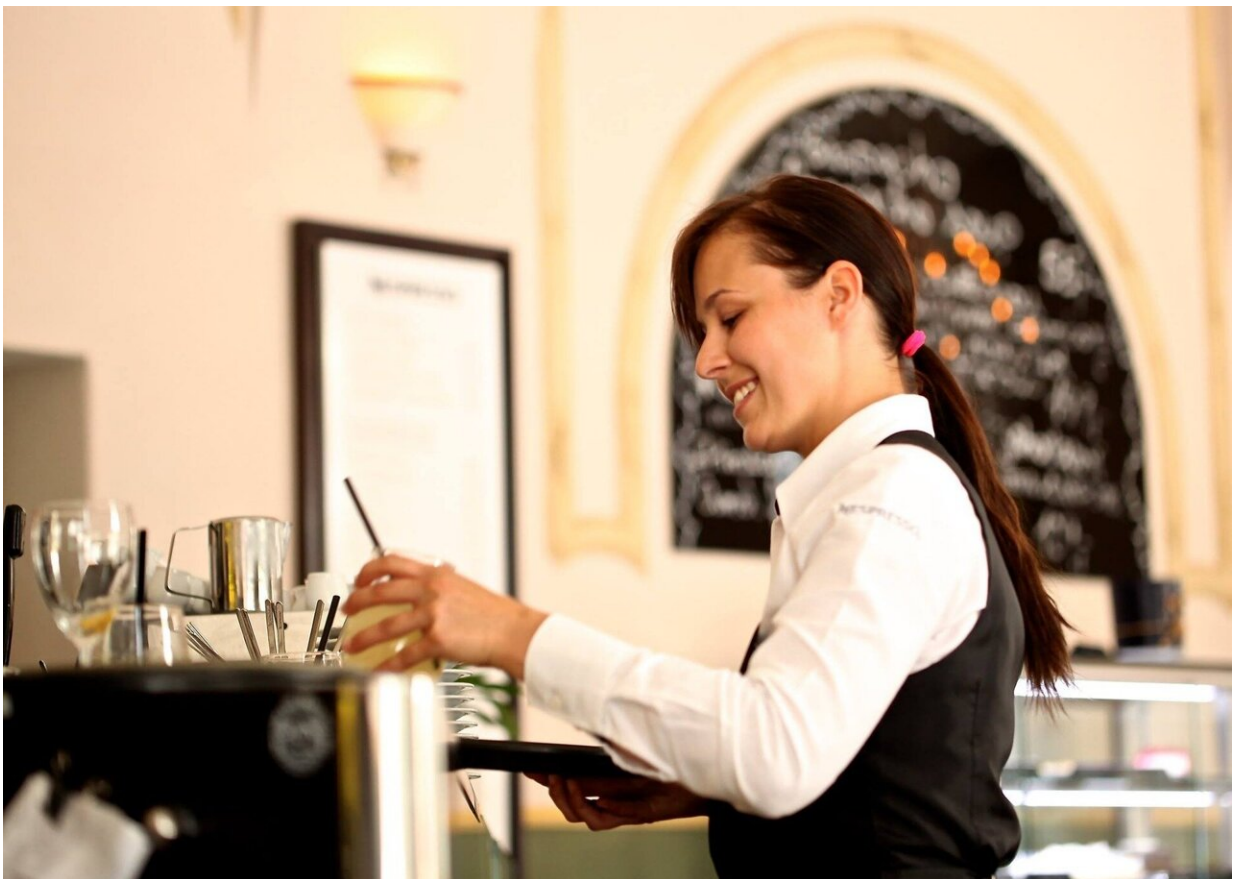


# Research finds higher customer support for companies that cut CEO pay, not jobs, during COVID

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Hospitality businesses that treat employees with care and empathy during

times of crisis can activate considerable brand loyalty and generate future business among customers with high ethical idealism, according to a new study co-authored by a researcher in the Isenberg School of Management at the University of Massachusetts Amherst. The study appears in [\*Cornell Hospitality Quarterly\*](#).

Melissa Baker, associate professor and chair of the Department of Hospitality and Tourism Management, and her co-authors, led by Yeonjung Kang of the University of Kentucky, found that firms confronted with a crisis not of their own making, such as a natural disaster or global pandemic, can unlock significant goodwill among more empathetic customers by supporting employees.

These customers put a premium on supporting businesses that prioritize ethics over profits in efforts to stabilize operations following a crisis.

Take for example, the COVID-19 pandemic. The study finds that hospitality companies that cut executive pay rather than laid off or furloughed employees as an initial response to sharp [financial losses](#) caused by the pandemic were more likely to benefit from [brand](#) support, positive word-of-mouth and planned future purchases from customers with high ethical idealism—potentially creating a loyal and lucrative [customer](#) base for the long term.

"Customers are supporting brands that they believe in," Baker says.

"These customers can be the most loyal, which then equates to better positive word-of-mouth, more purchasing and greater overall support for that brand."

The research indicates that more altruistic efforts by companies did not yield the same results among customers with lower ethical idealism. In addition, firms that opted to lay off employees rather than take other cost-cutting measures did not suffer reputational harm for doing so.

"Our findings provide a clear message that hospitality firms need to look at both the short-term and long-term consequences of their actions," Baker says. "You have to save the money so your business can stay afloat, but also understand that not taking care of your employees, particularly at the expense of keeping CEO pay high, may affect your long-term brand support."

The researchers note that their findings give credence to the old saying "heroes rise in [tough times](#)," and that this appears to be a case of consumers evaluating corporate efforts to protect employees more highly because of the hardship companies also face.

"It's harder to quantify employee productivity and emotions, but hospitality is a team sport, and business is a team sport, so you have to have great employees and need to support your employees for your business to be successful," Baker adds.

The findings are based on more than 400 responses to experimental design surveys from across the United States using the online crowdsourcing tool MTurk.

**More information:** Yeonjung (Alice) Kang et al, Heroes Rise in Tough Times: The Role of Ethical Idealism, Empathy, and Firm Responses to the COVID-19 Pandemic, *Cornell Hospitality Quarterly* (2023). [DOI: 10.1177/19389655231214706](https://doi.org/10.1177/19389655231214706)

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