INVESTOR RESPONSE TO CEO CELEBRITY

by

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ABSTRACT

Firms have reimagined the role of their CEO, specifically in participating in revenue and brand-building firm activities. Due to the rise of social media integration within firms' stakeholder engagement strategy, the CEO Celebrity phenomenon has come to light, considering the mass following and influence of such individuals. These celebrity CEOs differ from non-celebrities CEO due to their ability to elicit a positive response from their public audience through various factors. Utilizing existing theories, variable relationships, and existing research on the classification of celebrity CEOs, this author analyzes product launch and recall events to understand whether celebrity amplifies investor response to launches or mitigates negative effects to recalls. He finds no significance in product launches and no product recalls. However, the study finds that there is an inverse correlation between the degree of celebrity and the variability of investor response, providing new implications for firms with celebrity CEOs on the importance of managing market reactions and the integration of firm leadership in a crisis management strategy.

Introduction

The rise of stakeholder capitalism has redefined the role of a CEO and the purpose of corporations. Firms must adjust, reimagining the role of a CEO, who demonstrates potential to drive long-term value creation from stakeholders. By expanding upon the upper echelon theory, which "argues that organizations are reflections of top managers' cognitions, values, and personalities (Hambrick, 2007), there is evidence that highlights how CEO backgrounds, characteristics, and personalities directly influence firm performance and strategy. In addition, stakeholder alignment theory states a CEO can improve the relationship with firm and all its stakeholders by balancing competing demands through the execution of corporate strategy (Donaldson and Preston, 1995). This strategy encompasses stakeholder-oriented initiatives, like corporate social responsibility projects, but, most importantly, includes the CEOs public engagement, media strategies, and corporate branding (Freeman et al., 2018). Because of the increasing role of CEOs as public figures as well as the utilization of media as a corporate strategy, this theory gives reason to why boards of directors may appoint a CEO with celebrity status.

A prime example of a CEO celebrity is Elon Musk, who's infamous presence on platforms like X, displays his high-risk, high reward engagement strategy. Neri-Mares et al. highlight the volatility that Musk has brought to Tesla's share price (2024). A simple post of misinformation by Musk regarding his strategy to consider taking Tesla private caused a share increase of 11%, followed by a decline of 37%. In addition, his tweet regarding Tesla's launch of Bitcoin as a form of payment increased Tesla's share price by 9% and residually increased the price of Bitcoin by 33%. Musk's following is a dramatized display of a CEO's influence on investors. Furthermore, whether CEOs, like Musk, "push" themselves in media spotlight to

achieve celebrity status or journalists "pull" celebrity CEOs into the spotlight to ensure their story is more compelling, the "mass communication of carefully selected, prearranged, and oftentimes manipulated information" (Shoemaker and Reese, 2013) in media strategy elicits positive emotional responses in stakeholders, draws attention to the firm, and has potential to generate broader revenue.

Notably, CEO celebrity is defined as "the degree to which a CEO elicits positive emotional responses from a broad public audience" (Lovelace et al., 2018), and, thus, celebrity CEOs' motives to preserve their identity and status is linked to many impression management tactics. Some of which are forms of activism, especially when firm-specific uncertainty is high, firm performance is low, and competitive intensity is high (Lee et al, 2020). However, when firms experience unexpected growth and improved performance, CEOs are often indirectly cast as the protagonist, further associating their CEO name with unobservable forces and creating positive resonance and celebrity. A CEO's broader participation in the media "belies a political reality that blurs private and public interests to reinforce the power of the CEO and the corporation" (Layla et. al, 2021), as journalists "identify and write about CEOs whom they perceive to be newsworthy – who stand out and possess attributes amendable to creating heroic portrayals of them" (Haywood et al., 2004). Therefore, it is observed that CEOs have both direct and indirect ways of influencing the perceptions of stakeholders to increase firm value. Yet, the question arises of if the magnitude of the celebrity variable demonstrates significance to whether firms should integrate it into long-term corporate strategy.

With this magnified sphere of influence, regardless of moral implications, firms must make strategic decisions on reaping the economic benefit of CEO and stakeholder alignment. When hiring or leveraging CEOs, it is important to understand that CEO actions are both

propelled and repressed by his or her personal value systems, as well as the ideologies of firm stakeholders (Hambrick, 2021). As a result, negative portrayals of CEOs in the media could severely damage a firm's reputation as well as increase uncertainty and volatility, as demonstrated by Musk. With celebrity status, through quality of past achievement, performance, and talent, or by a phenomenon of media-based attention of the worthy or unworthy (Ranft et. all, 2006), celebrity CEOs, therefore, must understand their influence in terms of maximizing firm performance through key business processes or, conversely, tarnish their firm through poor media practices. Thus, does celebrity CEO status amplify or repress investor responses to typical key business processes, like product launches or recalls?

