

The Informational Value of CEO Activism for Analysts

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This paper explores how financial analysts respond to CEO activism by examining its effect on analyst forecast accuracy. Analysts, as forward-looking information intermediaries, may interpret CEO activism as a useful and credible nonfinancial information that signals strategic direction and corporate value—or as low-quality noise that increases uncertainty. The results show that, on average, CEO activism improves forecast accuracy, especially in firms with stronger governance, greater transparency, and less controversial issue engagement.

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Keywords: Activism, CEO, Signaling, Credibility, Analyst, Forecast Accuracy

JEL Classification: G14, G20, G24

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Abstract

This paper explores how financial analysts respond to CEO activism by examining its effect on analyst forecast accuracy. Analysts, as forward-looking information intermediaries, may interpret CEO activism as a useful and credible nonfinancial information that signals strategic direction and corporate value—or as low-quality noise that increases uncertainty. The results show that, on average, CEO activism improves forecast accuracy, especially in firms with stronger governance, greater transparency, and less controversial issue engagement.

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1. Introduction

CEO activism, defined as CEOs publicly taking stances on environmental and sociopolitical issues outside their firms' core business operations, has recently attracted significant attention from academics and practitioners alike (Chatterji and Toffel, 2018; Larcker et al., 2018; Mkrtchyan et al., 2023). Corporate leaders increasingly leveraged their influential status to advocate on diverse and contentious issues such as climate change, immigration, LGBT rights, gun control, and abortion law.¹ This trend was particularly notable before President Trump's second term began in 2025, after which his administration moved aggressively to e.g. dismantle diversity, equity, and inclusion (DEI) initiatives, culminating in Executive Order 14151 aimed at terminating all DEI-related programs across the federal government.² As a distinctive form of managerial communication on social and political issues, CEO activism carries inherently ambiguous economic implications. Stakeholder reactions can differ substantially depending on individual political preferences, perceptions of authenticity, industry norms, and regional sociopolitical climates. While some stakeholders may view activism as enhancing firm legitimacy and long-term value, others may perceive it as a diversion from shareholder interests, thereby introducing uncertainty regarding its ultimate effect on firm value. This heterogeneity complicates investors' ability to assess the implications of CEO activism. In this environment, sell-side financial analysts (hereinafter analysts), acting as professional information intermediaries, may play a critical role in interpreting CEO public statements, helping investors form rational expectations about the impact of activism on future firm performance. Given these dynamics, an empirical examination of the informational quality of CEO activism is both timely and necessary.

¹ For instance, Apple CEO Tim Cook on climate change; Bank of America CEO Brian Moynihan on gun reform, AT&T CEO Randall Stephenson on racial justice (Abrams, 2017; Bell, 2017; Calia, 2017; Donnan and Crooks, 2017; Geman, 2017)

² [Corporate America's retreat from social activism is well under way](#) (Morrow, 2024).

Prior research shows that analysts incorporate corporate nonfinancial information and managerial communications into their forecast (Brown et al., 2015; Dhaliwal et al., 2012; Jiraporn et al., 2014b; Li et al., 2025; Nichols and Wieland, 2009). In the context of CEO activism, analysts may similarly interpret these ambiguous signals, helping investors assess the potential implications for future firm performance. Moreover, growing stakeholder expectations and public pressure for corporate transparency about social positions further underscore the informational value of CEO activist announcements. Motivated by the growing recognition of CEO activism as a potentially important source of information, this study empirically examines analysts' responses to CEO activism through their forecast activities. Our primary argument is that CEO activism conveys credible, value-relevant information that enables analysts to enhance forecast quality. The credibility of CEO activism stems from the reputational and financial risks CEOs assume when making public statements on contentious issues, which would be unlikely without substantive strategic considerations. However, we also recognize that CEO activism may introduce additional forecasting complexity, particularly when it involves highly divisive or polarizing topics. Accordingly, we qualify our main argument by proposing that improvements in analysts' forecast accuracy are likely to vary depending on firm-, CEO-, and issue-specific characteristics.

CEO activism can influence analyst forecast quality through two interconnected mechanisms: informative signaling and uncertainty creation. First, CEO activism may serve as a form of strategic communication, offering analysts valuable and credible insights into a firm's strategic priorities, stakeholder alignment, and risk exposure. For example, Merck CEO Kenneth Frazier's resignation from President Trump's American Manufacturing Council in 2017 publicly signaled the firm's commitment to racial equality and social justice, providing stakeholders with meaningful information about the firm's values and potential future positioning (Holodny and Pflanzner, 2017).

Similarly, Netflix co-CEO Ted Sarandos' 2019 statement that the company would reconsider film production in Georgia if restrictive abortion laws were enacted served as a strategic signal, aligning the firm's priorities with those of its key stakeholders (Rawlins, 2019).

These high-profile activist positions reveal meaningful information about a firm's corporate culture and strategic priorities, enabling analysts to refine their earnings forecasts. Two key factors enhance the informational value of CEO activism: value-relevance and signal credibility. Activist stances can influence customer purchasing behavior, employee productivity, investors preference, and thus firm performance. Moreover, consistent with signaling theory, credible activism involves costly actions that less committed firms would find difficult to imitate, thereby reinforcing the reliability of the information conveyed (Spence, 1973). CEO activism is inherently costly because of the high visibility and partisan nature, enhancing its credibility. CEOs who engage in activism assume significant risks, including potential backlash from stakeholders, financial repercussions, and reputational costs that limit their ability to reverse course without harm. This high-stakes environment enhances the perceived sincerity of activist stances, making them a valuable source of information for analysts when forming earnings forecasts. For example, Disney CEO Bob Chapek's delayed response to Florida's "Don't Say Gay" bill in 2022 triggered employee protests and raised questions among analysts regarding the authenticity of Disney's social commitments, illustrating how perceived credibility shapes analysts' evaluations (Blair, 2022).

Conversely, CEO activism can introduce uncertainty into analyst forecasts by triggering unpredictable and heterogeneous stakeholder reactions. For instance, when Target CEO Brian Cornell publicly endorsed a pro-transgender restroom policy in response to North Carolina's Religious Freedom Bill in 2016, the firm faced widespread backlash and boycotts from conservative groups, resulting in a 20% stock price decline and approximately \$10 billion loss

within a month (Peterson, 2016). In contrast, Starbucks CEO Howard Schultz's 2012 announcement supporting marriage equality at an annual shareholder meeting triggered conservative boycotts ("Dump Starbucks"), yet analysts documented no negative stock impact; instead, the company's stock rose roughly 15% over the subsequent three weeks (McGregor, 2013)

These contrasting outcomes underscore that the impact of activism is not uniform, rather, it critically depends on the degree of alignment between the activist stance and stakeholder values. Prior research suggests that activism aligned with customer values tends to enhance sales and brand loyalty (Chatterji and Toffel, 2019; Gangopadhyay and Homroy, 2023; Liaukonytė et al., 2022). Conversely, when activism conflicts with consumer sentiment, it may provoke backlash and reputational harm (Hou and Poliquin, 2023; Jin et al., 2024). A similar dynamic is observed among employees: activism consistent with employee values is associated with higher morale, productivity, and innovation (Appels, 2023; Ji and and Tao, 2024; Mkrtchyan et al., 2024; Wowak et al., 2022), while misaligned activism can erode employee engagement and operational performance (Burbano, 2020). From the investor perspective, CEO activism that aligns with investor values can attract positive market attention and additional investment (Durney et al., 2022; Mkrtchyan et al., 2023), while activism that diverges from investor preferences may trigger divestment or adverse market reactions (Bedendo and Siming, 2021). These diverse and context-dependent stakeholder responses—including those of customers, employees, and investors—significantly complicate analysts' ability to forecast the effects of CEO activism on firm performance. Analysts must therefore navigate considerable uncertainty, as the consequences of activism are shaped not only by the substance of the activist stance but also by the complex and often polarized reactions of the firm's key constituencies.

Therefore, CEO activism simultaneously provides valuable strategic signals and introduces additional uncertainty. Whether activism ultimately enhances or detracts from forecast accuracy depends on which effect dominates. We argue that, on balance, CEO activism predominantly serves an informative role, as analysts prioritize clear and credible signals to mitigate the surrounding uncertainty for investors. Consequently, we hypothesize that CEO activism generally improves analyst forecast accuracy by clarifying firms' strategic priorities and conveying credible commitments, thereby reducing ambiguity about future corporate performance.³

Moreover, several firm- and CEO-characteristics may influence how analysts interpret CEO activism. We identify four dimensions that could affect this relationship. First, corporate transparency may shape analysts' responses. Firms with a strong track record of financial and nonfinancial transparency enhance analysts' confidence, leading them to interpret CEO activism as more credible. In contrast, activism by firms with weaker transparency histories may appear strategically inconsistent or opportunistic, increasing analysts' skepticism. Second, corporate culture could reinforce perceived authenticity. Firms characterized by innovation, integrity, brand strength, product safety, employee satisfaction, and internal coherence tend to bolster the credibility of activist gestures (Li et al., 2025). Third, governance quality and shareholder monitoring may also play a role. Firms with stronger shareholder protection and active institutional monitoring signal effective oversight, thereby enhancing the credibility of activism. Fourth, CEO power—captured by dual roles (CEO-Chairman roles) and relatively high compensation—may influence perceptions of disclosure credibility. More powerful CEOs are better insulated and have fewer incentives to conceal information, making their activist stances appear more credible (Jiraporn et al., 2014b).

