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Breaking the news: how does CEO media coverage influence consumer and investor evaluations?

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Abstract
This study investigates how CEO-related events covered in news media affect consumer evaluations. The conceptual model proposes six CEO-related news categories and details their impact on consumer evaluations as well as the degree to which these responses determine firms' stock prices. The authors analyze a rich sample of 725 CEO-related events of 125 firms covered in leading US news outlets from 2009 to 2019. Using an econometric approach and an event study, they find that stories about CEO scandals detrimentally affect consumer evaluations, which translates to an immediate loss of more than US$500 million on stock markets, whereas stories about CEO altruism and CEO political ideologies have a positive impact on consumer evaluations. The authors provide insights into short and long-term effects and formulate actionable implications.

Keywords Media coverage · Chief executive officer · Consumer evaluations · Event study

1 Introduction

Consumer and investor perceptions of CEOs and their firms are heavily influenced by media coverage. For example, when the media covered Chick-fil-A CEO's 2012 tweet against same-sex marriages, the company's consumer evaluations decreased by 25% (Mikeska & Harvey, 2015). In contrast, Apple's CEO's announcement in 2015 about donating laptops to American public schools led to a 10% increase in

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consumer evaluations (YouGov). Elon Musk's sale of Tesla shares, reported by The Wall Street Journal (2023), led to negative market volatility. Conversely, his discussion of privatizing Tesla, as covered in The Guardian (2023), resulted in positive stock price fluctuations. These articles underscore the significant market impact when CEOs are exposed in the news media. Business consultants (e.g., Hall Consultancy, 2023) argue that CEOs should not underestimate the extent and direction of their behavior's effects. Yet, CEOs may not be fully aware of which types of news can elicit favorable (or unfavorable) responses from consumers and investors.

Therefore, our paper investigates the impact of six different CEO-related news categories on consumer evaluations, representing the strength of a firm in the minds and hearts of consumers (Luo et al., 2013; Stäbler & Fischer, 2020) and investor evaluations in forms of stock prices. We capture the CEO-related news categories with the highest frequency of media occurrence: news about CEO scandals, altruism, political ideology, changes, compensation, and accomplishments.[1]

While prior research has explored CEO behavior and its influence on stakeholders (see Table 1), our study overcomes five significant limitations and thus, contributes to the literature in the following ways:

First, unlike studies primarily using hypothetical data from experiments to identify consumer effects (e.g., Lin et al., 2019; Ogunfowora et al., 2018; Yin et al., 2019), we employ observational data, enhancing external validity and enabling real-time insights into consumer sentiment. Second, unlike prior research relying on annual data (e.g., Love et al., 2017; Luo et al., 2012), our study utilizes daily data to effectively identify both short- and long-term effects in consumer responses. Third, we distinguish our work by analyzing consumer responses not just to CEO behaviors (Hydock et al., 2020) but specifically to their media coverage, categorizing these behaviors to understand their diverse impacts on consumer evaluations. Fourth, we adopt a meta-analytic approach, examining six types of CEO behaviors in one framework to compare effect sizes, contrasting with studies focusing on a single type of behavior. Finally, we investigate the interplay between consumer and investor reactions, addressing mixed findings in existing research about how consumer reactions determine stock prices (Luo et al., 2013; Peress & Fang, 2009).

Consequently, this research marks a significant contribution to the literature by employing observational "real world" data to examine the immediate and long-term effects of six types of CEO-related media coverage on both consumer and investor evaluations within a unified framework. Building on these considerations, we formulate the following research questions:

1. How do different types of CEO-related news affect consumer evaluations?
2. Does consumer response to CEO-related news determine investor evaluations?

We collected a rich data set of 725 news events related to 187 CEOs that appeared in 12 leading US newspapers, magazines, and TV news shows from 2009 to 2019. We matched this information with consumer evaluation data from YouGov and stock return

[1] An additional empirical validation analysis indicates that also consumers consider these six CEO-related news categories most important when building an opinion about a firm (see Web Appendix A).