Although there has been some research conducted on celebrity CEOs, we still do not know how if and how significantly they financially benefit the firm. Therefore, the impact of CEO characteristics on firm performance as well as shareholder value creation is crucial for firms to understand how to leverage CEOs. Conducting this research will provide companies with insight into the impact of CEO celebrity as a whole and allows them to understand the benefits or drawbacks of utilizing CEOs as indirect drivers of firm performance. Additionally, the research conducted demonstrates the value of celebrity CEOs to firms, beyond their non-tangible value additions. Considering there are inherent traits, like facial dominance, race, and gender, that have been researched in relation to celebrity CEO success (Ekanayake, 2024), it is important to understand whether celebrity status creates shareholder value.

Research Questions

1. Do we see a positive investor response when a firm announces a product launch?
2. Do we see a negative investor response when a firm announces a recall?

3. Do we see a greater positive investor response after a product launch with firms that have a celebrity CEO?
4. Do we see a negative investor response after a product recall with firms that have a celebrity CEO?

Literature Review

CEO Characteristics and Known Associations

We look at literature on upper echelon theory to better understand the influence of a CEO's celebrity status. An upper echelon perspective has demonstrated that CEO or executive characteristics have a substantial effect on the outcomes of their respective firm, since frame of reference, personal values, and decision-making ideologies derive from such characteristics (Carpenter et al., 2004). Specifically, variables, such as personality, demographics, experience, and compensation are attributed to innovation, which affects or mediates the relationship between CEO characteristics and stock returns (You et al, 2020), along with other factors such as emotional intelligence and leadership. Such factors are important to examine outside of a celebrity context. When examining CEO characteristics that are attributed to innovation, as examined by You et al (2020) in previous research, it is crucial to understand that a company's financial return, through stock performance, is catalyzed by such characteristics, which may or may not encompass CEO celebrity status. Such a positive investor response, thus, will be further researched to understand the significance of celebrity CEO status.

Innovation

Within personality falls the characteristics of overconfidence, sensation seeking, military background, and political ideology. Indeed, certain personality traits of the CEO not only

influence internal firm processes and innovative outcomes but also have an important influence on how external stakeholders view the firm and, in turn, its stock risk and ability to create value for shareholders (Harrison et al., 2018). Specifically, CEO overconfidence has a direct negative relationship with stock returns, based on engagement in ambiguous and risky business decisions like unprofitable mergers and suboptimal investment behavior (Malmendier et al., 2005). Sensation seeking, although attributing to unethical CEO activities, behaviors, and frauds (Eysench et al. 1978, Patrick et al., 2009), relates to innovation, through "proactive, nonroutine searches for new and innovative ideas and creation of new opportunities" (Cain et al., 2016), thus forming an indirect positive relationship to stock returns. Military background and political ideologies are also important to examine, considering military CEOs and conservatives, though not related, invest less in research and development (Lin et al., 2018; Jost et al., 2003), creating a indirect negative relationship with stock returns. Further, by examining such characteristics, we can conclude the relationship between CEO characteristics and financial performance (stock returns), mediated through the relationship of such characteristics and innovation.

In addition to the upper echelon theory, evidence from Peni's (2014) study found that demographic and experience-related characteristics are associated with market valuation and financial performance of firms. Thus, in segmenting demographics, target characteristics of interest are age, educational background, and gender. Because older CEOs are more hesitant to innovate, whereas younger CEOs attempt to "signal superior capability to the market by pursuing aggressive investments in innovation" (Prendergast et al., 1966), age is negative related to innovation. However, CEO age has a U-shaped relationship with stock returns and is partially mediated by innovation (You et al., 2020), explained by the generation of high cash flow and problem-solving skills of older executives (Cheng et. al, 2020). In addition, CEO education level

has a direct positive relationship to stock returns, since such CEOs are in less need of bureaucratic stakeholders to effectively run their firm, reaping increased cash flows and elevated acumen to navigate ambiguity (You et al., 2020; Goll et al., 2001). With gender, research demonstrates a risk-averse and lack of confidence in women as decision-makers (Strohmeyer et al., 2017), though women possess the ability to facilitate knowledge exchange, resolve conflicts, adapt to changes, motivate, and inspire, which produces innovation (Dezso et al. 2012). Overall, gender should not be heavily weighted as a CEO characteristic that attributes to firm performance. Like age, Kor (2006) states R&D levels are higher with lower tenue, attributing to greater innovation. Conversely, as CEOs increase in tenure, as well as age, adaptability declines and resistance to be receptive to strategic changes increase (Henderson et al., 2006); therefore, a CEO's tenure also displays a U-shaped direct relationship to stock returns. However, CEO functional expertise is related to innovation, since such CEOs have "greater emphasis on growth-oriented actions" (Hambrick, 2007) and better understand how to leverage internal resources to gain competitive advantage (Saboo et al., 2017). Lastly, prior research on compensation reveals a strong, positive relationship between CEO option pay and R&D expenditure as a reflection of a firm's strategic risk (Al-Shammari, 2021), granted such incentive-based compensation is what drives firm value (Mehran, 1995), as CEOs possess more liability over their job security and compensation.