³ A recent survey paper on CEO activism by Homroy et al. (2024) documents that more recent literature document that CEO activism is more aligned with stakeholders and “the overall effect on firm is positive”.

Given that analyzing the informational role of CEO activism remains relatively underexplored, we propose an exploratory research question: Do corporate transparency, corporate culture, monitoring strength, and CEO power attenuate or magnify analyst forecast accuracy after CEO activism?

To address the main research question, we compile a dataset of CEO activism events from S&P 500 firms between 2010 and 2019. Descriptive statistics reveal that firms engaging in activism (activism firms) exhibit higher analyst forecast accuracy compared to non-activism firms. Activism firms also tend to be larger, less leveraged, less volatile, and less likely to report earnings losses. They demonstrate higher ESG transparency, superior environmental and social performance, and stronger corporate cultures. Moreover, activism firms are characterized by larger boards, fewer institutional investors, more entrenched management, and coverage by more experienced and less overextended analysts relative to non-activism firms.

In our baseline analysis, we estimate fixed effects regressions using panel data from fiscal years 2009 to 2020, incorporating firm and year fixed effects and clustering standard errors at the firm level. We find a positive association between CEO activism and subsequent analyst forecast accuracy, supporting the view that activism provides informative signals that analysts incorporate into their forecasts. Further analysis reveals that activism related to sociopolitical issues exhibits a slightly stronger association with forecast accuracy than environmental activism, consistent with the notion that social activism has incremental strategic implications compared to environmental activism. Likewise, more controversial activism communication exhibits a slightly stronger association with forecast accuracy than more controversial activism, given that public stances on more contentious or polarizing issues are riskier, thereby strengthening the perceived sincerity and informational content of activism (Melloni et al., 2023).

We also explore the moderating effects of firm and CEO characteristics. The positive association between activism and forecast accuracy is stronger among firms with greater ESG disclosure, stronger corporate cultures, less entrenched management, and more powerful CEOs. Moreover, activism on more controversial issues further amplifies this relationship.

For robustness, we employ entropy balancing to mitigate selection and omitted variable bias by reweighting covariates between activism and non-activism firms. In addition, we implement two-stage least squares (2SLS) regressions using two instrumental variables. Our findings remain consistent across these robustness checks.

This paper contributes to the literature in several ways. First, it extends research on CEO activism by examining its informational role through the lens of sell-side analysts. While prior studies primarily focus on the direct effects of CEO activism on stakeholder perceptions and stock market reactions, we shift attention to how analysts interpret and incorporate activism into their earnings forecasts (Bedendo and Siming, 2021; Bhagwat et al., 2020; Burbano, 2020; Chatterji and Toffel, 2019; Durney et al., 2022; Gangopadhyay and Homroy, 2023; Hambrick and Wowak, 2021; Hou and Poliquin, 2023; Jin et al., 2024; Korschun et al., 2019; Melloni et al., 2023; Mkrtchyan et al., 2024; Wowak et al., 2022). In contrast to research examining analysts' personal or ideological alignment with activist stances, we argue that analysts—acting as professional informational intermediaries motivated by reputational and financial incentives (Brown et al., 2015)—respond rationally and objectively to the informational quality embedded in CEO activist communications.⁴ By focusing explicitly on informational credibility and value relevance, this

⁴ Even though it is assumed that analysts' expertise and career concerns should reduce the effect of bias caused by personal belief, we acknowledge that partisan perception may affect analysts forecast (Jiang et al., 2016)

study provides new insights into how CEO activism affects capital market transparency and the broader informational environment surrounding firms.

Second, this paper contributes to the growing literature on how analysts incorporate nonfinancial information into their forecasts. Prior research demonstrates that analysts integrate various types of value-relevant nonfinancial information, including managerial quality, corporate innovation, corporate culture, and CSR commitment (Bellstam et al., 2021; Brown et al., 2015; Dhaliwal et al., 2012; Huang et al., 2014; Li et al., 2025). We extend this perspective by showing that analysts also interpret CEOs' public stances on contentious sociopolitical issues as strategically valuable nonfinancial signals relevant for forecasting future firm performance. Moreover, we identify specific firm-, CEO-, characteristics that moderate the strength of this relationship, thereby providing a more nuanced understanding of the conditions under which nonfinancial information exerts a stronger influence on analyst forecasting behavior.

Third, this study contributes to the literature examining how CEO characteristics influence analyst forecasting behavior. Prior research documents that CEO attributes such as ability, power, extraversion, integrity, overconfidence, and narcissism affect analyst coverage and forecast accuracy (Baik et al., 2018; Becker et al., 2019; Jang et al., 2023; Jiraporn et al., 2014b; Kramer and Liao, 2016; Marquez-Illescas and Zhou, 2023; Skarlicki et al., 2023). We extend this research by focusing on CEO activism—a highly visible and publicly communicated CEO behavior—and offer a novel perspective on how CEOs' engagement in sociopolitical advocacy shapes analysts' perceptions and forecasting decisions. By examining activism as a distinct and observable CEO action, we provide additional insights into how CEO behavior influences the broader informational environment in capital markets.

Taken together, these contributions deepen our understanding of CEO activism's role in financial markets by demonstrating how activism serves as a credible informational signal that analysts incorporate into their forecasts. By integrating perspectives from the CEO activism, nonfinancial information, and CEO characteristics literatures, this study offers a more comprehensive view of how public managerial actions shape the informational environment surrounding firms, influence analyst behavior, and ultimately affect capital market transparency.

This paper is organized as follows. Section 3 describes the data collection process and variable construction. Sections 4 introduces the methodology and document empirical results, including baseline regression and robustness tests. Section 5 discuss the limitation and future tests. Section 6 concludes.

2. Data Collection

To study the effects of CEO activism on analyst forecast behavior, we focus on firms with available analyst data that were included in the S&P 500 index between the calendar year 2010 to 2019. Activism events are retrieved via the Rapid API platform and subjected to a comprehensive cleaning and classification process. In detail, we follow the data collection and event classification methodology outlined in Mkrtchyan et al. (2023), using a Python-based web scraper to identify CEO activism events in news articles related to S&P 500. The initial dataset, comprising 1,330 manually verified events, results from an extensive filtering process that excludes irrelevant, duplicate, or ambiguous content and categorizes each event according to ESG-related environmental or social themes. Appendix A provides a detailed description of our data collection and data cleaning process.

To analyze analyst reactions to CEO activism, we need to apply a more restrictive event selection protocol to mitigate potential confounding effects. Specifically, activism events that occur within a short time window of other major firm-level announcements—such as mergers and acquisitions, dividend change declarations, or earnings releases—as well as repeated activism by the same CEO within a short timeframe. In the following we outline the detailed cleaning procedure. First, when multiple activism events occur within the same calendar month and consequently share the same analyst forecasts, we retain only the first event occurring within that month.

Second, we address the concern that analysts' responses may not be driven by CEO activism itself, but rather by other concurrent corporate announcements occurring around the same time. We follow the methodology outlined by Mkrtchyan et al. (2023) and calculate the number of days between each activism event and the nearest corporate announcements, specifically earnings announcements, merger announcements, and dividend change announcements.

For earning announcement, we observe that approximately 94.4% of activism events occur within the 91-day window $[-45, +45]$ around earnings dates. Figure 1, panel A, illustrates the distribution of activism event timing relative to the closest earnings announcements. Events occurring more than 45 days before the next earnings announcement or more than 45 days after the most recent announcement are capped at -45 or +45 days, respectively. Only 3.8% of activism events occur within an 11-day $[-5, +5]$ window, and even fewer (2.1%) fall within a tighter 5-day $[-2, +2]$ window around earnings announcements. Overall, this distribution appears relatively flat, indicating minimal clustering of CEO activism events around earnings announcements. Similarly, panel B and panel C of Figure 1 show the distributions for dividend change and merger announcements respectively. For dividend announcements, only 2.3% (1.4%) of activism events

fall within the 11-day (5-day) windows around the announcement. However, merger announcements show slightly more clustering: 7.5% (4.3%) of activism events occur within an 11-day (5-day) window around merger announcements. This clustering might suggest strategic timing related to mergers.

Following established literature documenting analyst responsiveness to corporate announcements and disclosures (Chen et al., 2010; Frankel et al., 2006; Ivković and Jegadeesh, 2004; Livnat and Zhang, 2012; Zhang, 2008), we impose following criteria to mitigate the influence of confounding corporate events on analyst forecasts. To minimize the potential impact of such announcements, we apply additional data restrictions to better isolate analysts' responses specifically attributable to CEO activism event. Specifically, we exclude all cases in which corporate announcements (earnings, dividend changes, or mergers) occur between the first activism event within the calendar month and the first subsequent forecast, as these may drive analyst reactions independently of the activism itself. Next, we address concerns that CEOs may strategically time activism announcements to follow corporate disclosures, potentially aiming to influence stock prices and potentially undermining analysts' perceptions of CEO activism credibility. Therefore, we exclude all CEO activism events that are preceded by two or more corporate announcements (earnings, dividend changes, or mergers) within a five-day window. Additionally, analysts may strategically time their forecasts around upcoming corporate disclosures. To control this, we exclude observations where two or more corporate announcements occur within 5 days following the forecast, consistently applying the 5-day restriction in all regressions.