Table 1 Exemplary research on CEO behavior and its consequences

Study	Sample	Literature gap 1	Literature gap 2	Literature gap 3	Literature gap 4	Literature gap 5	
		Method	Data frequency	Media coverage	CEO-related news types	Consumer	Investor
Yin et al. (2019)	320 subjects	Experiment	No variation		Single category: CEO altruism	✓	
Gorn et al. (2008)	427 subjects	Experiment	No variation		Single category: CEO scandals	✓	
Chatterji and Toffel (2019)	2176 subjects	Experiment	No variation		Single category: CEO political ideology[a]	✓	
Lin et al. (2019)	184 subjects	Experiment	No variation		Single category: CEO changes[a]	✓	
Luo et al. (2012)	87 firms	Observational data analysis	Annually	✓	Single category: CEO compensation	✓	
Hydock et al. (2020)	500 subjects	Experiment	No variation		Single category: CEO political ideology	✓	
Gangloff et al. (2014)	104 events	Observational data analysis	Daily		Single category: CEO changes		✓
Beatty and Zajac (1987)	429 events	Observational data analysis	Daily	✓	Single category: CEO changes		✓
Wade et al. (2006)	186 events	Observational data analysis	Annually	✓	Single category: CEO accomplishments		✓
Kashmiri and Mahajan (2017)	421 firms	Observational data analysis	Annually		Single category: CEO political ideology		✓
Chauvin and Shenoy (2001)	209 firms	Observational data analysis	Daily		Single category: CEO compensation[a]		✓

Table 1 (continued)

Study	Sample	Literature gap 1	Literature gap 2	Literature gap 3	Literature gap 4	Literature gap 5	
		Method	Data frequency	Media coverage	CEO-related news types	Consumer	Investor
Our study	125 firms; 725 events; 401,000 observations	Observational data analysis; econometric model; event study	Daily	✓	Meta-analytic CEO perspective: scandals, compensation, political ideology, miscellaneous, altruism, accomplishments	We study the main effects and the interplay between consumers and investors	

The literature table is based on literature that was covered in the Financial Times' (FT) top 50 journals

[a]We do have a very few papers in the table which are not covered in one of the FT50 journals but are of high importance for this study (e.g., Lin et al. (2019))

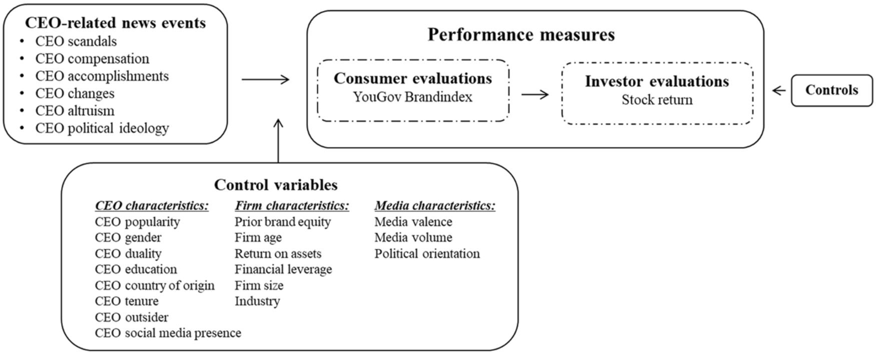

Fig. 1 Study framework. Notes: In the empirical analysis, we also investigate potential timing effects. We control for a wide range of CEO-, firm-, and media-related variables which we explain and justify in Web Appendix B

data from Eventus, as well as data from various CEO-, firm-, and media-related databases (e.g., Compustat, Execucomp, Factiva). To capture the effect of CEO-related news events on consumer evaluations, we used an econometric time-series approach. To investigate how consumer responses determine the stock prices of firms, we used an event study.

2 Theory

2.1 Study framework

Our conceptual model (see Fig. 1) builds on Graf-Vlachy et al. (2020) framework to investigate how different types of CEO-related news impact consumer and investor evaluations. Our core premise is that consumers' perceptions of a CEO significantly shape their overall view of the company. This aligns with Keller's (1993) theories on associative image transfers, where attributes of one entity (e.g., a CEO) are transferred to another (e.g., the company). This transfer is similar to the well-documented effect in sports sponsorship, where perceptions of an athlete influence the sponsor's image (Gwinner & Eaton, 1999). Since consumers often receive information about CEOs (and their associated firms) from the media, newspaper coverage of CEOs can transfer key information to consumers' perceptions of the entire firm. The media thus plays a pivotal role. For example, media reports on CEO scandals provide consumers with insights that firms typically would not disclose due to the negative nature of such news.

We first define the six CEO-related news types subsequently and provide theoretical insights into the main effects on consumers before we continue establishing the relationship between consumer responses and investors.