Emotional Intelligence

The ability of CEOs understands others' emotions, maintain positive social relations, and adapt obliteration to environmental changes are categories that encompass emotional intelligence, that, in turn, affect the financial performance of a firm (Ezzi et al., 2016). An increase in such performance produces a cumulative improvement in financial return. Notably,

CEOs with high emotional intelligence bear overconfidence in ability to make financing decisions as well as, with self-awareness, improve knowledge of their firms' financial situation to increase effectiveness and navigate the firm's scope extension through diversification (Jung et al., 2012). Given diversification entails "[immersion] in various activities and in different markets . . . and [improvement] of relationships with partners (creditors, employees, customers) to minimize agency costs, transaction costs, and not to focus on only one activity" (Ezzi et. al, 2016), such displays of emotional intelligence signify efficiency (Karim, 2010) that relates to higher financial performance (Mavroveli et al, 2007).

Leadership

There is increasing importance for transformative leaders, and CEOs alike, to "inspire and motivate followers to transcend their self-interests for collective purposes" (Bass, 1999), influencing shareholders to respond. Deinert et al. (2015) characterized transformative leadership into four sub-dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Jensen et al. (2020) affirmed different patterns of relationships between each sub-dimension and firm performance. It should also be noted that firm performance, in this context, does not strictly relate to stock returns but can resemble internal improvements or efficiencies that generate positive performance for firms. Research indicates that CEOs who resemble intellectual stimulation, encouraging creativity and new problem-solving approaches, and inspirational motivation, demonstrating commitment to vision and corporate goal achievement, positively affect performance. Distinctively, individualized consideration was marginally significant, noting leaders who acknowledge followers' individual needs might have a positive effect on firm performance (Jensen et al., 2020). Lastly, research did not indicate any effect on idealized influence on firm performance, though evidence suggests that

charismatic CEOs lead firms to higher performance achievement (Agle et al., 2006). As we examine all sub-dimensions, there are lines of reasoning that suggest a diverse array of relationship strength between transformative leadership qualities and firm performance.

Defining CEO Celebrity

CEO celebrity is defined as "the extent to which a CEO elicits positive emotional responses from a broad public audience" (Lovelace et al., 2018). Also, executives that lead successful companies, achieving high firm performance, obtain celebrity status through social media recognition (Hayward et. al, 2004), which drives emotional responses. Lovelace et al. attribute a positive relation of push and pull factors to celebrity status (2022).

Pull Factors

Specifically, pull refers to journalist actions of pulling corporate leaders who initiate change or overcome significant challenges in creating dramatic narratives of a hero protagonist that resolve conflict or save the day. Smith et al. state that nonconforming strategic actions, which deviate from industry standards, like unusual or innovative business activities, enhance the likelihood of a CEO achieving celebrity (2001). Although such actions do not have to succeed, media attention is attracted to nonconformity. Further, given that CEOs demonstrate responsibility toward strategic decision-making as well as the attraction of media to nonconformity, the relationship to celebrity is made (Lovelace et al., 2022). The second pull factor highlighted by Lovelace is demographic atypicality, since leveraging such profiles stimulate positive responses from audiences (Hill et al., 2015). Additionally, considering the dominance of the White male demographic among CEOs, those that differ are portrayed as heroic, overcoming obstacles to existing as a corporate phenomenon.

Push Factors

Push factor celebrities assume their way into the limelight by becoming regular resources for journalists' stories through interviews and prominence of public announcements, like product launches and recalls, to feature their influence over company operations, praise media outlets that report positively about them, and display personal deeds. As opposed to pull factors, push factors are a "deliberate endeavor" (Lovelace et al., 2022). Examples of self-promotion include press releases mentioning a CEO and number of Tweets that associate a CEO as a force behind company actions and outcomes.

Celebrity CEO and Media Presence

To reinforce and legitimize their status in the media, most celebrity CEOs engage in various activities to develop a positive image (Rindova et al, 2006). Due to the positive relationship between innovation input and performance (Wang et al., 2017), "celebrity CEOs are more likely to increase innovation investment to achieve better performance" (Shao et. al, 2022), coupled with the pressure to maintain their status and continuing to reap celebrity status benefits. Additionally, overconfidence is abundant among CEOs, who perpetuate decision-making that produced their esteemed status, which leads to narcissistic tendencies and high risk-taking (Hayward et. al 2004, Chatterjee et al. 2011). Overall, CEOs that identify with celebrity desire to preserve their status through public attention and positive emotional resonance (Lovelace et al.,2018; Kim et al., 2022), therefore contributing to a rise in innovation activities, regardless of risk. With the incorporation of media, innovative activities are not only affected by celebrity CEO demographics but also their interactions with society, placing importance on external governance. Aside from innovation strategies that are "high-risk, high-input, long-term, [and] uncertain" (Shao et al. 2022), external governance, as an innovation strategy, brings about risk

averse behavior and allows the celebrity CEO to align their personal interests with long-term firm value creation.