– Insert Figure 1 about here –

When merging the activism event sample with analyst forecast data and the full set of firm-, analyst-, and CEO-level control variables (as described below), we restrict the sample to observations with at least five analyst forecasts (*Analyst Coverage*) per firm-month, *Forecast Horizons* of no more than 365 days, and *Forecast Accuracy* values with an absolute magnitude below 1 (Becchetti et al., 2013; Cuculiza et al., 2020). After applying these filters, our final sample of activism events comprises 393 firm-month observations, each with complete data on analyst forecasts, firm-level controls, CEO characteristics, and stock prices.

In this sample we distinguish between two broad forms of CEO activism: environmental and social. Environmental activism encompasses issues such as climate change and sustainability-related concerns. In contrast, social activism pertains to topics including reproductive rights, gun legislation, immigration policy, LGBTQ+ advocacy, and gender-based pay disparities. A detailed mapping of keywords and their classification into these categories for our final sample is provided in Table 1, Panel A. The five most common topics in our analytical sub-sample are *Environment* (11.5%), *LGBTQ* (9.7%), *Climate Change* (9.4%), *Immigration* (7.4%), and *Renewables* (5.3%). This distribution closely mirrors that of the initial sample, where the same five topics also rank highest in frequency. Moreover, the relative proportions of environmental (31%) and social (69%) activism events in the sub-sample are consistent with the composition of the original. These patterns suggest that, despite the more restrictive sample selection controlling for confounding events and incorporating control variables, the sub-sample remains broadly representative of the broader population of CEO activism events. For details on the initial sample construction and full topic distribution, see Appendix A.

Panel B reports the distribution of CEO activism events across industries in the refined sample. Firms in *manufacturing* (34.6%) and *finance, insurance, and real estate* (20.4%) account for the

highest proportions of events, followed by *transportation, communications, electric, gas, and sanitary services* (17.0%) and *services* (16.8%). In contrast, oil and gas extraction represents the lowest share at only 1.0%. Despite differences in aggregation compared to the initial sample, the general dominance of manufacturing- and finance-related industries is preserved.

Panel C presents the distribution of activism events by year. Consistent with the full sample, 2017 remains the peak year, comprising 25.4% of all events, while 2010 and 2011 account for the lowest proportions at 1.3% and 2.3%, respectively. This temporal pattern reinforces the robustness of our sample in capturing the broader surge in CEO activism during the mid to late 2010s.

– *Insert Table 1 about here* –

Our sample includes all S&P 500 firms with non-missing analyst forecast data from 2010 to 2019, as obtained from Thomson Reuters' Institutional Brokers Estimate System (I/B/E/S). While CEO activism events are collected only for a subset of S&P 500 firms, we include all remaining S&P 500 firms during this period to serve as a control group.

Forecasts for firms with missing price information in the CRSP database are excluded, as I/B/E/S is known to suffer from rounding issues around stock split events. To address this, we adjust the unadjusted historical forecast or estimation value (VALUE) using the share adjustment factor (CFACSHR) from CRSP daily stock file (Payne and Thomas, 2003). We focus on analyst forecasts on earnings per share (EPS) for the current fiscal year (Forecast Period Indicator, FPI = 1) and we exclude the forecast if it is announcement (ANNDATS) is made after the fiscal year end date (FPEDATS).

We define our dependent variable, *Forecast Accuracy*, as the absolute difference between the median of individual analyst forecasts for a firm within a given calendar month and the actual annual EPS reported at the end of fiscal year t , scaled by the stock price at the beginning of fiscal

year t , and multiplied by -100. This measure follows the conceptual approach of prior literature, such as Chourou et al. (2021), Walther and Willis (2013), and Muslu et al. (2019), who use stock-price scaled forecast errors to ensure comparability across firms and time. Formally, we define the measure as: $Forecast\ Accuracy_{i,m,t} = -100 \times \frac{|FEPS_{i,m,t-1} - AEPS_{i,t}|}{Price_{i,t-1}}$, where $FEPS_{i,m,t}$ is the median of individual analyst forecasts for firm i in month m for fiscal year t , $AEPS_{i,t}$ is the actual reported earnings per share for firm i , relevant for forecast month m for the fiscal year t and $Price_{i,t-1}$ is the stock price of firm i at the beginning of fiscal year t (e.g., the first monthly stock price of the fiscal year). We follow Walther and Willis (2013) in multiplying the forecast error by 100 to express it as a percentage of stock price. In line with Lang and Lundholm (1996) and Kanagaretnam et al. (2015), we multiply by -1 to ensure that higher values indicate greater forecast accuracy, effectively reversing the interpretation so that a higher *Forecast Accuracy* corresponds to a smaller forecast error.

The measure is also often referred to as the absolute forecast error – and it captures how close the forecast is to the realized earnings, irrespective of whether the forecast was above or below the actual. We label this metric *Forecast Accuracy* for expository convenience, consistent with many studies using I/B/E/S data that employ absolute forecast error as an inverse proxy for accuracy (e.g., Chourou et al., 2021). Notably, this definition is non-directional: it ignores the sign of the forecast error and focuses only on its magnitude. This distinguishes forecast accuracy from measures of forecast bias, which consider the direction of the error. For example, an analyst who consistently predicts earnings above the actual (a positive error) is exhibiting an optimistic bias, whereas one who predicts below actual has a pessimistic bias. Prior studies explicitly differentiate these concepts – forecast optimism reflects a systematic directional bias in forecasts, while forecast accuracy depends on the size of the error regardless of direction (Walther and Willis, 2013).

In our context, we are concerned only with how large the forecasting error is, not whether it is positive or negative. Thus, a forecast that is 5% above actual and one that is 5% below actual are treated equivalently in our accuracy measure. In line with the established approach in the literature (e.g., Bhat et al., 2006; Kanagaretnam et al., 2015; Li et al., 2021; Muslu et al., 2019; Walther and Willis, 2013), we use above version of forecast error scaled by share price as the indicator of *Forecast Accuracy*.

The main independent variable, *Activism*, is a dummy variable that equals to 1 if there is at least one activism event in firm i during month m in fiscal year t , and 0 otherwise. We create two additional independent variables to account for activism heterogeneity. One is *Social Activism*, a dummy variable equals to 1 if the first activism event in firm i during month m fiscal year t is on sociopolitical issues; another is *Environmental Activism*, a dummy variable equals to 1 if the first activism event in firm i during month m fiscal year t is on environmental issues.

Our models include a comprehensive set of control variables to account for firm-, analyst-, and CEO-level factors that may influence analyst forecast accuracy (Becchetti et al., 2013; Bernardi and Stark, 2018; Cuculiza et al., 2020; Dhaliwal et al., 2012; Jiraporn et al., 2014a; Kong et al., 2021; Muslu et al., 2019; Schiemann and Tietmeyer, 2022).

Specifically, we control for characteristics of the firms' information environment, as larger, more profitable, highly leveraged, growth firms — those with greater analyst coverage, institutional ownership, board independence, and stronger ESG practices — are perceived to have a better information environment due to enhanced visibility, scrutiny, governance and culture (Barth et al., 2001; Dechow and You, 2012; Hutton et al., 2012; Karamanou, 2011; Liu and Natarajan, 2012). A more transparent environment is expected to support analysts in forming more accurate earnings expectations. Thus we include following firm-level controls: *Firm Size* (log of

total assets), *Return on Asset* (operating income before depreciation, divided by lagged total assets), *Earning Loss* (dummy variable equal to 1 if ROA is negative, and 0 otherwise), *Market-to-book* ratio (market value over book value of equity) as proxy for firm's growth opportunities, and *Leverage* (book value of debt over market value of equity) all sourced from Compustat.

Governance and culture measures include institutional ownership or *IOR* (percentage of shares held by institutional investors at the fiscal year level) based on Thomson Reuters 13f Holdings, *Board Size* (number of directors on the board), and board independence measured as *%Indep. Directors* (percentage of independent directors on the board) both calculated from BoardEx and ISS. We also include entrenchment index, *E-index*, as proposed by Bebchuk et al. (2009) and based on six corporate governance provisions as well as *Corporate Culture*, based on a culture dictionary constructed from corporate earnings call transcripts using machine learning technique from Li et al. (2021)

CSR transparency, *ESG-Discl-Score*, and ESG performance scores are obtained from Bloomberg and the MSCI ESG database, respectively. The E-, S-, and G-scores represent the Environmental, Social, and Governance subcomponents, respectively. Performance scores range from 0 to 1, while the disclosure score ranges from 0 to 100.

Firms with accounting losses or volatile returns tend to be difficult for analysts to forecast (Dhaliwal et al., 2012; Dichev and Tang, 2009; Muslu et al., 2019). Thus, we include *Return Volatility* (standard deviation of monthly stock returns) from CRSP.