2.2 Impact of CEO-related news types on consumer evaluations

2.2.1 Impact of news about CEO scandals (−)

Aligning with Hughes and Shank (2005), "CEO scandals" are defined as publicized CEO actions that breach legal, social, or ethical norms (e.g., sexual misconduct). Such scandals, frequently covered by media (Schnatterly et al., 2018), provide customers with crucial information, bridging the knowledge gap between the public and the firm (Gangloff et al., 2014; Gorn et al., 2008). These scandals often challenge pre-existing consumer perceptions about a CEO and the firm, leading to adverse evaluations (Gorn et al., 2008). Hence, we hypothesize:

H1: Media coverage of CEO scandals is negatively related to consumer evaluations of their firms.

2.2.2 Impact of news about CEO compensation (−)

CEO compensation stories, covering executives' financial changes like salary or bonus variations, gain attention as US public companies must disclose these details (U.S. Securities and Exchange Commission, 2015; Chauvin & Shenoy, 2001). Media often highlight CEO pay, especially when it exceeds the average (Mohan et al., 2018). For instance, HP's CEO compensation in 2002 was the subject of eleven media articles (Vergne et al., 2018). Such coverage can create a sense of unfairness among stakeholders, as the public typically underestimates CEO compensation (AFL-CIO, 2016). Therefore, these stories can reveal discrepancies between consumer expectations and reality, potentially leading to negative consumer evaluations of CEO compensation:

H2: Media coverage of CEO compensation is negatively related to consumer evaluations of their firms.

2.2.3 Impact of news about CEO accomplishments (+)

News on CEO accomplishments, including awards (like CEO of the year) or major milestones, serves as a benchmark for consumers to compare CEOs (Rao, 1994). This coverage often leads consumers to perceive these CEOs as more capable of delivering high-quality services and products than others, enhancing the organization's image (Love et al., 2017). Recognized CEOs are often viewed as epitomes of best practices and competence, signaling potential future firm success. Therefore, we posit that CEO accomplishments positively influence consumer evaluations:

H3: Media coverage of CEO accomplishments is positively related to consumer evaluations of their firms.

2.2.4 Impact of news about CEO changes(+/−)

News covering CEO changes, such as retirements, replacements, or succession, is common in media (Park & Berger, 2004). However, its impact on consumer evaluations is contentious. Post-news screening, consumer reactions vary: some view a CEO change negatively, believing it hinders firm success (Beatty & Zajac, 1987), while others see it as a positive effort to enhance services and products, perceiving firm performance as adaptable (Gangloff et al., 2014; Lin et al., 2019). This divergence suggests two sets of competing hypotheses:

H4a: Media coverage of CEO changes is positively related to consumer evaluations of their firms.
H4b: Media coverage of CEO changes is negatively related to consumer evaluations of their firms.

2.2.5 Impact of news about CEO political ideology (+/−)

"CEO political ideology" refers to a CEO's beliefs about political outcomes and world operations (Gupta et al., 2017). Coverage of this ideology includes CEOs discussing politicians, acting on partisan values, or promoting political beliefs. When a CEO's ideology aligns with consumers, it signals shared interests, potentially increasing purchase intentions by 50% (Hydock et al., 2020; Shandwick, 2016). Conversely, consumers with opposing views may respond negatively (Chatterji & Toffel, 2019). Given the varied appeal of messages across political consumer affiliations, we propose two sets of competing hypotheses without prior expectations:

H5a: Media coverage of CEO political ideologies will result in significant positive consumer evaluations of their firms.
H5b: Media coverage of CEO political ideologies is negatively related to consumer evaluations of their firms.

2.2.6 Impact of news about CEO altruism (+)

"CEO altruism" is defined as social engagement and responsiveness beyond a CEO's core duties and legal obligations, encompassing charitable work, donations, philanthropy, funding, or socially responsible actions (Borghesi et al., 2014). With growing expectations for CEOs to demonstrate social responsibility, news about CEO altruism has also risen (Park & Berger, 2004; Yin et al., 2019). Consumers often view CEO altruism as a beneficial investment in the brand-consumer relationship, a perspective supported by research on positive consumer behavior (Kotek et al., 2018). We propose that CEO altruism positively influences consumer evaluations. Therefore, we hypothesize:

H6: Media coverage of CEO altruism is positively related to consumer evaluations of their firms

