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Charismatic CEO Message Impacts Analyst Ratings

CEO's who use make heavy use of "charismatic" language in their first letter to shareholders are more likely to gain higher recommendations from analysts.

Charismatic language includes:

- Critical references to the past with words such as "difficult," "disappointing" and "problems."
- Emotional assessments of the future with words such as "believe," "important" and "commitment."
- Empowering language such as "our," "we" and "team" when speaking of the company's capabilities.

The authors conclude that the CEO's use of charismatic language is "related to the individual and collective judgments of securities analysts." This can "adversely affect analysts' forecasts of future firm EPS."

The study examined 367 randomly selected companies. Data points included the CEO's first shareholder letter as well as subsequent analyst recommendations made within a year of the letter's initial release.

The study was co-authored by Angelo Fanelli of the HEC School of Management in France, Vilmos F. Misangyi of Pennsylvania State University, and Henry L. Tosi of the University of Florida and appeared in the December issue of *Organization Science*.

Related Links:

Institution for Operations Research and the Management Science (INFORMs). **CEO Charisma Skews Recommendations by Financial Analysts, Can Hurt Investors, Says Study in INFORMS Journal.**

<http://www.informs.org/About-INFORMS/News-Room/Press-Releases/CEO-Charisma>



Organization Science Journal. In Charisma We Trust: The effects of CEO charismatic visions on securities analysts.

<http://orgsci.journal.informs.org/cgi/reprint/20/6/1011?maxtoshow=&hits=10&RESULTFORMAT=&fulltext=charismatic+language&searchid=1&FIRSTINDEX=0&sortspec=relevance&resourcetype=HWCIT>

Venture Beat. CEO Language Misleads Analysts' Ratings, Study Confirms.

<http://venturebeat.com/2009/12/16/charisma/>