Financial transparency is proxied by *Financial Opaqueness* (dummy variable equal to 1 if a firm has a higher than industry-year mean of accruals, i.e. is less transparent, and 0 otherwise) (Bhattacharya et al., 2003; Dhaliwal et al., 2012) and is sourced from Compustat. Transparency is

important because firms with better financial and nonfinancial information environment tend to help analysts make more accurate forecasts (Dhaliwal et al., 2012; Hope, 2003).

Analyst-specific controls are based on I/B/E/S and include include *Analyst Coverage* (log of analysts per firm per month plus 1), *Forecast Horizon* (log of median days from forecast to earnings announcement) may affect the degree of information available to analysts and forecast error increases as the forecast horizon increase (Bowen et al., 2002; Karamanou, 2011), firm *Specific Experience* (average years an analyst covers the firm) because the longer the analysts cover a specific firm, the more familiar the analysts to the firm and the more accurate the forecast can be as well as *Analyst Workload* (average number of firms covered) as more workloads can influence the forecast behavior and limit the quality of the forecast (Hu et al., 2021; Tsang et al., 2024).

Management traits are incorporated, as CEOs shape firm strategy and public perception, potentially influencing analysts' expectations (Baik et al., 2017; Haider et al., 2020; Kanagaretnam et al., 2015; Park et al., 2021; Skarlicki et al., 2023). We include CEO gender measured by *Male* (dummy variable equal to 1 if the gender is identified as male and 0 otherwise), *CEO Age*, *CEO Duality* (dummy variable equal to 1 if the CEO serves as board chair, and 0 otherwise), *CEO Tenure*, and *CEO Relative Pay* (CEO cash compensation divided by that of the second-highest paid executive in the firm), all obtained from BoardEx and ExecuComp.

To address missing values in control variables, we apply a hierarchical imputation strategy. First, missing values are replaced with the corresponding industry-year average, based on two-digit SIC codes. If the industry-year value is unavailable, we substitute with the firm's prior-year observation, and if that is also missing, we use the subsequent year's value.

3. Methodology

3.1. Descriptive Statistics

Table 2 presents summary statistics comparing firms with and without CEO activism, based on firm-month observations following the imputation process. A firm is classified as an “activism firm” in month m of year t if it had at least one CEO activism event during that calendar month and no confounding corporate announcements within 11-day window, as outlined previously. In contrast, “non-activism firms” are those with no activism events in the same month. For instance, in June 2018, 21 S&P 500 firms experienced a CEO activism event without confounding announcements, while 331 other S&P 500 firms in that month were identified as non-activism firms. Due to the exclusion of observations affected by confounding events, the number of firm-month observations varies across time.

We observe several statistically significant differences. Analysts covering activism firms demonstrate significantly higher analyst forecast accuracy compared to forecasts on non-activism firms (*Forecast Accuracy* -0.611 vs. -0.857), suggesting improved forecast precision in the presence of CEO activism. Activism firms are larger (*Firm Size* 11.402 vs. 10.044), have greater leverage (*Leverage* 1.36 vs. 0.616), and lower likelihood of reporting accounting losses (*Earning Loss* 0.005 vs. 0.013) as well as lower return volatility (*Return Volatility* 0.064 vs. 0.076). CEO activism is more likely to occur in firms that are larger, financially stronger, and more transparent—conditions that facilitate and perhaps even necessitate public sociopolitical engagement by executives.

In terms of governance and organizational culture, several notable differences emerge between activism and non-activism firms. First, institutional ownership (*IOR*) is significantly lower among activism firms (0.644 vs. 0.773), suggesting that these firms may be under less

institutional monitoring, which could either reflect or contribute to the visible CEO-led activism. *Board size* is significantly larger in activism firms (11.482 vs. 10.894), potentially indicating more diverse viewpoints or greater structural capacity for oversight, although the proportion of *independent directors* does not differ between groups (both at 83.5%), suggesting similar board independence across the sample. The entrenchment index (*E-index*), which captures governance practices that insulate management from shareholder influence, is significantly higher in activism firms (2.514 vs. 2.108). This indicates that activism firms may be characterized by more entrenched management structures, which could necessitate or be associated with CEO visibility on public issues. Finally, activism firms exhibit significantly stronger *Corporate Culture*, as measured by the culture score derived from earnings call transcripts (17.834 vs. 14.560). This suggests that CEOs at activism firms are not only more engaged in external sociopolitical discourse but also lead firms with internal cultures that may be more values-driven or communicative. These cultural strengths may, in turn, influence how stakeholders, including analysts, interpret the firm's strategic direction and credibility. At the same time, activism firms show slightly lower governance performance (*G-Score*: 4.80 vs. 5.62).

Regarding CSR, activism firms exhibit higher ESG disclosure scores (*ESG-Disclosure-Score* 53.559 vs. 45.885), particularly in both environmental (*E-Disclosure-Score*: 41.346 vs. 26.950) and social domains (*S-Disclosure-Score*: 29.558 vs. 24.0769), suggesting a greater emphasis on the transparency of corporate social activities. They also score higher overall ES performance (*ES-Score*: 5.341 vs. 4.818) and environmental performance (*E-Score*: 6.052 vs. 5.132), indicating stronger environmental and social practices. However, there is no significant difference in social performance alone (*S-Score*: 4.63 vs. 4.51). These patterns suggest that CEO activism is more

prevalent in firms already engaged in or aligned with ESG-oriented strategies, particularly environmental ones.

Regarding analyst characteristics, analysts covering activism firms tend to have greater *Analyst Coverage* (14.995 vs. 13.153), shorter *Forecast Horizon* (209.855 days vs. 227.085 days), longer *Specific Experience* (5.4 vs. 4.914), and lower *Analyst Workload* (8.445 vs. 9.036). These differences are statistically significant and suggest that analysts engaging with activism firms may be more focused, experienced, and less burdened, which could facilitate more precise and timely forecasting.

In terms of CEO characteristics, activism firm CEOs are slightly younger (*CEO Age* 56.42 vs. 57.403) and have a lower CEO relative pay (*CEO Relative Pay* 1.538 vs. 1.614), indicating that younger CEOs and those with less power may engage in activism to build personal reputation and signal alignment with stakeholder value, thereby enhancing their legitimacy both inside and outside firm, while other CEO demographics such as gender and tenure show no significant differences.

– *Insert Table 2 about here* –

3.2. Multivariate Results

3.2.1. Baseline Regression

The empirical analysis aims to examine whether *forecast accuracy* in month $m+1$ differs between firm-months that experience CEO activism event and those that do not, using a panel dataset of firm-month-year observations. To test this, we estimate the following baseline model:

*Forecast Accuracy*_{*i,m+1,t*}

$$= \alpha + \beta_1 \cdot \text{CEO activism}_{i,m,t} + x \cdot X_{i,t-1} + y \cdot Y_{i,t-1} + z \cdot Z_{i,m,t} + \varepsilon_{i,t},$$

, where *Forecast Accuracy*_{*i,m+1,t*} measures the forecast accuracy for firm *i*, forecasted in month *m+1* of year *t*. *CEO Activism*_{*i,m,t*} is a dummy equal to 1 if there is CEO activism for firm *i* in month *m* and year *t*, and 0 otherwise. *X*_{*i,t-1*} is a vector of firm-level controls including firm specific variables (*Firm Size*, *Return on Asset*, *Earning Loss*, *Market-to-Book*, and *Leverage*), ownership and governance characteristics (*IOR*, *Board Size*, *% Indep. Directors*, *E-index*, *Corporate Culture*, and *G-Score*), CSR characteristics (*ESG-Discl-Sub-Scores* and *ESG-Sub-Scores*) as well as *Return Volatility* and *Financial Opaqueness* and for fiscal year *t – 1* for firm *i*. *Y*_{*i,t-1*} is a vector of CEO characteristics (*CEO Tenure*, *CEO Age*, *CEO Gender*, *CEO Duality*, and *CEO Relative Pay*) for fiscal year *t – 1* for firm *i*. *Z*_{*i,m,t*} is a vector of analyst characteristics (*Analyst Coverage*, *Forecast Horizon*, *Specific Experience*, and *Analyst Workload*) in month *m* of year *t* for firm *i*. Vectors *x*, *y*, and *z* contain regression coefficients, and $\varepsilon_{i,t}$ is the idiosyncratic error term. Following our hypothesise, we expect that CEO activism will be positively associated with subsequent analyst forecast accuracy.

We estimate the model using fixed-effect panel regression with firm and year fixed effects and clustering standard errors at the firm level. The fixed effects control for unobserved, time-invariant heterogeneity across firms (e.g., industry affiliation, managerial culture) and common shocks in specific years (e.g., macroeconomic conditions), making the estimates more robust to omitted variable bias in our panel of monthly firm-level observations.

Table 3 reports the baseline regression results examining the association between CEO activism and subsequent analyst forecast accuracy, measured at the firm-month level. The dependent variable is *Forecast Accuracy*, where higher values reflect smaller forecast errors.

The main variable of interest is *Activism*. In Column (1), we find CEO activism is positively and significantly associated with analyst forecast accuracy ($\beta = 0.764$) consistent with our hypothesis that CEO activism statements provide meaningful signals, helping analysts better forecast firm performance. This aligns with the descriptive statistics showing higher forecast accuracy for activism firms.