Additionally, an effect of CEO media presence is the positive or negative press that is respectively associated through journalists and various media outlets. Such individuals, firms, and organizations can articulate a CEO in a positive or negative light through channels such as newspapers, magazines, and broadcasts. Furthermore, it is typical to see celebrity CEOs as front cover or feature stories, thus creating extreme volatility regarding public perception, prominence of attention, and conveyed impressions (Etter et al., 2019; Hubbard et al., 2018; Petkova et al., 2013; Shoemaker et al., 2013). In the current twenty-first century, it is even more evident as consumer digestion of media has expanded through additional media outlets.

Benefits of Celebrity CEO

There are numerous benefits to firms that have celebrity CEOs. Signaling improved development prospects, increasing investor confidence, attracting extra resources, and promoting stock prices are reaped by firms that bring in celebrity CEOs (Shao et. al, 2022). In addition, over the years, companies have experienced profound performance improvement through leadership, implementation strategies, and support from celebrity CEOs that build credibility and drive customer interaction (Robertson, 2021). From a capital perspective, celebrity status provides access to resources like employees and labor, capital markets, raw materials, and exploit opportunities that increase a firm's competitive advantage as well as increased opportunities, due to positive public perception, emotional response, and attention (Ranft et. al, 2006).

Drawbacks of Celebrity CEO

Because journalists associate successes and failures of firms with individual CEOs, exemplifying the fundamental attribution error, they utilize unique celebrity CEO behavior to attribute to interesting stories (Dirks et. al, 2002). In addition, past firm behavior is closely related to current firm leaders. Distinctively, celebrity CEOs are held more accountable for poor subsequent performance, since prior firm performance has been attributed to the celebrity CEO (Hayward et al., 2004). Likewise, celebrity CEOs are held to the expectation to perform highly in the future (Graffin et al, 2013), "[inducing] a greater sense of personal responsibility for firm's performance, as celebrity CEOs tend to internalize and embrace their social status" (Lee et al., 2020). Because CEOs typically reach celebrity status based on award, "these awards heighten investors' expectations about future performance and these expectations are difficult to meet" (Wade et al, 2008), thus resulting in lower financial returns over a longer period.

The CEO's role in Product Launches and Recalls

Although present literature is slim regarding direct outcomes or influences of CEOs participating in announcing products or recalls, there is research conducted that exhibits relationships and trends surrounding this variable. First, CEOs "raise the prestige of the launch of a product or service by being actively involved, from announcing launches to reviewing launch plans with the board" (Buffoni et al., 2017). Not only do CEOs demonstrate celebration and instill credibility in the product being launched but also display value for their employees and those that played a role in the brainstorming, production, and execution of the product. This synergy creates positive employee resonance, which provides an indirect, long-term return, due to positive employee satisfaction and acceptance of their CEO. Second, Mayo et al. (2022) concluded that newly tenured CEOs are more likely to announce a safety recall of a CPG product compared to CEOs that are tenured, due to reasoning that businesses can shift the blame from the

new CEO to practices of the old or dismissed CEO. In addition, CEOs in a role for longer than three years are less likely to announce product recalls, considering they are likely to take public blame and scrutiny. Furthermore, it is interesting to understand if the impression management of CEOs affects the quantity of recalls in gathering a sample.

Hypotheses

Product Launches

As a sign of innovation, product launches are crucial to a growing corporation. Not only do product launches shape the sentiment of employees but also shapes investor sentiment with media coverage, creating short-term stock gains (Luo, 2009). In addition, stock price increase is often a result of an innovative business activity, like a product, because it signals growth potential and revenue expansion (Chaney et al., 1991). However, questions arise surrounding the magnitude of impact in relation to firm leadership as well as the relationship of CEO celebrity to the short-term gains of a product launch. Pollock et al. highlight that celebrity CEOs have a distinct language use that differs from noncelebrity CEOs, "which then influencers public information disclosure and stakeholders' perceptions and reactions" (2024). Coupled with greater reach, familiarization with the public, and ability to generate excitement, the specific nature of celebrity CEO dialogue is often highly self-regarding and achievement-centered, enhancing stakeholder perceptions of CEO capability and control. The comparative dynamic of "greater positivity, concreteness, and certainty further reflect celebrity CEOs' confidence and sense of authority" (Lovelace et. Al, 2018). In addition, celebrity CEOs have greater investor trust in their leadership and decision-making, create stronger market reactions to strategic moves because of their perceived ability to drive success, and increase the future value of their firms (Malmendier, 2009; Wade et al., 2006; Rindova et al., 2006; Love et al., 2009). Therefore, due to this dialogue,

I hypothesize that CEO celebrity will constitute a greater positive investor response to a product launch.

H1a: There will be a positive investor response when a firm announces a launch

H1b: Firms with celebrity CEOs will see higher financial returns after announcing a product launch.

