Tone at the Bottom: Measuring Corporate Misconduct Risk from the Text of Employee Reviews *Campbell and Shang (2021)*

Context

Employees often witness or possess information on poor internal practices, pressures, or ethical lapses before they become public scandals, yet external stakeholders (investors, regulators) typically remain in the dark. Websites like Glassdoor.com allows employees to review their workplaces and contain rich information about firm's internal control and operating environments, that outside bodies can access.

The study explores whether information extracted using textual analysis from the written comments in employee reviews on Glassdoor.com can predict future corporate misconduct.

Key Insights

Independent predictive value

The text-based measures of employee inside information are useful indicators of misconduct risk and can improve predictions of future violation outcomes. They provide additional value beyond traditional characteristics like size, credit performance, industry sector, and historical violations.

Value for "good" firms

Word indices related to misconduct perform especially well in predicting longer term misconduct risk, particularly for firms with little or no prior recorded misconduct, this suggests that it could be used as an early-risk detection system in previously "good" institutions.

Whistleblower correlation

Elevated risk scores strongly correlate with subsequent internal whistleblower complaints, offering a complementary early-warning signal.

Early detection

Risk scores tend to rise before discovered misconduct. They decline after enforcement actions, suggesting they're tracking genuine cultural/control weaknesses.

Implications

- What behaviours or topics would you want to gather more insight on?

- Are there any other sources of data where you can use textual analysis? Are there any ethical implications to consider?

- How might you use text-analysis do this?

Campbell, D. W., & Shang, R. (2022). Tone at the Bottom: Measuring Corporate Misconduct Risk from the Text of Employee Reviews. Management Science, 68(9), 7034–7053. https://doi.org/10.1287/mnsc.2021.4211