To explore whether the informativeness of activism depends on its topic, Column (2) isolates *Social Activism* and Column (3) focuses on *Environmental Activism*. Both types of activism are positively associated with forecast accuracy, but *Social Activism* ($\beta = 0.810$) show larger and more significant effects than *Environmental Activism* ($\beta = 0.581$). We further examine whether the controversy level of CEO activism can impact analyst forecast, as Melloni et al. (2023) document that controversy is a signal of credibility. Columns (4) examines *Controversial* versus *Non-Controversial Activism* based on the classification provided by Mkrtchyan et al. (2023, Table B.1). Both types of activism are positively associated with forecast accuracy, but *Controversial Activism* ($\beta = 1.078$) exhibits a larger and more significant effects than *Non-Controversial Activism* ($\beta = 0.416$). Those results may reflect the greater perceived complexity or relevance of social and controversial issues for analysts, especially when these topics carry strategic implication (see Appendix Table A1 for detailed keyword categorization) or reputational risk (Melloni et al., 2023). Collectively, these analyses underscore CEO activism as a nuanced and context-dependent informational channel.

Beyond activism, several control variables show significant effects: *Return on Assets* is consistently and positively associated with forecast accuracy across all models, suggesting that more profitable firms are easier for analysts to predict. *Forecast Horizon* has a strong and negative effect, confirming that the longer the forecast horizon, the less accurate the analyst forecast—

consistent with expectations and prior literature. Among CEO-level variables, *CEO Tenure* is positively associated with forecast accuracy, indicating that more experienced CEOs may contribute to a clearer strategic direction. Additionally, *CEO Age* is negatively associated with accuracy, potentially reflecting generational differences in communication styles or perceived credibility. *CEO Gender* (*Male* = 1) is positively significant. It may reflect analyst biases or differences in perceived credibility or communication styles between male and female CEOs (whether justified or not). The effects of other firm- and analyst-level controls—including firm size, leverage, market-to-book ratio, and board characteristics—are statistically insignificant, although their signs generally align with expectations and previously documented patterns. These regression findings reinforce the descriptive patterns from Table 2: analysts covering activism firms tend to issue more accurate forecasts, and CEO activism—particularly when addressing social issues—appears to enhance the informational environment for analysts.

– *Insert Table 3 about here* –

3.2.2. Split-Sample Tests

To explore whether specific firm and CEO characteristics influence the informational impact of CEO activism, we follow the approach of Burke (2022) and conduct split-sample tests by corporate transparency (Table 4, Panel A), corporate culture and governance quality (Table 4, Panel B), as well as CEO power (Table 4, Panel C). Since baseline results document a positive association, this analysis explores whether these factors attenuate or magnify the association.

In Panel A of Table 4 we examine whether the positive association between CEO activism and analyst forecast accuracy varies depending on a firm’s level of corporate transparency, measured via financial opaqueness, as a proxy for financial transparency, and ESG disclosure, as

a proxy for nonfinancial transparency. Columns (1) and (2) present subsamples split by financial opaqueness. The results indicate that CEO activism remains informative irrespective of a firm's financial transparency, reinforcing the general robustness of the activism-forecast accuracy link. In contrast, Columns (3) and (4) split the sample based on ESG disclosure, using the bottom and top quintiles of Bloomberg's *ESG-Disclosure-Score*. Here, the relationship differs: the positive relationship emerges only among firms with high CSR transparency. This result suggests that robust ESG frameworks enhance the perceived credibility of CEO activism, enabling analysts to more effectively interpret activism as a meaningful strategic signal. Conversely, lower ESG transparency seems to weaken the informational value of CEO activism, likely due to increased uncertainty and reduced credibility.

– *Insert Table 4 Panel A about here* –

Next, we analyze how corporate culture and governance quality influence the relationship between CEO activism and analyst forecast accuracy in Table 4 Panel B. The results in Column (2) indicate the positive association between CEO activism and forecast accuracy is evident only for firms with strong corporate cultures, suggesting that alignment between activism and organizational values boosts analysts' confidence in the information conveyed. Turning to institutional ownership (*IOR*), Columns (3) and (4) show positive and significant associations for both low and high ownership subsamples, but the effect is notably stronger in firms with high institutional ownership (Column 4). This result implies that sophisticated investor oversight amplifies the credibility and informational value of CEO activism. The role of managerial entrenchment is analysed in Columns (5) and (6). The activism–forecast accuracy relationship holds only for firms with less entrenched management (Column 6), underscoring that activism signals are particularly credible when management interests align closely with shareholder

interests due to effective governance. Together, these results underscore that the informational value of CEO activism is context-dependent—strengthened by internal culture, external monitoring, and limited managerial entrenchment.

– *Insert Table 4 Panel B about here* –

Finally, Table 4 Panel C examines CEO power. Columns (1) and (2) explore the moderating role of CEO duality, defined as the CEO simultaneously serving as board chair. The results indicate a significant positive association only in firms where CEO duality is present (Column 2), suggesting that analysts perceive activism from dual-role CEO as more authoritative and credible. In Columns (3) and (4), we assess forecast accuracy in firms where CEOs receive lower (Column 3) or higher (Column 4) relative pay (top quantile) compared to other executives. We find that CEO activism improves forecast accuracy in both the bottom and top quintiles of CEO pay, though the effect is stronger and more statistically significant in firms with higher CEO relative pay (Column 4) than in those with lower CEO pay (Column 3), suggesting that analysts interpret activism from highly compensated CEOs as reflective of managerial effectiveness and as a more credible signal of firm strategy or shareholder positioning.

– *Insert Table 4 Panel C about here* –

3.3. Endogeneity Tests

3.3.1. Entropy Balancing Matching

Given that CEOs' engagement in environmental and social activism is unlikely to be random, prior results may be subject to selection bias. CEOs' decisions to take a public stance may be influenced by personal value or characteristics such as celebrity status, political ideology, career concerns,

and reputation concerns, or motivated by stakeholder pressure, investor attention, or strategic reasons (see Albuquerque et al., 2018; Bedendo and Siming, 2021; Hambrick and Wowak, 2021; Larcker et al., 2018; Mkrtchyan et al., 2023). Moreover, firms with activist CEOs may differ from non-activist firms in both observable and unobservable ways that also influence analyst forecast behavior, raising concerns about omitted variable bias that can confound the relationship. To address these issues and enable a more comparable analysis between activism and non-activism firms, we implement entropy balancing. Entropy balancing is a covariate balancing method that assigns weights to control observations so that the distribution of covariates in the treatment and control groups matches exactly on specified moments, such as standard deviation, and hopefully, mitigate the omitted variable bias induced by unobservable. Unlike propensity score matching, which estimates treatment probabilities and may discard observations, entropy balancing directly optimizes covariate balance without estimating propensity scores, thereby preserving the full sample and improving estimation efficiency. This flexible reweighting approach corrects for both random and systematic differences across covariates, enhancing the robustness of the analysis (Hainmueller, 2012; Mkrtchyan et al., 2023).

Following Hainmueller and Xu (2013) approach, we implement entropy balancing based on the independent variable $CEO\ activism_{i,m,t}$. We balance the full set of covariates included in our baseline model (Table 3), including firm-, analyst-, and CEO-level controls, along with fiscal year and SIC-2 industry classification dummies. Table 5 Panel A reports the mean and variance comparisons between the treatment and control groups before and after entropy balancing. Prior to balancing, notable differences are observed across several covariates. After balancing, the means and variances are nearly identical across all covariates, with differences effectively reduced to zero. Table 5 Panel B presents logistic regression results predicting $CEO\ activism_{i,m,t}$ using

firm, CEO, and analyst characteristics. Before entropy balancing (Column 1), several covariates significantly predict activism, indicating potential selection bias. After balancing (Column 2), none of the covariates remain statistically significant, and their coefficients approach zero, confirming that observable firm, CEO, and analyst characteristics no longer systematically differentiate between activism and non-activism firms. This suggests that the entropy balancing procedure successfully eliminates observable differences between activism and non-activism firms, ensuring statistical equivalence and enabling a cleaner estimation of the causal effect of CEO activism, with subsequent differences in forecast accuracy more reliably attributed to activism rather than pre-existing firm characteristics.

After entropy balancing, we run OLS regressions with firm and year fixed effects and standard errors clustered at the firm level similar to Table 3. Table 5 Panel C reports the results. Across most specifications, CEO activism remains positively and significantly associated with analyst forecast accuracy, reinforcing our baseline finding that CEO activism conveys value-relevant and credible information to analysts. The consistency of the positive association after balancing on observable characteristics suggests that the informativeness of CEO activism is less likely to be driven by selection on observables or omitted variable bias. Furthermore, when examining heterogeneous effects across social activism, environmental activism, and activism controversy, we find that the positive association persists for social activism and controversial activism, whereas the effect for environmental activism becomes statistically insignificant after balancing. This pattern suggests that analysts particularly value activism on socially and politically salient issues, especially when activism carries greater reputational risk.

