

CEOs' human concern translates into higher stock price, says study

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Compassionate leadership has tangible benefits: CEOs' expressions of empathy correlate with positive stock performance, a study led by the University of Zurich shows. The researchers analyzed data from conference calls between CEOs and financial analysts during the COVID-19 pandemic. The paper is [published](#) in the journal *Academy of Management Discoveries*.

The COVID-19 pandemic prompted an unprecedented financial crisis. Between 24 February 2020, and 20 March 2020, the value of U.S. companies on the [stock market](#) decreased significantly, surpassing the decline during the 2008–2009 [financial crisis](#).

At the onset of the pandemic, several CEOs made statements in conference calls with [financial analysts](#) that were not directly related to the business at hand, expressing their concerns for people. These statements are the focus of a new study by researchers from the University of Zurich, the London School of Economics and Political Science and Cambridge Judge Business School.

The researchers analyzed 510 CEO conference calls by 448 large U.S. companies during the COVID-19 pandemic. They discovered that, despite the human-centric context of the pandemic, just over a half (51.8%) of the CEOs made at least one statement that expressed care for people during the calls. Furthermore, most of these statements were superficial and lacked concrete actions. Despite this, companies whose CEOs acknowledged the human impact of the pandemic had better stock prices than those whose CEOs did not.

Surprising effect of cheap talk

First author Lauren Howe remembers reading transcripts of conference

calls that executives held with financial analysts in May 2020.

"I was intrigued by the fact that some CEOs referenced their concern for the health and safety of employees, customers and others affected by the virus. At first glance, these statements seem to be of little relevance for financial analysts and therefore should not affect them."

At the same time, conference calls are one of the prime ways in which investors get live access to CEOs. What CEOs say on these calls, and how they say it, can significantly impact markets. During a crisis like COVID-19, it is plausible that investors pay even closer attention to these calls.

While the fact that CEOs addressed the human impact of the crisis is commendable, their statements did not indicate any tangible actions to protect people and their well-being. However, the researchers surprisingly discovered that a CEO's use of human care statements seemed to have a positive impact on their company's stock prices during the market crash—despite the superficial nature of these statements.

Making just one additional human care statement was associated with a 2.49 percentage point increase in cumulative returns. Given that the median market value of equity in the sample of companies analyzed in the study was approximately \$3.17 billion, this effect resulted in roughly \$78.9 million of company financial value preserved in the wake of the crisis.

Leadership is about performance and people

In follow-up analyses, the researchers discovered that human care statements were linked to lower stock volatility during the crisis, but not to analysts' assessments of future earnings. The findings about volatility indicate that market participants were less likely to discount a company's

future earnings—perceiving these stocks as less risky—when the CEO expressed concern for people.

The discovery is remarkable given that these statements communicated generic acknowledgments of care for people without specific plans or actions and had little direct financial relevance.

The findings emphasize the significance of CEOs showing humanity in their communications and its implications for investor perception and company performance. CEOs who solely focus on communicating about performance miss the chance to demonstrate the care for people that is expected from them.

"Leadership is about both performance and people," last author Jochen Menges said. "Our study provides evidence that care for people pays off—even in conference calls with analysts and investors who are expected to focus squarely on performance."

Statements from CEOs in conference calls during the COVID-19 pandemic

"I mean, first of all, any time people are sick or tragically lost their lives that's a much more important topic than anything we're covering today. So, I just want to sort of put a fine point on that," said Strauss H. Zelnick, CEO of Take-Two Interactive Software, Inc.

"First off, the whole coronavirus situation is a human situation. It's kind of a human tragedy," said Andrew Anagnost, CEO of Autodesk, Inc.

"Obviously, the coronavirus makes a very fluid situation. [...] I'll start by saying, our first priority is making sure that our employees, partners and customers are safe," said Anders Gustafsson, CEO of Zebra

More information: Lauren Howe et al, CEOs Showing Humanity: Seemingly Generic Human Care Statements in Conference Calls and Stock Market Performance during Crisis, *Academy of Management Discoveries* (2024). [DOI: 10.5465/amd.2021.0225](https://doi.org/10.5465/amd.2021.0225)

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