

COMMUNICATIONS

All Ears

The persuasive power of headphones

BY CHRISTINE CLARK

Americans spend an average of four hours per day listening to audio on either headphones or speakers—but there are major differences in the psychological effects between the two media. Headphones have a more powerful impact on listeners' perceptions, judgments, and behaviors, a new study reveals.

“Managers might encourage employees to listen to safety trainings or webinars using headphones, which may more effectively change their attitudes and behaviors, compared to listening via speakers,” says Associate Professor Juliana Schroeder, a co-author.

The findings in the research from Berkeley Haas, UC San Diego's Rady School of Management, and UCLA's Anderson School of Management, which are forthcoming in *Organizational Behavior and Human Decision Processes*, are replicated in five different studies that included both fieldwork and surveys with more than 4,000 participants.

“We find that headphones produce a phenomenon called in-head localization, which makes the speaker sound as if they're inside your head,” says co-author On Amir, professor at the Rady School of Management. “Listeners perceive the communicator as closer—both physically and socially.” They also perceive the communicator as warmer. “They feel and behave more empathically toward them, and they are more easily persuaded by them,” he says.

Alicea Lieberman, an assistant professor at Anderson School of Management, recommends



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choosing a content platform based on intended closeness. Public service announcements, for example, would be best on a program often consumed via headphones, like podcasts. “On the other hand, if a message does not require listeners to experience any feelings of closeness to the communicator, then where the message is placed (e.g., podcast vs. talk radio) would be less essential.”

Auditory media is an integral part of the workday—even more so with remote work. In 2018,

\$87.6 billion was spent on industry trainings, with 69% involving either virtual classroom/webcasting or video broadcasting.

Amir suggests that companies could send employees headphones to encourage their use in phone conversations, to potentially increase collaboration. “Our research proposes that it is not only what or whom people hear that influences their judgments, decisions, and behaviors but also how they hear the message,” he says.

WALL STREET

QUALITY CHECK

The unintended consequences of the JOBS Act

BY LAURA COUNTS

In the decade since the 2012 Jumpstart Our Business Startups (JOBS) Act relaxed initial public offering requirements for companies with revenues under \$1 billion, a growing number of them have taken advantage of the option to disclose less financial information in their IPOs.

This reduced-disclosure provision may have helped stimulate the market, but it came at a cost: lower IPO quality and more risk exposure for individual investors, concluded a new study by accounting professors Omri Even-Tov and Panos Patatoukas, with PhD candidate Young Yoon.

“The evidence shows that nearly two-thirds of the reduced-disclosure issuers underperform the market in the three years after they go public,” says Even-Tov. “While we find evidence that institutional investors have the ability to use publicly available information to avoid the worst-performing IPO stocks, individual investors tend to ignore fundamentals when investing in IPO stocks and are more exposed to the risks.”

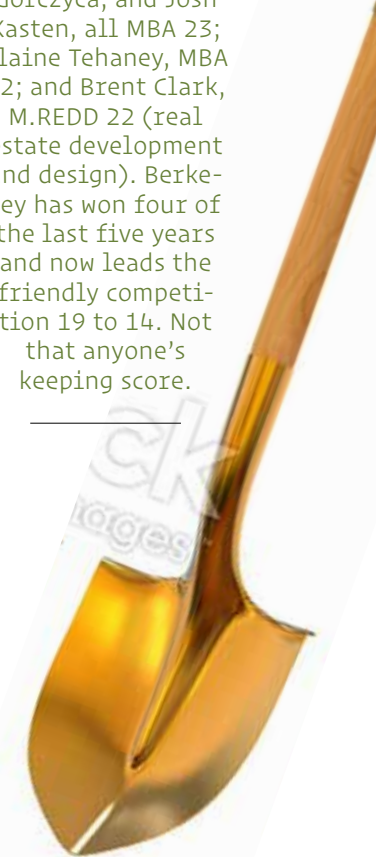
Based on their findings, the researchers argue that the SEC should require all IPO issuers to disclose at least three years of audited financial information—up from the two years allowed under the JOBS Act.

“We recommend that regulators balance the benefits of increasing the number of IPO registrants against the costs of enabling speculative issuers to go public with reduced financial disclosures,” says Patatoukas, the L.H. Penney Chair in Accounting. “The quality of IPOs is as important, if not more so, than the quantity.”

#HAASOME

GOLDEN SHOVEL RETURNS!

The coveted James W. Brecht Memorial Golden Shovel is back at Cal after Berkeley triumphed over Stanford in the 33rd annual NAIOP Real Estate Development Challenge. Teams were tasked with a development project for Downtown Sausalito, California. The Cal team won with their vision for city-owned properties anchoring Caledonia Street. Lecturer Bill Falik coached the team, which consisted of Kyle Deshon, Daniel Gorczyca, and Josh Kasten, all MBA 23; Blaine Tehaney, MBA 22; and Brent Clark, M.REDD 22 (real estate development and design). Berkeley has won four of the last five years and now leads the friendly competition 19 to 14. Not that anyone's keeping score.

**The Takeaway**

Listening to audio on headphones increases feelings of connectivity, empathy and engagement, a finding with implications for advertising, remote work, and training programs.

The Takeaway

The JOBS Act has led to lower-quality IPOs and more risk for investors.