2.3 How consumer evaluations of CEO-related news impact investors

Finally, our premise is that the effects of CEO-related news on stock return vary with the impact of CEO-related news on consumers. The rationale behind the consumer-investor relationship is grounded in the theory of efficient markets. It assumes that investors possess complete knowledge of the basic structure of their economy and are rational information processors making optimal statistical decisions based on future cash flow predictions (Brav & Heaton, 2002). We posit that consumer reactions to CEO-related events, as indicated by “consumer evaluations,” provide vital information for investors to revise their cash flow expectations (e.g., Luo et al., 2013). Evidence from Malshe et al. (2020) shows that investors consider YouGov brand perception metrics, reflecting in our empirical study. Investors, initially unaware of CEO news effects, may rely on anticipated consumer responses. Therefore, we propose that consumer reactions can predict stock returns following CEO-related news.

> **H7**: Positive (negative) consumer responses to CEO-related news increase (decrease) stock prices

3 Data

3.1 Sample of firms and events

We consider all 355 firms listed on the US stock market (i.e., NYSE, NASDAQ, and Sensex) and included in YouGov’s brand sample in our observation period of nearly 10 years (October 2009–May 2019). As stock return data and CEO-related information are available only on the firm level (e.g., Coca-Cola), we do not consider sub-brands (e.g., Fanta). YouGov’s brand sample offers representative attitudinal consumer evaluation values for a wide range of brands and has been used in prior research (e.g., Hewett et al. 2016; Luo et al., 2013).

We identify CEO-related news events within our 355 firm sample through extensive media analysis in Factiva (for a similar approach, see Stäbler & Fischer, 2020), covering 12 major offline and online news sources between October 2009 and May 2019 (for details, see Web Appendix C). Our search involved finding news reports featuring the CEO’s last name in headlines or TV news leads. This process led to the identification of 725 CEO-related events involving 187 CEOs and 125 firms. We manually classified these events into predefined CEO news categories, using dummy variables. The categorization was straightforward for most events.[2] Table 2 presents example headlines and statistics for these categories.

[2] We resolved disagreement among coders by discussion. In a survey, we also asked 119 respondents to assign 18 randomly selected headlines to one of the pre-defined categories. Simply by reading the headline, the respondents assigned 83% of the headlines to the selected category in line with the researchers, further confirming our categorization from a consumer perspective. In addition to the events illustrated in the conceptual model, we identified 132 events that could not be assigned to one of the six categories (e.g., stories about daily routines, health issues), which we categorized as miscellaneous.

3.2 Measurement of outcomes and controls

We obtained daily consumer evaluation data (aggregated on firm-level) from the market research company YouGov, which conducts 4800 daily surveys in the USA to capture a variety of brand metrics. Consumer evaluation (YouGov's BrandIndex) is a multidimensional index running from − 100 to + 100 (for details, see Luo et al., 2013; Stäbler & Fischer, 2020). We give extensive insights into how YouGov collected the data in Web Appendix D. To estimate the effects of CEO-related news on consumer evaluation, we apply a logit transformation to obtain a linear estimation equation that satisfies the range restrictions and the assumption of a normally distributed error term in error correction models (for details, see Web Appendix E). To capture investor evaluations, we use a firm's abnormal stock return.

Web Appendix F illustrates the measurement and descriptive statistics of all variables including CEO, firm, and media controls.

4 Methodology

4.1 Impact of CEO news on consumer evaluations

We use an autoregressive time-series model to investigate how CEO news events covered in public media have historically influenced consumer evaluations (for similar approaches, see Liu & Shankar, 2015; van Heerde et al., 2015). The dependent variable $\widetilde{CE}_{bt}$ denotes consumer evaluations for brand b, and t denotes our daily observation period. *CEO news* represents the events of the pre-defined CEO news type categories k. We measure the occurrence of a CEO news event as a sequence of dummies for the first 5 days after an event occurs, a time span that gives time for consumers to read and process the news. Apart from this immediate effect, we also consider a 30-day and 60-day step-dummy to capture long-term effects. Thus, our model is specified as follows:

$$\widetilde{CE}_{bt} = \sum\nolimits_{k}^{K} \beta_k CEOnews_k + \upsilon_{bt}\widetilde{CE}_{bt-1} + \sum\nolimits_{c}^{C} \gamma_{btc} controls_{btc} \quad (1)$$

In line with existing studies (e.g., Liu & Shankar, 2015), our underlying assumptions is that CEO-related news events are exogenous, based on the likelihood that most consumers and investors remain unaware of these events until reported in the media. To address residual autocorrelation concerns, our model includes the lagged dependent variable $\widetilde{CE}_{bt-1}$. Additionally, we account for time trends, seasonality, and brand fixed effects represented by c, which help to capture unobserved heterogeneity across firms and time periods. The β, υ, and γ parameters in our model quantify the impact of each variable on consumer evaluation.