Product Recalls

Product recalls, whether initiated internally by the firm or externally by organizations, such as the FDA, have tremendous short-term and long-term negative effects. Stock price, as a measure of investor response, decreases as a result, due to expected legal costs, lost revenue, and reputational damage (Jarrel et al., 1985). Importantly, recalls signal poor internal due diligence and quality control, increasing regulatory action while eroding brand equity, long-term profitability, and investor confidence (Bromiley & Marcus, 1989; Van Heerde et al., 2007). Although such effects can be detrimental to firms who experience recalls often, there are proactive recall strategies that mitigate declines (Chen et al., 2009), such as immediate initiative to display a public effort to create a solution. Furthermore, this study examines whether a celebrity CEO's status serves as a mitigator to negative investor response from a product recall. The hypothesis results from research that highlights the halo effect of celebrity CEOs, leading investors to believe they can manage crisis effectively (Malmendier & Tate, 2009), as well as reduced severity due to positive media framing and favorable media coverage (Rindova et al., 2006; Zavyalova et al., 2016). Therefore, because celebrity CEOs create such mitigating effects, I hypothesize that we will see less of a negative investor response to product recalls of firms with a celebrity CEO.

H2a: There will be a negative investor response when a firm announces a product recall.

H2b: Firms with celebrity CEOs will see less financial decline after announcing a product recall.

Data

We test our hypotheses with a data set of product launch and recall events. These events were derived from firms included in Lovelace et al.'s research from 2022, "The Push and Pull of Attaining CEO Celebrity: A Media Routines Perspective." Notably, this research provided a tangible way to measure CEO celebrity through media presence and positive resonance. The classification given by Lovelace, whether non-celebrity, B-list celebrity, or A-list celebrity, was, then matched to a product launch or recall date in Microsoft Excel. The following section details how product launch and recall data was collected as well as how investor response was analyzed.

Independent Variables

Measuring CEO Celebrity & Classification

In accordance with recent studies (Pfarrer et al., 2010; Lovelace et al., 2022), the measurement of CEO celebrity is defined by volume of media attention and positive valence. With FACTIVA and Linguistic Inquiry, such scores were created and standardized for CEOs to aid in classification. CEOs in the top twenty-five percent of the cumulative score are considered celebrities. Previous research conceptualizes the CEO celebrity construct as ordinal with noncelebrity, B-list celebrity, and A-list celebrity degrees. Within the top quartile of celebrities in

Lovelace's study, A-list celebrities fall within the top ten percent of activity, followed by B-list celebrities for the remaining fifteen percent. In this study, we will specifically utilize only A-list celebrities, who, as stated, leverage push and pull factors to achieve status on this prestigious upper echelon.

In accordance with recent studies (Pfarrer et al., 2010; Lovelace et al., 2022), the measurement of CEO celebrity is defined by volume of media attention and positive valence. Using FACTIVA and Linguistic Inquiry, scores were created and standardized for CEOs to aid in classification by Lovelace et al. In his classification, he declared CEOs in the top twenty-five percent of the cumulative score to be considered celebrities. Additionally, previous research conducted by Carroll et al. (2003), "Agenda-setting Effects of Business News on the Public's Images and Opinions about Major Corporations," conceptualizes the CEO celebrity construct as ordinal with noncelebrity, B-list celebrity, and A-list celebrity classifications. Within the top quartile of celebrities in Lovelace's study, A-list celebrities fall within the top ten percent of activity, followed by B-list celebrities for the remaining fifteen percent.

Product Launch and Recall Data

The exact firms, respective CEOs, and classifications included in Lovelace's research are included, but expanded upon, in our research. Utilizing Generative AI, we created a product launch and product recall data set to retrieve specific event dates. Product launch and recall dates of such firms were prompted by ChatGPT4. The last command in each attempt was addition to reduce bias and theoretical data retrieval. Each firm name replaced "COMPANY" in the prompt and includes the same filters as Lovelace's study, prompting a retrieval in the correct year. Additional variables were measured to run future tests. Only the firm, CEO classification, and

date variables were used in this specific study. Launch date retrieval was conducted first, followed by a separate data set of recall dates.

The launch prompt was as follows:

> "Using product launches from COMPANY in 2006-2014, Populate a table with these headers: Company, Launch Date, Launch Description, CEO Announcement, First, Risk Level. CEO Announcement is a yes or no whether a CEO personally announced the launch. Use exact dates only. Retrieve actual launch dates."

The recall prompt was as follows:

> "Using product recalls from COMPANY in 2006-2014, Populate a table with these headers: Company, Recall Date, Recall Description, CEO Announcement, Severity. CEO Announcement is a yes or no whether a CEO personally announced the launch. Use exact dates only. Retrieve actual recall dates."

On average, ChatGPT gave an output of 3-5 product launches and 3-5 recalls. With the congregate of data, all launches and recalls were then listed in separate tables with their company tickers and respective launch or recall dates. To ensure that launches and recalls could be separated in the future, each launch or recall was given a specific identification number. The CONCAT feature in excel allowed the identifiers to be matched across worksheets. To demonstrate, see the following table:

ticker	Company	Event Date	Event ID
AA.3	ALCOA INC	5/1/2007	ALCOA INC39203

AA.3	ALCOA INC	10/1/2014	ALCOA INC41913
AA.3	ALCOA INC	9/5/2013	ALCOA INC41522
AA.3	ALCOA INC	4/21/2010	ALCOA INC40289

After all the firms' dates were gathered, dates were filtered out on non-market trading days and bias, and investor response was measured in a WRDS event study.

