

Looking for 'insider' information? Listen closely to CEOs

Duke research concludes that execs unwittingly hint at future performance with voice inflections

by Jason deBruyn

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DURHAM – While sticks and stones still break bones but words never hurt, if you listen closely to a chief executive's voice inflection, you might get an inside track on predicting a company's profitability.

Researchers at Duke University's Fuqua School of Business say they've found a way to garner hints about a company's future performance by charting tones of excitement or disappointment in a CEO's voice during conference calls with analysts.

"The market picks up that there is info in the CEO's voice," said William Mayew, who along with Mohan Venkatachalam analyzed the voices of chief executive officers and chief financial officers during earnings conference calls. "The more negative the emotional state, the lower the future stock returns," determined Venkatachalam. The researchers predicted future company happenings by a ratio of 8 percent better than chance, they say.

"You can pick up on the tone of management," Mayew says. The pair of researchers studied 1,647 conference calls from 691 unique firms in 2007; they isolated the voices of the individual studied to eliminate any interference. The study was published in the American Finance Association's Journal of Finance. Voice coaches say the findings come as no surprise.

"I've known this all along," says Linda Shields, a speech pathologist who founded Speaking With Authority Inc. in Raleigh and coaches high-level executives as well as television and radio personalities. "Your emotions will show in your voice every single time."

For C-level executives, the emotion was most pronounced during question-and-answer periods, or what the researchers called "interrogations," with analysts. If CEOs must answer questions off the cuff, they are less prepared, and true feelings become harder to mask, Mayew says.

Voice intonation can be especially difficult in cases in which the language being spoken is not the speaker's primary language, points out Rebecca Linqvist, an executive speech coach for non-speakers of American English with Fripp & Associates, a San Francisco communications consulting firm.

Even years after learning English and pronouncing every word correctly, the voice inflections from a native language can ring through and might inadvertently signal an emotion that the speaker does not really feel.

"How we say things is as important as what we say," Linqvist notes. "Self awareness is the whole key."

Factors unrelated to the topic being discussed can play a role as well. If a top executive had an argument with a spouse that morning, or had a bad day for another reason, that mood can show through in a presentation or conference call, Shields says.

The Duke researchers acknowledge the "false positive" potential, but figured it played only a minor role, if at all. If a CEO has positive news to share but the stock markets do not reflect it in the minutes and hours after a conference call, teams of company representatives would work to correct the error quickly, Mayew says.

Shields offered two tips for making better deliveries. First, the body and face lead the voice, she says. A smile and confident body posture, even on a telephone call, will make themselves apparent in the voice. She also recommends that public speakers record and listen to themselves. How speakers sound in their own heads can differ vastly from how they really sound, she says.

The researchers are going back over the data to see what other predictors they can cull from voice patterns.