– Insert Table 5 about here –

3.3.2. Two-Stage-Least-Square Approach

Although the matching procedure in previous analysis helps mitigate concerns related to selection bias and omitted variable bias, endogeneity concerns may still persist. For example, analysts may anticipate CEO activism in advance, especially for firms led by historically vocal CEOs. In such cases, improved forecast accuracy may reflect prior expectations about future activism rather than analysts reacting to the actual activism announcement, thereby confounding the direction of causality. Improved forecast accuracy could stem from analysts' prior beliefs about an expected activism event, not necessarily from the informational content of the activism itself. Moreover, simultaneity bias may arise if both CEO activism and analyst forecast behavior are driven by a common, unobserved external shock—such as policy changes or high-salience social events. In such cases, both the activism and analyst forecast adjustments are joint responses to a common external shock, rather than activism causing improved forecast accuracy.

To address these potential endogeneity concerns, we implement a two-stage least squares (2SLS) regression approach. We employ two instrumental variables: Industry Activism and Blue State. The simultaneously estimated two stages are represented as follows:

First stage:

$$\begin{aligned} &CEO\ activism_{i,m,t} \\ &= \alpha + \beta_1 \cdot Industry\ Activism_{i,m-1,t} \text{ or } Blue\ State_{i,t} + \mathbf{x} \cdot \mathbf{X}_{i,t-1} + \mathbf{y} \cdot \mathbf{Y}_{i,t-1} \\ &+ \mathbf{z} \cdot \mathbf{Z}_{i,m,t} + v_{i,t}. \end{aligned}$$

Second Stage:

$$\begin{aligned} &Forecast\ Accuracy_{i,m+1,t} \\ &= \alpha + \beta_1 \cdot \widehat{CEO\ activism}_{i,m,t} + x \cdot X_{i,t-1} + y \cdot Y_{i,t-1} + z \cdot Z_{i,m,t} + \varepsilon_{i,t}, \end{aligned}$$

where $Forecast\ Accuracy_{i,m+1,t}$ is the dependent variable, $CEO\ activism_{i,m,t}$ is the endogenous variable, instrumented with both $Industry\ Activism_{i,m-1,t}$ and $Blue\ State_{i,t}$. $Industry\ Activism_{i,m-1,t}$ is the average of the number of CEO activism events in the same two-digit SIC industry in month $m-1$ year t , excluding the focal firm i . This instrument reflects the influence of peer firms and normative industry trends. $Blue\ State_{i,t}$ is a binary indicator equals to 1 if the firm's headquarters is located in a U.S. state that voted for the Democratic presidential candidate in the most recent presidential election, 0 otherwise. $\mathbf{X}_{i,t-1}$, $\mathbf{Y}_{i,t-1}$, and $\mathbf{Z}_{i,m,t}$ represent the exogenous control variables as previously defined, and $\varepsilon_{i,t}$ is the error term. Across both stages, firm and year fixed effects are included, and errors are clustered at the firm level.

In the first stage, we expect both instruments to exhibit a positive association with CEO activism. Firms operating in industries where peer companies have previously engaged in activism are more likely to be exposed to such behavior, potentially normalizing or legitimizing activism within the industry. This exposure increases the likelihood that focal firm CEOs will also participate in activism, either through peer influence, stakeholder expectations, or competitive pressure. Similarly, firms headquartered in politically liberal states are more likely to encounter public pressure or normative expectations to engage with sociopolitical issues, thereby increasing the propensity for CEO activism in those firms.

Regarding the exclusion restriction, we argue that these instruments affect analyst forecast accuracy only through their influence on CEO activism. For *Industry Activism*, we posit that activism by peer firms does not directly affect analysts' forecast accuracy for the focal firm, except through the focal CEO's subsequent activist behavior. That is, unless the CEO of the focal firm issues a public statement, analysts are unlikely to revise their forecasts based solely on the actions of peer CEOs. For *Blue State*, we assert that the political leaning of a firm's headquarters state

does not directly influence forecast accuracy of the overall firm. This is particularly plausible in our sample of large, geographically diversified S&P 500 firms, whose business operations typically span multiple states and global markets. As such, state-level political context is unlikely to meaningfully influence forecast accuracy unless it is expressed through observable managerial behavior, such as CEO activism.

Together, these conditions support the validity of our instruments: both are theoretically and empirically relevant to predicting *CEO activism* (relevance), while remaining plausibly exogenous to analyst *forecast accuracy* (exclusion exclusion).

Table 6 presents the results from the 2SLS analysis. In the first stage, both instruments (*Industry Activism* and *Blue State*) exhibit strong, positive, and statistically significant associations with *CEO activism*, validating their relevance. The Wald F-statistic of 12.29 confirms the instruments' strength, alleviating concerns regarding weak instruments.

In the second stage, the coefficient on *CEO activism* remains positively and statistically significant associated with *forecast accuracy*, supporting the causal interpretation that *CEO activism* enhances analyst *forecast accuracy*. This finding supports our central argument that *CEO activism* acts as a credible, strategically valuable informational signal to financial analysts, helping them refine earnings predictions. Taken together, the 2SLS results reinforce the robustness of our findings and mitigate concerns regarding reverse causality or simultaneity bias, supporting a causal interpretation of CEO activism as an informative signal that enhances analyst forecast accuracy.

– Insert Table 6 about here –

4. Conclusion

This study examines the informational role of CEO activism by analyzing its impact on analyst forecast accuracy. We find that CEO activism, when publicly expressed through stances on environmental and sociopolitical issues, serves as a credible and strategically informative signal that helps reduce uncertainty and improves the precision of analysts' earnings forecasts. These findings suggest that CEO activism represents more than symbolic communication—it functions as a nonfinancial disclosure mechanism with tangible informational value in capital markets.

We further identify several moderating factors—corporate transparency, organizational culture, shareholder monitoring strength, CEO power, and the controversial nature of the activism—that shape the extent to which analysts perceive and incorporate these signals. These findings contribute to a more nuanced understanding of how and when nonfinancial information influences analyst behavior.

To mitigate potential endogeneity concerns, we implement entropy balancing and 2SLS approach, using industry-level activism and state-level political ideology as instruments. The consistency of results across these robustness checks reinforces the credibility of our conclusions.

Overall, our findings contribute to the emerging literature on CEO activism by positioning it as an important, yet underexplored, source of strategic nonfinancial disclosure. We also enrich the analyst forecasting literature by highlighting the role of CEO sociopolitical communication in shaping analysts' interpretive processes. Taken together, this study underscores the growing relevance of executive voice in financial information environments and offers new insights into the intersection of leadership communication, stakeholder engagement, and capital market outcomes.

5. Limitations and Future Research

While this study provides new insights into the informational role of CEO activism, we acknowledge several limitations that offer opportunities for future research.

First, although we take multiple steps to address confounding effects—excluding activism events that occur near earnings announcements, dividend changes, and merger announcements—our approach may not capture the full range of relevant corporate news that may affect analysts' forecast. Future research could leverage comprehensive news databases such as Factiva or LexisNexis to identify and control for a broader set of firm-specific events, including management turnover, product launches, litigation, or other material disclosures that may influence both CEO activism and analyst behavior.

Second, our analysis focuses primarily on analyst forecast accuracy. While this measure captures the quality of informational value of CEO activism and analyst expectations, future research could explore additional forecast characteristics to gain a deeper understanding of analysts' interpretive responses to CEO activism. Specifically, similar to Cuculiza et al. (2020) the analysis could be extended to a pre- and post-event window analysis to examine immediate changes in forecast error, forecast dispersion, analyst coverage levels, and forecast bias. Moreover, by comparing forecasts before and after activism events, the direction and magnitude of forecast revisions could be assessed. These complementary measures could offer deeper insight into whether CEO activism introduces uncertainty, shifts earnings expectations, or influences the level of analyst engagement.

Third, this study evaluates analysts' one-year-ahead forecasts, which may understate the impact of CEO activism if analysts view such events as less relevant for long-term financial

performance.⁵ Future work should incorporate shorter-horizon forecasts, such as quarterly earnings forecasts, to assess whether the effect of CEO activism is more salient when analysts are forecasting near-term performance.

Fourth, our research design uses a calendar-month framework to measure post-activism forecast responses. While practical, this approach may dilute the immediate informational effect of activism events. Literature document that that consumers often react swiftly—typically within days to 4 weeks—to changes in CEO behavior and associated public messaging (Hou and Poliquin, 2022) and analyst responsiveness on average is within two weeks (Ivković and Jegadeesh, 2004). Therefore, future studies may adopt a relative time window—specifically focusing on forecasts issued within 30 days following the activism event—to better capture the direct response to new information.

Fifth, while we document a positive association between CEO activism and forecast accuracy, it remains unclear whether this improvement is driven by analysts' interpretation skills or the inherent informational value of the activism itself.⁶ To disentangle these effects, future research could compare the market reaction to analyst forecast revisions following activism events to the market reaction to the activism announcements themselves. This comparison would help determine whether analysts add incremental value through interpretation or merely reflect existing public information (Altinkılıç et al., 2013)

Sixth, the media plays a significant role in shaping the reception of CEO activism as we collect the CEO activism events from major news outlets. Journalistic framing—particularly when influenced by the political leaning of the news outlet—can color how CEO statements are

⁵ We partially mitigate this issue by controlling for *Forecast Horizon*.

