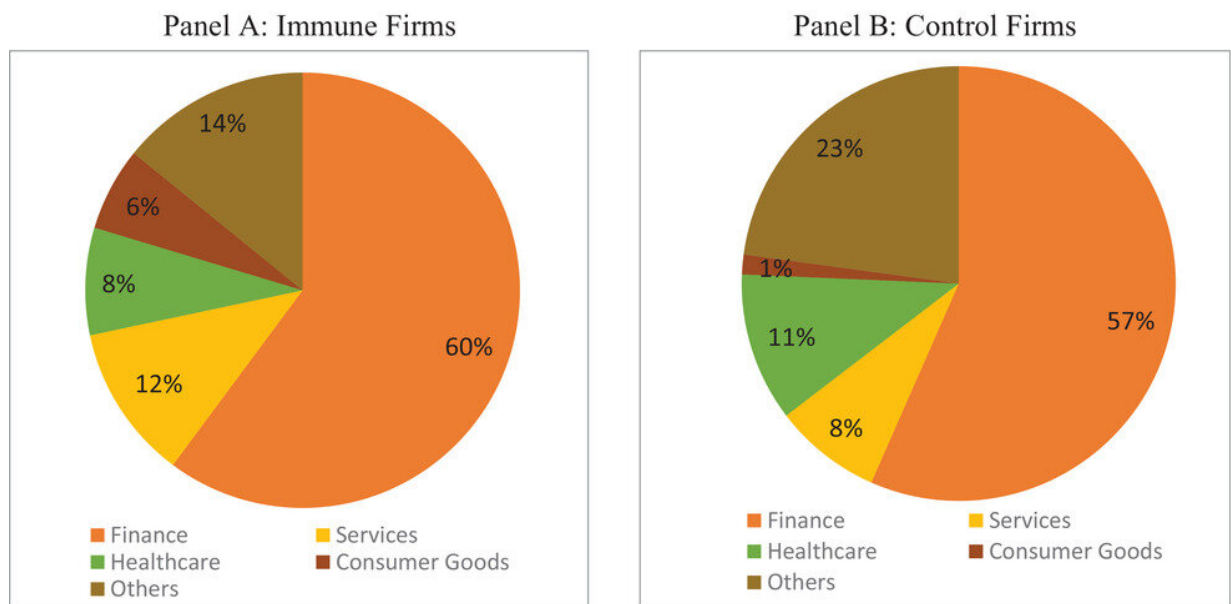


9/11 prepared firms for economic effects of COVID-19

September 9 2021



This figure shows the distribution of immune and control firms according to their industry classification. Industry aggregation is based on four-digit SIC codes. The 30 industry classification codes are used to construct the industries. They are obtained from Kenneth French's website. The period is between 9 December 2019 and 30 April 2020. Panel A: Distribution for 114 immune firms. Panel B: Distribution for 331 control firms. Credit: DOI: 10.1111/1467-8551.12539

Companies that experienced the financial impact of 9/11 were more resilient to the economic effects of COVID-19, according to research

from Cardiff University.

Researchers found stock price losses during the pandemic were 7% lower for companies who had traded through the terrorist attacks in 2001, when compared to those that were not exposed to the 9/11 shock.

While other studies have drawn comparisons between past pandemics and COVID-19, this is the first of its kind to compare the events of the last eighteen months with 9/11.

The researchers argue that, while categorically different events, both share similar short-term impacts on the [stock market](#).

Lead author Dr. Onur Tosun, Lecturer in Finance at Cardiff Business School, said: "We found those firms who were exposed to 9/11 learned, what we might think of as, survival skills through their experiences which they have been able to draw upon during the COVID period.

"As a result, they performed better—up to 7% - on the stock markets, which represents billions of dollars of market value saved compared to their peers. And, not only that, we found that the same organizations' shares have been traded more by investors, perhaps signaling a greater trust in the firms who have developed a kind of financial resilience over the course of these two monumental events."

The study, in partnership with Queen Mary University of London, focused on 445 companies headquartered in New York City and trading on three major stock markets—the New York Stock Exchange (NYSE), NYSE American and NASDAQ.

The team compared the 114 firms that traded across the two events with a further 331 who were active during the outbreak period of the COVID-19 pandemic from 9 December 2019 to 30 April 2020.

Professor Arman Eshraghi, Chair of Finance and Investment at Cardiff Business School, said: "What we found was the resilience that individuals develop after experiencing disastrous or traumatic events is also true of companies as well.

"Their improved organizational resilience, developed during one crisis, manifests itself in better anticipation, coping and adjustment within the next crisis.

"What we think is interesting is potentially to anticipate how the 'survivors' of the COVID crisis will perform in future crises. Perhaps a similar pattern will apply."

The researchers say their findings will be important to corporate sector practice and policymaking as the possibility of similar epidemics and pandemics occurring in the future seems likely.

Gülnur Muradoğlu, Professor of Finance at Queen Mary's School of Business and Management, added: "Our findings have implications for investors and corporations alike.

"Investors should sit up and take note of those firms that have 'survived' COVID-19—they will be the resilient ones when faced with similar problems in the future.

"Businesses, like everyone, are going through an unprecedented crisis but our findings show they will no doubt be learning from the pandemic, also. They will be building on and improving their organizational processes and practices making them stronger for future crises."

The paper, "Staring Death in the Face: The Financial Impact of Corporate Exposure to Prior Disasters," is published in the *British Journal of Management*.

More information: Onur Kemal Tosun et al, Staring Death in the Face: The Financial Impact of Corporate Exposure to Prior Disasters, *British Journal of Management* (2021). [DOI: 10.1111/1467-8551.12539](https://doi.org/10.1111/1467-8551.12539)

Provided by Cardiff University

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