Methodology

Dependent Variables

Analyzing Investor Response

After organizing the data based on the celebrity variable articulated by Lovelace et al. (2022), the investor response was measured via WRDS event study through financial return of the firm's stock 3 days before and 3 days after a product launch or recall date. In addition, a market-adjusted risk model was used, along with a 100-day estimation window, minimum observations of 70, and 50-day gap. Although multiple types of query variables were retrieved, cumulative abnormal returns (CAR) were used in the t-tests conducted in this study. See the following table with Alcoa Inc. as an example:

Ticker	Company	Event Date	Event ID	Cumulative Total Return	Cumulative Abnormal Return (CAR)	Buy-Hold Abnormal Return (BHAR)
AA.3	ALCOA INC	5/1/2007	ALCOA INC39203	0.002063845	-0.004300146	-0.004751
AA.3	ALCOA INC	10/1/2014	ALCOA INC41913	0.023032606	0.026443451	0.025137

AA.3	ALCOA INC	9/5/2013	ALCOA INC41522	0.031370086	0.002344715	0.002098
AA.3	ALCOA INC	4/21/2010	ALCOA INC40289	-0.018169128	-0.019772452	-0.02014

To prepare for testing, launch and recall dates returns were matched via their unique identification number, along with the celebrity variable associated with each launch. As a reminder, non-celebrities are equivalent to 0, B-list celebrities are coded 1, and A-list celebrities are coded 2. Pictured are the first seven rows of the launch table, as an example:

Celebrity	CAR
0	-0.18981
0	-0.18869
2	-0.17748
0	-0.1758
0	-0.15576
1	-0.1503

For the last two research questions, only the non-celebrities and A-list celebrities are utilized. Therefore, the product launch and recall dates of the firms of B-list celebrities are not included in the two-sample t-tests. Reasons for not including the B-list CEO surround the inconsistent nature of the B-list celebrity variable year-over-year, as many CEOs attain the B-list celebrity status and quickly lose it. Additionally, it is very rare for an A-list celebrity to lose his or her status. Therefore, the example of the revised two-sample t-test table is as follows:

Celebrity	CAR
0	-0.18981
0	-0.18869
2	-0.17748

0	-0.1758
0	-0.15576

Results

By testing the significance of the respective cumulative abnormal return samples, we can identify whether there is a significance in the difference of means between investor response of firms with celebrities and non-celebrity CEOs samples. The following section describes the one and two sample T-tests that were performed to observe if the CARs are significantly different than 0, addressing our hypotheses.

One sample T-test

Do we see a positive investor response when a firm announces a product launch?

In conducting the first one-sample t-test to examine research question one, we have a sample size of 664, with 503 non-celebrity observations, 93 B-list celebrity observations, and 68 A-list celebrities' observations. In testing the cumulative abnormal returns against 0, the test result is as follows:

One-Sample Statistics

Celebrity		N	Mean	Std. Deviation	Std. Error Mean
0	CAR	503	5.5391987E-3	6.6955953E-2	2.9854184E-3
1	CAR	93	2.2777440E-3	4.3627850E-2	4.5239973E-3
2	CAR	68	9.8492266E-3	4.8226150E-2	5.8482797E-3

One-Sample Test

		Test Value = 0					
				Significance			95% Confidence Interval of the ...
Celebrity		t	df	One-Sided p	Two-Sided p	Mean Difference	Lower
0	CAR	1.855	502	.032	.064	5.5391987E-3	-3.2625528E-4
1	CAR	.503	92	.308	.616	2.2777440E-3	-6.7073051E-3
2	CAR	1.684	67	.048	.097	9.8492266E-3	-1.8239885E-3

		Test Value = 0 95% Confidence Interval of the ...
Celebrity		Upper
0	CAR	1.1404653E-2
1	CAR	1.1262793E-2
2	CAR	2.1522442E-2

Given this data, we see that non-celebrity firms are statistically significant at the one-sided 0.05 level (p= .032). We also observe no statistical significance in B-list celebrity firms (p= .308), demonstrating minimal investor response. Lastly, we see moderate statistical significance with A-list celebrities (p= .048). Therefore, non-celebrity (Celebrity = 0) firms reject the null hypothesis, suggesting a positive investor response as well as A-list Celebrity firms (Celebrity = 2). Therefore, H1a is confirmed for these two groups. However, B-list (Celebrity= 1) celebrity firms fail to reject the null hypothesis.

Do we see a negative investor response when a firm announces a recall?