Table 2 Sample statistics and examples in news media

CEO news category	Examples in news media	Sample sizes	Most mentioned CEOs
CEO scandals	• Steve Wynn accused of sexual misconduct (CNN 2018) • CEO Elon Musk smokes marijuana during a podcast taping (CBS 2018)	184 news events; 42 firms; 49 CEOs	1. Mark Zuckerberg 2. Elon Musk 3. Jeff Bezos
CEO compensation	• Zuckerberg tops CEO list with $3.3B pay (*New York Post* 2013) • GE gives CEO Immelt a pay raise after a solid 2013 (*WSJ* 2014)	105 news events; 36 firms; 41 CEOs	1. Jamie Dimon 2. Reed Hastings 3. Elon Musk
CEO changes	• Foot Locker CEO Ken Hicks to retire; COO Richard Johnson will take his post (*WSJ* 2014)	120 news events; 89 firms; 112 CEOs	1. [a]Peter Hancock 2. [a]Tony Hayward 3. [a]Roland Smith
CEO accomplishments	• Why Chipotle's Brian Niccol is the CEO of the Year (CNN 2018) • Netflix CEO Reed Hastings makes the *Forbes* 400 For the first time (*Forbes* 2017)	106 news events; 41 firms; 47 CEOs	1. Mark Zuckerberg 2. Satya Nadella 3. Jamie Dimon
CEO altruism	• Amazon's Jeff Bezos to spend nearly $100 million to address homelessness (*Forbes* 2018) • Mark Zuckerberg and Priscilla Chan pledge $3 Billion to fighting disease (*New York Times* 2016)	29 news events; 6 firms; 6 CEOs	1. Mark Zuckerberg 2. Tim Cook 3. Jeffrey Bezos
CEO political ideology	• Facebook's Mark Zuckerberg starting political group (*WSJ* 2013) • Rex Tillerson, Exxon chief, is expected to be pick for Secretary of State (*New York Times* 2016) • IBM CEO Joins Trump business-policy advisers (*WSJ* 2016)	49 news events; 20 firms; 20 CEOs	1. Mark Zuckerberg 2. Tim Cook 3. Virginia Rometty
CEO miscellaneous	• Mark Zuckerberg gives 20-min speech in Chinese (CNN 2015) • Tim Cook honors Steve Jobs on his birthday (*USA Today* 2017) • Miranda Kerr marries Snapchat founder Evan Spiegel (*USA Today* 2017) Goldman CEO Lloyd Blankfein has lymphoma (*Wall Street Journal* 2015) • Chief executive Mark Zuckerberg sees Facebook's future focused more on private sharing than public content (*WSJ* 2019)	132 news events; 56 firms; 61 CEOs	1. Mark Zuckerberg 2. Elon Musk 3. Tim Cook[a]

[a]Multiple CEOs were at the rank of most-mentioned CEOs; the CEO listed one of those

4.2 How the consumer response determines stock market responses

To examine the effect of consumer responses on stock market reactions, we refer to the methodology of an event study (e.g., Bartz et al., 2013). We calculate the expected stock market returns and compare these with the actual stock market returns to derive the abnormal returns. For estimating expected returns, we utilize the Fama–French/Carhart four-factor model (Fama & French, 1993). Our estimation window spans from 10 to 255 days prior to the CEO news event, and we use a 3-day [− 1 to 1] event window to compute the cumulative abnormal returns (CAR) for each news category, following prior literature Dinner et al. (2019). We then assess how consumer reactions influence stock market responses to CEO media coverage. The estimated CAR [− 1, 1] serves as dependent variables, regressed on *consumer response* (re-estimated individual β coefficients from Eq. 2), leading us to formulate our ordinary least squares equation as follows:

$$CAR_i = \alpha_0 + \alpha_1\ consumer\ response_i + \sum\nolimits_s^S \delta_{is}\ CEOFirmMediaCharteristics_{is} + \varepsilon_i \tag{2}$$

Importantly, this two-stage approach enables us to control for a wide range of CEO, firm, and media characteristics (see Web Appendix B and F). In addition, we use clustered error terms to control for the cross-sectional dependency between events within brands.

