level. Very few companies have communicated future investments and funding sources, and even fewer companies have conveyed information on drivers and dynamics of future revenues and expenses, as well as on KPIs and organizational impacts of the action plan. Generally, their voluntary disclosure was surrounded by uncertainties regarding environmental changes, competitors' moves and market reactions. Moreover, companies have not provided clear assumptions of the forecast model and a clear map of cause-and-effect links by which specific actions lead to specific results. Therefore, the reader could not assess how effectively the value proposition will be implemented.

Table 2: Results of the Content Analysis

Content	Companies	Score
1.1.	15	32
1.2.	10	17
1.3.	10	20
2.1.	10	15
2.2.	10	22
2.3.	8	13
3.1.	9	11
3.2.	10	11
3.3.	8	8
3.4.	4	5
3.5.	1	1
4.1.	9	15
4.2.	5	7
4.3.	6	12
4.4.	6	12
4.5.	5	8
4.6.	0	0
4.7.	3	5

Collectively, the findings indicate that a small number of companies has adopted the industrial or business plan as a tool for voluntary disclosure. Other documents – such as annual and interim reports and chairman's letters to shareholders – have revealed a minimum part of the survey content. Where information was present, its richness and depth were poor: no company has offered excellent disclosure (dummy 4) in any item of the survey form, and only 5 companies have achieved a very good quality (dummy 3) in at least one item.

5. Relations between the Quality of Voluntary Disclosure and the Capital Market

It has been argued that high levels of transparency are associated with higher volume of capital collected by equity or financial debts, and lower cost of debts. In order to investigate relations among these variables, we have collected data from the 2009-2012 financial reports on the variation between:

- The net capital and share premium reserve;
- All the financial debts, that is: loans, bonds and convertible bonds;
- The total interests expenses;
- The ROD.

Three regressions were performed. The quality of voluntary disclosure above measured was always the independent variable. In the first regression, the share capital variation during the years from 2009 to 2012 was the dependent variable. In the second regression, the financial debts variation during the same period was the dependent variable. In the last regression, the variation of the ROD was the dependent variable. Tables 3, 4 and 5 present the results.

Table 3: Regression between the Quality of Voluntary Disclosure and the Share Capital Variation

Residual:

Min	1Q	Median	3Q	Max
-11.793	-10.854	-10.122	-3.671	266.322

Coefficients:

	Estimate	Std. Error	T value	Pr (> I t I)
Intercept	18.9405	15.5821	1.216	0.23
PI	-0.4526	0.6671	-0.679	0.50

Residual standard error: 40.84 on 51 degrees of freedom
Multiple R-squared: 0.008947
Adjusted R-squared: -0.01048
F-statistic: 0.4604 on 1 and 51 DF, p-value: 0.5005

Table 4: Regression between the Quality of Voluntary Disclosure and the Financial Debt Variation

Residual:

Min	1Q	Median	3Q	Max
-484.9	-484.4	-484.0	-423.5	21967.9

Coefficients:

	Estimate	Std. Error	T value	Pr (> I t I)
Intercept	882.86	11003.44	0.800	0.427
PI	-22.14	47.59	-0.465	0.644

Residual standard error: 2969 on 56 degrees of freedom
Multiple R-squared: 0.003849
Adjusted R-squared: -0.01394
F-statistic: 0.2164 on 1 and 56 DF, p-value: 0.6436

Table 5: Regression between the Quality of Voluntary Disclosure and the ROD Variation

Residual:

Min	1Q	Median	3Q	Max
-1.01200	-0.39267	-0.09488	-0.29418	2.51339

Coefficients:

	Estimate	Std. Error	T value	Pr (> I t I)
Intercept	-0.052443	0.275000	-0.191	0.850
PI	0.004041	0.011727	0.345	0.732

Residual standard error: 0.7166 on 50 degrees of freedom
Multiple R-squared: 0.002369
Adjusted R-squared: -0.01758
F-statistic: 0.1188 on 1 and 50 DF, p-value: 0.7318

The construction of the regression model should be subjected to a series of evaluations to test its goodness of fit. The most commonly used statistic is the standard error of R^2. It is defined as the proportion of variance explained by the model. It always varies between 0 and 1, where values close to 0 indicate a poor goodness of fit of the model while values close to 1 indicate a good ability to adapt the model. In this study, the three regressions highlight R^2 values close to 0. This indicates the lack of fit of the model, making it unnecessary subsequent checks to test the predictive ability of the model. Therefore, we reject the hypotheses H1 and H2: there are no correlation between the quality of voluntary disclosure and the ability of the Italian industrial listed company to collect capital by new equity or financial debt, and to gain lower ROD.