⁶ We partially mitigate this issue by controlling for *Analyst Experience* as a proxy for analyst ability.

interpreted by both analysts and investors. Future studies should control for media sentiment using content analysis tools to quantify the tone of media coverage surrounding activism events (He and Li, 2024).

Finally, we acknowledge the possibility of informal information flows between CEOs and analysts. Prior studies suggest that CEOs may conduct private meetings with analysts or selectively disclose information (Brown et al., 2015; Soltes, 2014). If CEOs consult analysts before making activist statements, the observed forecast revisions may partly reflect prior consultation rather than a reaction to public activism. Future research could investigate such interactions to better assess the causal relationship between activism and analyst responses.

In sum, while this study provides a foundational contribution to understanding the informational role of CEO activism, these future directions offer promising avenues to refine, extend, and validate our findings within a broader research agenda.

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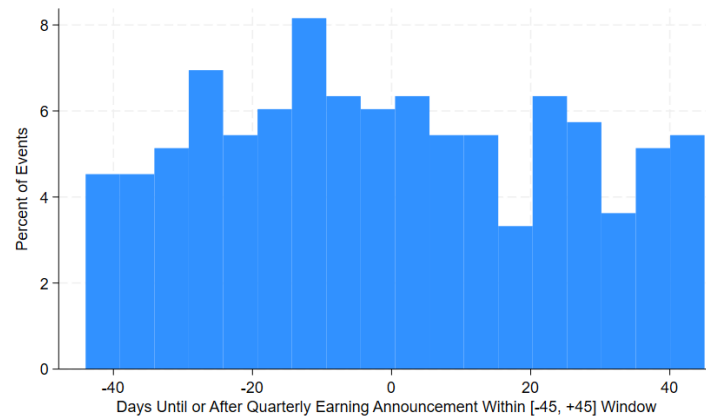
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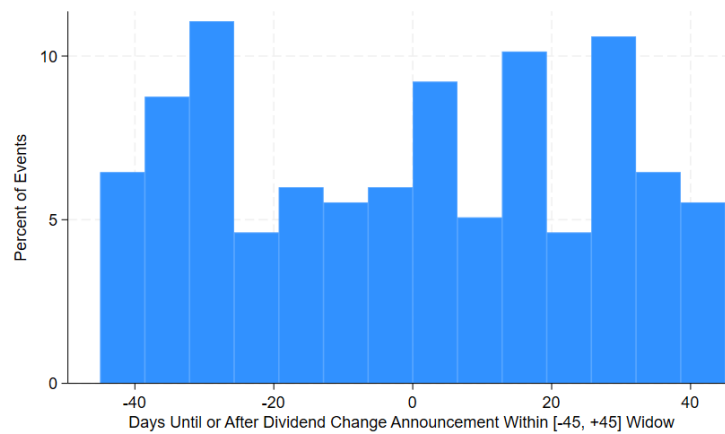
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Figure 1: Corporate Announcements distribution around CEO Activism

Panel A: the closest earning announcement distribution around CEO activism.



Panel B: the closest dividend change announcement distribution around CEO activism.



Panel C: the closest merger announcement distribution around CEO activism.

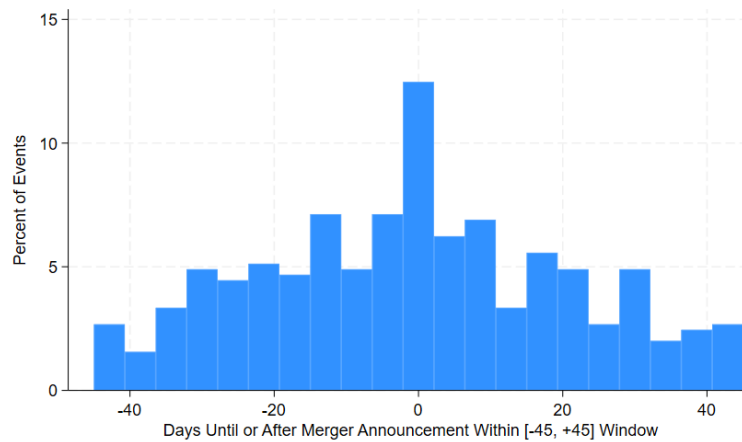


Table 1: CEO Activism Event Distribution

Panel A displays the keywords for the news search via Rapid API for the environmental and social category, including the count (N) of unique news articles per keyword and their respective percentages (%). See Appendix A for the classification of keywords into “environmental” or “social” categories. Panel B displays the distribution of CEO activism activity across industries in terms of both count (N) and percentage (%). Panel C illustrates the distribution of CEO activism activity by year.

Panel A: Distribution of CEO Activism Events by E or S Category and Keywords

“E” or “S” Category	Keyword	N	%
Environmental (31%)	Environment	45	11.5%
	Climate Change	37	9.4%
	Renewable	21	5.3%
	Paris Agreement	10	2.5%
	Carbon Tax	7	1.8%
	Global Warming	2	0.5%
Social (69%)	LGBTQ	38	9.7%
	Immigration	29	7.4%
	Brexit	19	4.8%
	Inclusion	18	4.6%
	Trump	18	4.6%
	Diversity	17	4.3%
	Dreamer	15	3.8%
	Gender Equality	15	3.8%
	Travel Ban	12	3.1%
	Violence	12	3.1%
	Gun Control	10	2.5%
	Mass Shooting	9	2.3%
	Racial	7	1.8%
	Healthcare	6	1.5%
	Income Inequality	6	1.5%
	Minimum Wage	6	1.5%
	Pay Gap	6	1.5%
	Poverty	6	1.5%
	Same-sex Marriage	6	1.5%
	Obamacare	5	1.3%
	Transgender	4	1.0%
	Sexual Harassment	3	0.8%
	Refugee	2	0.5%
	Abortion	1	0.3%
	Glass Ceiling	1	0.3%

Panel B: Distribution of CEO Activism Events by Industry

	Industry	N	%
	Manufacturing	136	34.6%
	Finance, Insurance, and Real Estate	80	20.4%
	Transportation, Communications, Electric, Gas, and Sanitary Services	67	17.0%
	Services	66	16.8%
	Retail Trade	40	10.2%
	Oil and Gas Extraction	4	1.0%

Panel C: Distribution of CEO Activism Events by Years

Year	N	%
2010	5	1.3%
2011	9	2.3%
2012	10	2.5%
2013	19	4.8%
2014	31	7.9%
2015	32	8.1%
2016	52	13.2%
2017	100	25.4%
2018	65	16.5%
2019	70	17.8%

Table 2: Descriptive Statistics between non-Activism firms and Activism firms

This table presents summary statistics for subsamples of firm-month-year observations from 2009 to 2020, comparing firms with CEO activism (activism firms) and those without such events in the same period (non-activism firms). The table presents the mean, standard deviation (SD), as well as the t-statistics for mean differences between the two groups. The final row shows the number of observations in each subsample. Variable definitions are provided in Appendix Table A2.

	Non-Activism Firms		Activism Firms		T-statistics for difference in means
	Mean	SD	Mean	SD	
Forecast Accuracy	-0.857	3.170	-0.611	1.010	-4.399***
Firm-level control variables					
Firm size	10.044	1.384	11.402	1.744	-15.337***
Return on Asset	0.138	0.094	0.131	0.083	-1.519
Earning Loss	0.013	0.112	0.005	0.071	-2.062*
Market-to-Book	3.323	52.609	5.183	34.490	-1.044
Leverage	0.616	12.275	1.360	4.711	-2.937**
IOR	0.773	0.182	0.644	0.202	-12.533***
Board Size	10.894	2.345	11.482	2.178	-5.284***
%Indep. Directors	0.835	0.092	0.835	0.094	-0.097
E-index	2.108	0.787	2.514	0.635	-12.477***
Corporate Culture	14.560	5.612	17.834	8.479	-7.620***
G-Score	5.621	1.977	4.796	2.063	-7.851***
ES-Score	4.818	1.457	5.341	1.265	-8.089***
ESG-Discl-Score	45.885	11.308	53.559	10.21	-14.718***
S-Score	4.505	1.712	4.631	1.570	-1.572
S-Discl-Score	24.069	13.151	29.558	12.724	-8.460***
E-Score	5.132	2.198	6.052	1.982	-9.090***
E-Discl-Score	26.95	19.696	41.346	18.094	-15.586***
Return Volatility	0.076	0.040	0.064	0.023	-9.946***
Financial Opaqueness	0.236	0.425	0.277	0.448	-1.816
Analyst-level control variables					
Analyst Coverage	13.153	7.104	14.995	9.045	-4.011***
Forecast Horizon	227.085	92.317	209.855	94.962	-3.563***
Specific Experience	4.914	1.495	5.400	1.568	-6.083***
Analyst Workload	9.036	3.418	8.445	3.024	-3.824***
CEO-level control variables					
CEO Tenure	5.845	6.257	5.663	7.048	-0.507
CEO Age	57.403	6.018	56.420	5.887	-3.276**
CEO Gender	0.960	0.195	0.944	0.230	-1.399
CEO Duality	0.561	0.496	0.567	0.496	-0.237
CEO Relative Pay	1.614	0.593	1.538	0.573	-2.600**
Observations	19,236		393		19,629