5 Results

5.1 Estimated main effects on consumer evaluations

Table 3 demonstrates the short- and long-term effects of various CEO-related news on consumer evaluations. It allows for a direct comparison of each news category's relative impact. Generally, the effects are consistent over time.

CEO scandals significantly decrease consumer evaluations both immediately ($\beta = -0.044$, $p < 0.01$) and over time ($\beta = -0.042$, $p < 0.01$), confirming H1. CEO compensation news does not significantly affect consumer evaluations, thus not supporting H2. News about CEO accomplishments have a marginal positive effect, only for the 30-day event window ($p < 0.10$), supporting H3. CEO changes negatively impact evaluations in both short- ($\beta = -0.011$, $p < 0.05$) and long-term periods ($\beta = -0.010$, $p < 0.05$), confirming H4a. CEO's political ideologies positively influence consumer evaluations in both short- ($\beta = 0.022$, $p < 0.01$) and long-term ($\beta = 0.017$, $p < 0.01$), supporting H5a. CEO altruism boosts evaluations only short-term ($\beta = 0.019$, $p < 0.05$), aligning with H6. This declining effect may stem from reduced novelty and skepticism about ongoing altruistic authenticity.

In a supplementary analysis, Web Appendix G details further conditions influencing the impact of CEO-related news on consumer perceptions beyond just news

Table 3 Main effects of CEO news types on consumer evaluations

Dependent variable		$\widetilde{CE}$(consumer evaluation)									Average abnormal returns (stock prices)		
		Immediate effect 5 days			Long-term effects 30 days			Long-term effects 60 days			Immediate effect; event day[b]		
	Expect	Coefficient	Std. error	Effect sizes[a] (%)	Coefficient	Std. error	Effect sizes (%)	Coefficient	Std. error	Effect sizes (%)	CAAR	*t*-test	Effect sizes (US $ in Mio)
CEO news types													
Scandals	–	−0.044***	0.004	−13%	−0.042***	0.002	−12%	−0.040***	0.001	−12%	−0.71%***	−5.342	−500$
Compensation	–	−0.002	0.005	−1%	0.001	0.002	0%	0.002	0.002	1%	0.03%	0.093	21$
Accomplishments	+	0.002	0.005	+1%	0.003*	0.002	1%	0.001	0.002	0%	0.66%***	3.730	464$
Change	−/+	−0.011**	0.005	−3%	−0.011***	0.002	−3%	−0.010***	0.001	−3%	0.23%	1.156	162$
Political ideology	−/+	0.022***	0.008	+6%	0.015***	0.003	4%	0.017***	0.002	5%	0.30%	1.408	211$
Altruism	+	0.019**	0.010	+6%	0.003	0.004	1%	−0.001	0.003	0%	0.43%	1.163	303$
Miscellaneous		−0.002	0.005	−1%	0.001	0.002	0%	0.002	0.002	1%	0.02%	0.114	14$
Control													
Lagged DV		Included			Included			Included			Fama–French 4-factor model		
Brand fix effects		Included			Included			Included					
Trend variable		Included			Included			Included					
Seasonality		Included			Included			Included					

Consumer perspective

Coefficient of determination: Adj. $R^2 = 0.944$

Sample size: N (brands) = 125, N (events) = 725, N (obs) = 401,475

One-sided t-test only for directional hypotheses, two-sided t-test otherwise; $^{*}p<0.01$ $^{**}p<0.05$, $^{***}p<0.01$

[a]percentage loss/gain in brand strength

[b]While consumer may need a few days to process the news, investor decisions are usually immediate. However, we provide alternative event windows in Web Appendix H. To better understand the practical effect sizes of our estimation results, we used our parameter estimates to simulate the percentage changes in consumer evaluations. In addition, we highlight the average financial loss or gain on the stock markets by multiplying the AAR (0) with the average market value of all companies (=$70,376 million)

types. Media valence emerges as a key factor ($\delta = 0.0409$, $p < 0.01$). Additionally, news about Asian CEOs receives more negative reactions compared to American CEOs ($\delta = -0.0329$, $p < 0.10$). Lastly, existing brand equity positively affects consumer responses to CEO news ($\delta = 0.0018$, $p < 0.01$).