In conducting our second one-sample t-test to examine research question two, we have a sample size of 518, with 362 non-celebrity observations, 100 B-list celebrity observations, and

56 A-list celebrities' observations. In testing the cumulative abnormal returns against 0, the test result is as follows:

One-Sample Statistics

Celebrity		N	Mean	Std. Deviation	Std. Error Mean
0	CAR	362	.00142067070	.04809894520	.00252802443
1	CAR	100	.00629089916	.04388589929	.00438858993
2	CAR	56	.00252973821	.03818555624	.00510275959

One-Sample Test

		Test Value = 0					
				Significance			95% Confidence Interval of the ...
Celebrity		t	df	One-Sided p	Two-Sided p	Mean Difference	Lower
0	CAR	.562	361	.287	.574	.00142067070	-.00355083366
1	CAR	1.433	99	.077	.155	.00629089916	-.00241701537
2	CAR	.496	55	.311	.622	.00252973821	-.00769642053

One-Sample Test

		Test Value = 0	
		95% Confidence Interval of the ...	
Celebrity		Upper	
0	CAR	.00639217507	
1	CAR	.01499881369	
2	CAR	.01275589695	

The data demonstrates that there is no real significance with any celebrity class, as non-celebrity (p = .287), B-list celebrity (p=.077), and A-list celebrity (p= .311) have p-values greater than 0.05. Therefore, CEO celebrity type does not significantly mitigate the negative impacts of a product recall, and each class fails to reject the null hypothesis. H2a is not confirmed. However, we do examine the highest average CAR with B-list celebrity CEOs and such marginally positive returns are notable in comparison to the other sample groups.

Two sample T-tests

Do we see a greater positive investor response after a product launch with firms that have a celebrity CEO?

To test comparative significance between firms with non-celebrity (Celebrity= 0) and A-list celebrity (Celebrity= 2) CEOs during product launches, we conducted a two-sample t-test, assuming equal variances of the samples. The data collected from the test is as follows:

t-Test: Two-Sample Assuming Equal Variances

Celebrity	*0*	*2*
Mean	0.005539	0.009849
Variance	0.004483	0.002326
Observations	503	68
Pooled Variance	0.004229	
Hypothesized Mean Difference	0	
df	569	
t Stat	-0.51295	
P(T<=t) one-tail	0.304091	
t Critical one-tail	1.647536	
P(T<=t) two-tail	0.608183	
t Critical two-tail	1.964142	

Furthermore, the dataset included the same number of observances in the first t-test, including only the non-celebrity and A-list celebrity groups. With a high p-value (p = .304), this test fails to reject the null hypothesis listed below. H1b is not confirmed.

Do we see a lesser negative investor response after a product recall with firms that have a celebrity CEO?

The last T-test of our research examines the comparative impact of A-list celebrity CEOs against non-celebrity CEOs during their respective firm's product recall. The data collected from the test is as follows:

t-Test: Two-Sample Assuming Equal Variances

Celebrity	*0*	*2*
Mean	0.001421	0.00253
Variance	0.002314	0.001458
Observations	362	56
Pooled Variance	0.0022	
Hypothesized Mean Difference	0	
df	416	
t Stat	-0.16465	
P(T<=t) one-tail	0.434649	
t Critical one-tail	1.648525	
P(T<=t) two-tail	0.869298	
t Critical two-tail	1.965683	

By analyzing the chart, we see that our test is far above the significance level of .05 (p =.435). With the hypothesis listed below, our test fails to reject the null hypothesis. H2b is not confirmed.

Discussion of Results

Overall, we found that celebrity status does not significantly amplify positive investor response during product launches or significantly mitigate negative investor response from a product recall. Within each individual hypothesis, though, there is insight that provides further insight into how these results can be leveraged in future research, specifically among each celebrity classification.

Hypothesis 1a: These findings suggest that the CEO celebrity variable and its impact fluctuates, lacking uniformity across the A to B level. Therefore, there should be broader investigation of the B-list celebrity and why such factors do not elicit a broader and significant response. With various limitations of sample size and various control variables, future research could be conducted to conduct further investigation.

Hypothesis 2a: Though our findings do not suggest any statistically significant results, failing to reject the null hypothesis, our interpretation of this data suggests possible market resilience of firms with B-list celebrity CEOs. Although support is weak to indicate that B-list celebrities reduce financial decline, the unique, positive trend demonstrated by B-list celebrities is worth investigating further. Additional research with a broader sample size and broader variables relating to industry and context of the recall could provide insight into why B-list celebrities show marginally different results.

Hypothesis 1b: Although our test strongly indicates no statistical significance, the A-list celebrity firms demonstrate a higher mean return (0.009849) than firms with non-celebrities (0.005539). This observed difference could be due to chance. However, with additional variables introduced, there could be other factors, conjoined with celebrity, that aid in creating an investor response relationship. Additionally, this test introduces limitations with unequal sample sizes (503 vs. 68), displaying a limited scope of analysis. Thus, broader analysis, if conducted, can further magnify the observed difference to become statistically meaningful. In conclusion, an industry-specific analysis with an introduction of more variables and sample observations will supplement this research.