This means that investors – shareholders and bondholders – and financial analysts do not always penalize the uncertainty or even the lack of voluntary disclosure.

6. Conclusive Remarks and Future Research

This paper contributes to the voluntary disclosure research in two aspect. First, it examines the dissatisfactions of analysts regarding the adequacy of voluntary communication, proposing principles and content of an effective disclosure based on the international literature and major Italian guidelines. We focus on Italy because the Stock Exchange has released an Industrial Plan Guide to encourage the long-range strategy disclosure, rather than being an invitation only event held at a specific time as in many other countries. Second, it assesses the quality of voluntary disclosures made by industrial companies listed in the ISE, and analyses relations between the latter and the variation of share capital, financial debts, and ROD during the years from 2009 to 2012. We hypothesize that the higher is the quality of voluntary disclosure, the higher is the volume of capital collected by companies, and the lower their cost of debt.

The results suggest that companies prefer to expand on details in private meetings, because the confidentiality still takes precedence over transparency. Transparency lies at the intersection between public's right to know and company's right to privacy. Investors have a legitimate claim to know vast quantities of information about strategic intents and actions, but the company has the right to control the use and disclosure of corporate information. If the whole strategy becomes public, then it loses value for the company. Generally, managers favour not to disclose information that may affect the customer's demand and the competitive position of their company in a market, even if this would increase the associated cost of capital. The literature warns that the disclosure of this kind of information incurs in proprietary costs (Campbell et al., 2001; Dye, 1985; Healy and Palepu, 2001; Prencipe, 2004). Therefore, companies have to consider whether disclosure benefits exceed disclosure costs. In particular, Verrecchia (1983) suggests that the more competitive an industry is, the less disclosure takes place because of higher proprietary costs. It has also been documented that capacity competition drives companies to disclose more information to lower the cost of capital they need for investment. Contrarily, when companies are competing on prices, with capacity already fixed, they disclose less, because the disclosure of key information to competitors only decreases their own margins in the future and produces little benefits from any declined ROD (Saeidi, 2015; Shin, 2013). In such a case, companies omit important information, release it ambiguously, or discuss it in private meeting with invited investors or analysts.

Another factor that can limit or prevent voluntary disclosure is the desire to keep away from potential attention about managers' career and their external reputation, or about any information that regulators might use against the company. The literature suggests that the disclosure of the latter information incurs in political costs (Graham et al., 2005; Shehata, 2014). Income taxes are among the political costs, depending heavily on the reported earnings. Therefore, companies with high expected profits are more likely to reduce voluntary disclosure, to avoid being subject to any political attack as a discount of state aid.

Setting a disclosure precedent is one of the factors that may decrease voluntary disclosure. It has been argued that the market would expect the company to be committed to the new disclosures, and maintain them even if it incurs in proprietary and political costs, and independently from good or bad news (Graham et al., 2005; Shehata, 2014). Finally, the literature considers litigation costs as a motivation to increase voluntary disclosure: managers give due care to timely and accurate disclosure to limit legal actions against them. However, various studies suggest that litigation costs are lower in Italy than in other countries (La Porta et al., 2000; Leuz et al., 2003), and that disclosure not subject to litigation costs can be seen as "cheap talk", resulting less credible and useful in the capital market (Baginski et al., 2014). Therefore, it becomes interesting to investigate whether Italian industrial listed companies suffer a competitive arena (in particular the competition on prices), the political costs (in particular the high level of income taxes), or the credibility of disclosure not subject to litigation costs. These are areas of further research.

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