5.2 How consumer responses determine stock market reactions

To highlight a potential mediating effect of consumer responses for stock market reactions, we first demonstrate the main effects of several CEO-related news types on stock prices in Table 3 (for further event windows, also see Web Appendix H). Much like consumers, investors react negatively to news of CEO scandals (AAR = −0.71, $p < 0.01$) and positively to CEO accomplishments (AAR = 0.66, $p < 0.01$). However, we do not find that news related to CEO compensation, changes, political ideology, or altruism affects stock return ($p > 0.05$).

However, in support of H7, the table in Web Appendix I shows that the consumer response to CEO-related news in general also determines the effect on stock markets ($\alpha = 0.0347$, $p < 0.05$). Thus, we are able to show that consumer responses to CEO news have an indirect impact on investors.

6 Discussion

6.1 Magnitude of the results

This study unveils intriguing insights into the impact of CEO-related media coverage on consumer and investor evaluations. Our comprehensive analysis of 725 CEO-related events from 125 firms over a decade (2009–2019) reveals several notable findings.

The detrimental impact of CEO scandals on brand perception and stock market performance is profound. On average, firms experience a 13% erosion in consumer evaluations, a loss that is still persistent after 60 days, and a staggering US$500 million loss in stock market valuation following scandalous news. The AAR of −0.77% overshadows the impact of product-harm crises (AAR = −0.59% in Chen et al., 2009) and voluntary product recalls (AAR = −0.54% in Gao et al., 2015).

While CEO accomplishments generally have little impact on consumer evaluations, suggesting complex responses to positive media, CEO political views and philanthropy are exceptions. They enhance consumer evaluations by 6 and 5%, respectively, showing a preference for ethically and socially active CEOs. The favorable response to political news might result from media's alignment with their preferred political stances, influencing consumer views. Notably, the effect of CEO political involvement persists beyond 60 days. However, consumers react more intensely to negative news like scandals than to positive aspects such as CEO altruism, in line with the documented negativity bias in literature (e.g., Wojciszke et al., 1993), underscoring the stronger influence of negative media.

Finally, a surprising divergence emerges between consumer and investor reactions to CEO media coverage. While consumers' responses are immediately reflected in stock prices, aligning with efficient market theories, investors show differing evaluations for some types of CEO-related news events. Interestingly, positive consumer responses to CEO activities like altruism or political ideologies do not uniformly translate into positive stock returns. This suggests that investors might view these activities as a potential misallocation of resources, diverging from consumer perspectives. This nuanced finding indicates a complex interplay between CEO actions, consumer evaluations, and investor decisions, adding a novel dimension to existing literature (Luo et al., 2013; Peress & Fang, 2009).

6.2 Managerial implications

Our study yields actionable implications for CEOs, firms, boards of directors, and investors.

For CEOs, the findings underscore the significant influence of media-portrayed behavior on consumer and investor perceptions. The empirical evidence suggests that when CEOs are portrayed as engaging in altruistic activities or aligning with positive political ideologies, it favorably impacts consumer evaluations. Therefore, CEOs should strategically engage in socially responsible actions and communicate these efforts effectively through the media. CEOs can allocate a larger portion of their firm's budget to public relations departments, enabling these teams to craft and disseminate impactful narratives about the company's social responsibility initiatives. For instance, they could develop comprehensive media campaigns that highlight their involvement in community development projects or their commitment to sustainable environmental practices.

For firms and their boards of directors, our study provides insights into the appointment and evaluation of CEOs. Given the observed negative financial implications of CEOs prone to misbehavior, it is crucial for boards to rigorously assess the character and past behavior of CEO candidates. This assessment can include thorough background checks, understanding their past media coverage, and evaluating their track record in ethical decision-making.

Lastly, for investors, our results offer a predictive tool for stock price fluctuations based on consumer responses to CEO-related news. By closely monitoring and analyzing consumer reactions, investors can better anticipate market reactions and adjust their investment strategies accordingly.

6.3 Limitations

We recognize limitations that present future research opportunities. This study concentrates on consumers' overall evaluations through survey data. Despite the richness of YouGov's survey data, it may not fully substitute for pure sales data. Additionally, while suggesting generalizable results for US companies, further studies could explore the impact of CEO media coverage on firms in developing or other developed countries.

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Declarations

Ethical approval Not applicable (surveys conducted by researcher approved by TiSEM IRB).

Informed consent Not applicable.

Conflict of interest The authors declare no competing interests.

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