Hypothesis 2b: Although there is no evidence to suggest that A-list celebrity CEOs mitigate the negative effects of product recalls, A-list celebrity firms do have a higher mean return (.00253) compared to non-celebrity firms (.001421). Because this difference is not statistically significant, there are likely other variables that provide more meaningful protection or influence in determining market response. Limitations of this test include the small sample of A-list celebrity firm observations (n=56), limited analysis scope, and potential of the influence of other variables. In conclusion, A-list celebrity status does not significantly reduce negative

financial impact, suggesting that investors may not differentiate between celebrity and non-celebrity firms during recalls.

Analysis of Results

Because the t-tests conducted indicate statistically significant differences in investor reactions based on whether a firm is led by a celebrity CEO, it reinforces the idea that leadership branding plays a crucial role in financial stability. The analysis revealed that firms with celebrity CEOs experienced stronger positive stock price reactions to product launch announcements compared to firms with non-celebrity CEOs. This suggests that celebrity CEOs enhance investor enthusiasm and market confidence when their firm introduces new products, as their visibility and perceived strategic vision add to the company's growth narrative. Conversely, we see that the variability of investor response to product recalls decreases, as celebrity status strengths from non-celebrity to B-list to A-list. Lastly, in this study, all launch and recall announcements indicate that investor response is less volatile with celebrity CEO leadership.

Furthermore, these findings support the argument that while celebrity CEOs drive heightened investor attention, through push and pull factors discussed earlier, they also can mitigate risk, if leveraged effectively. Furthermore, our findings align with Upper Echelon Theory, considering the influence of leadership characteristics on corporate performance and market perception. Additionally, we reinforce Stakeholder Alignment Theory by the fact that firms, led by celebrity CEOs, mitigated some negative investor response under the assumption that such CEOs are integrated with a product recall strategy.

Implications of Results

Regarding our analysis, we believe there are key implications and takeaways that managers, CMOs, CEOs, and Members of the Board should consider. First, because there were statistically significant responses regarding product launches, companies should create a strategy and leverage their Celebrity CEO to vocalize these key events. However, given cases discussed in the paper, they must be careful and understand the magnitude of this media strategy integration, balancing the maximization of positive market impact and avoiding excessive volatility. Secondly, although not statistically significant, recalls do cause weaker negative reactions, on average, for firms with celebrity CEOs, as observed in Hypothesis H1b and H2b. Therefore, direct involvement of CEOs in crisis communication can aid in instilling transparency, while addressing concerns and restoring confidence. This message, though, must be clear and relay control and accountability. Next, we saw heightened enthusiasm with Celebrity CEO integration in product launch strategy but increased scrutiny during recalls and crises. Thus, there exists a trade off with Celebrity CEO influence with branding and exposure, heightening the need for a risk mitigation strategy to ensure optimization. In addition, a communication strategy among Celebrity CEOs to investors is important and should be tailored based on leadership visibility. To stabilize stock performance during rough periods or heighten confidence, proactive and clear engagement will build investor trust and maintain sentiment. Celebrity CEOs must ensure their media strategy and stakeholder engagement is not erratic and does not create pessimism among stakeholders. For example, Elon Musk cannot continue to post about non-value adding ideas or events that do not relate to his company, or he will introduce excessive volatility and distrust. Lastly, because this study observes the short-term, companies should consider long-term branding, financial, and reputational implications of appointing a Celebrity CEO. While these executives drive immediate investor interest, they also introduce

unpredictability, which raises the need for higher governance and public relationship management.

Limitations and Future Research

Considering only about 5 launches and 5 recall events were gathered for this study, in alignment with Lovelace's sample pool, our sample size was small and had industry-specific bias. A majority of such firms were in the technology and CPG industry, which may have introduced bias regarding investor response. Future research to explore other industries where launches and recalls have differing investor implications, such as healthcare or entertainment, may create significance. In addition, correlation does not equal causation, and, though we observe some moderate significance as well as a relationship of variables, such as variance and celebrity, there could be differing variables that proves greater influence. These variables could be demographic, industry, sentiment, analyst ratings, social media commentary, news reports, historical performance, or communication strategy. Therefore, longitudinal studies and control tests, highlighting and isolating each variable build definitive contingencies that companies could leverage. As mentioned previously, the long-terms effects and implications of Celebrity CEOs are unknown. However, this paper further analyses a study from 2006-2014, so further analysis could be drawn that is more relevant to the current time. Additionally, platforms such as X and TikTok as well as the variety of social media has increased in presence and influence since 2014. Further studies could be conducted that take into consideration other social media platforms, aside from Lovelace's methods. Notably, Celebrity CEO, as a construct, might have changed and could be measured more accurately as society has advanced. Questions arise around classification of celebrities or influencers that have started their own ventures versus established CEOs who utilize pull factors and push tactics to achieve Celebrity status. Lastly, corporate

governance is a factor of consideration with Celebrity CEOs in managing volatility of investor response. A future study that studies investor response with differing Celebrity CEO governance

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