Table 3: Effect of CEO Activism on Analyst Forecast Accuracy: Fixed Effects Panel Regressions

This table reports the results of fixed effects panel regressions on firm-month-year data from 2009 to 2020, estimating the impact of CEO activism on analyst forecast accuracy. All models include firm and year fixed effects, and standard errors are clustered at the firm level. The full set of control variables described in Table 2 is included.

$$\text{Forecast Accuracy}_{i,m+1,t} = \alpha + \beta_1 \cdot \text{Activism}_{i,m,t,\text{Type}} + \mathbf{x} \cdot \mathbf{X}_{i,t-1} + \mathbf{y} \cdot \mathbf{Y}_{i,t-1} + \mathbf{z} \cdot \mathbf{Z}_{i,m,t} + \varepsilon_{i,t},$$

$\text{Forecast Accuracy}_{i,m+1,t}$ measures the forecast accuracy for firm i , forecasted in month $m+1$ of year t . $\text{Activism}_{i,m,t,\text{Type}}$ is a dummy equals to 1 if there is CEO activism for firm i in month m and year t , and 0 otherwise. Type refers to different categories of CEO activism: any type of activism (Column 1), activism related to social topics (Column 2), activism related to environmental topics (Column 3) or activism on (non-)controversial topics (Column 4), based on the classification provided by Mkrtchyan et al. (2023, Table B.1). $\mathbf{X}_{i,t-1}$, $\mathbf{Y}_{i,t-1}$, and $\mathbf{Z}_{i,m,t}$ are firm- and CEO-, and analyst-level characteristics of firm i , in month m and year $t-1$ and t , respectively. t -statistics are in parentheses, with *, **, and *** denoting statistical significance at the 10%, 5%, and 1% levels, respectively. Variable definitions are in Appendix Table A2.

	(1)	(2)	(3)	(4)
	Forecast Accuracy	Forecast Accuracy	Forecast Accuracy	Forecast Accuracy
Activism	0.764** (0.388)			
Social Activism		0.810** (0.411)		
Environmental Activism			0.581* (0.330)	
Controversial Activism				1.078* (0.590)
Non-Controversial Activism				0.416* (0.218)
Firm-level control variables				
Firm size	0.579 (0.436)	0.585 (0.445)	0.589 (0.446)	0.581 (0.436)
Return on Asset	2.454*** (0.855)	2.457*** (0.854)	2.461*** (0.846)	2.457*** (0.855)
Earning Loss	0.396 (0.281)	0.406 (0.286)	0.385 (0.279)	0.399 (0.282)
Market-to-book	0.009 (0.010)	0.009 (0.010)	0.009 (0.010)	0.009 (0.010)
Leverage	-0.020 (0.045)	-0.021 (0.0451)	-0.021 (0.045)	-0.0194 (0.045)
IOR	-0.472 (0.698)	-0.462 (0.688)	-0.479 (0.705)	-0.470 (0.695)
Board Size	0.009 (0.022)	0.009 (0.022)	0.009 (0.022)	0.009 (0.022)
%Indep. Directors	0.036 (0.803)	0.0514 (0.804)	0.0272 (0.805)	0.049 (0.800)
E-index	-0.066 (0.088)	-0.068 (0.091)	-0.073 (0.091)	-0.065 (0.088)
Corporate Culture	-0.021 (0.018)	-0.022 (0.018)	-0.021 (0.017)	-0.021 (0.018)
G-Score	0.008 (0.013)	0.008 (0.013)	0.008 (0.013)	0.008 (0.013)

(Continued)

Table 3: Effect of CEO Activism on Analyst Forecast Accuracy: Fixed Effects Panel Regressions (Continued)

	(1) Forecast Accuracy	(2) Forecast Accuracy	(3) Forecast Accuracy	(4) Forecast Accuracy
ES-Score	-0.033 (0.029)			-0.033 (0.029)
ESG-Discl-Score	-0.003 (0.011)			-0.003 (0.011)
S-Score		0.007 (0.032)		
S-Discl-Score		0.001 (0.006)		
E-Score			-0.032 (0.029)	
E-Discl-Score			0.002 (0.004)	
Return Volatility	-1.635 (1.213)	-1.675 (1.198)	-1.663 (1.201)	-1.635 (1.211)
Financial Opaqueness	0.012 (0.168)	0.012 (0.173)	0.012 (0.173)	0.0124 (0.167)
Analyst-level control variables				
Analyst Coverage	0.014 (0.039)	0.013 (0.038)	0.012 (0.039)	0.013 (0.038)
Forecast Horizon	-0.755*** (0.101)	-0.759*** (0.103)	-0.759*** (0.103)	-0.757*** (0.102)
Specific Experience	0.005 (0.023)	0.007 (0.028)	0.008 (0.027)	0.005 (0.027)
Analyst Workload	-0.014 (0.009)	-0.012 (0.009)	-0.011 (0.009)	-0.011 (0.009)
CEO-level control variables				
CEO Tenure	0.034** (0.016)	0.033** (0.016)	0.0346** (0.017)	0.034** (0.016)
CEO Age	-0.020* (0.011)	-0.019* (0.011)	-0.020* (0.011)	-0.020* (0.011)
CEO Gender	0.365** (0.172)	0.344** (0.165)	0.369** (0.178)	0.362** (0.171)
CEO Duality	-0.139 (0.090)	-0.140 (0.091)	-0.133 (0.091)	-0.142 (0.090)
CEO Relative Pay	-0.226 (0.244)	-0.228 (0.244)	-0.227 (0.244)	-0.225 (0.243)
Constant	-1.148 (2.669)	-1.509 (2.975)	-1.349 (2.721)	-1.174 (2.678)
Firm Cluster	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	19,629	19,629	19,629	19,629
R-squared	0.046	0.046	0.045	0.047

Table 4: Effect of CEO Activism on Analyst Forecast Accuracy: Fixed Effects Panel Regressions – Split-Sample Test

This table reports the results of fixed effects panel regressions on firm-month-year data from 2009 to 2020, estimating the impact of CEO activism on analyst forecast accuracy. All models include firm and year fixed effects, and standard errors are clustered at the firm level. The full set of control variables described in Table 2 is included.

$$\text{Forecast Accuracy}_{i,m+1,t} = \alpha + \beta_1 \cdot \text{CEO Activism}_{i,m,t} + \mathbf{x} \cdot \mathbf{X}_{i,t-1} + \mathbf{y} \cdot \mathbf{Y}_{i,t-1} + \mathbf{z} \cdot \mathbf{Z}_{i,m,t} + \varepsilon_{it},$$

Where the dependent variable is *Forecast Accuracy* for firm i , forecasted in month $m+1$, year t . *CEO Activism* is a dummy variable equal to 1 if an activism event occurs in firm i in month m , and 0 otherwise. $\mathbf{X}_{i,t-1}$, $\mathbf{Y}_{i,t-1}$, and $\mathbf{Z}_{i,m,t}$ are firm- and CEO-, and analyst-level characteristics of firm i , in month m , of year $t-1$ and t , respectively. t -statistics are in parentheses, with *, **, and *** denoting statistical significance at the 10%, 5%, and 1% levels, respectively. Variable definitions are in Appendix Table A2.

Panel A: Corporate Transparency

Splits the sample based on corporate transparency, proxied by (1) *Financial Opacity*—a dummy equal to 1 if a firm's accruals exceed the industry-year mean—and (2) *ESG Disclosure Score* (range: 0–100).

	<i>Financial Opacity</i> lower than industry	<i>Financial Opacity</i> higher than industry	Bottom quintile of <i>ESG-Discl-Score</i>	Top quintile of <i>ESG-Discl-Score</i>
	(1) Forecast Accuracy	(2) Forecast Accuracy	(3) Forecast Accuracy	(4) Forecast Accuracy
Activism	0.594** (0.297)	0.411** (0.177)	1.008 (0.866)	0.207** (0.081)
Financial Opacity			0.345* (0.176)	0.383 (0.276)
ESG-Discl-Score	0.033 (0.028)	-0.014 (0.015)		
Constant	-3.344 (7.340)	3.994*** (1.395)	0.318 (3.514)	-0.027 (3.389)
Firm control	YES	YES	YES	YES
Analyst control	YES	YES	YES	YES
CEO control	YES	YES	YES	YES
Firm Cluster	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	4,647	14,982	3,928	3,925
R-squared	0.089	0.040	0.069	0.055

Panel B: Corporate Culture and Governance Quality

Splits the sample by corporate culture and governance quality, using *Corporate Culture* (machine-learned score from earnings call transcripts), Institutional Ownership *IOR* (fraction of shares held by institutions), and *E-index* (entrenchment index ranging from 0 to 5).

	Bottom quintile of <i>Corporate Culture</i>	Top quintile of <i>Corporate Culture</i>	Bottom quintile of <i>IOR</i>	Top quintile of <i>IOR</i>	Bottom quintile of <i>E-index</i>	Top quintile of <i>E-index</i>
	(1) Forecast Accuracy	(2) Forecast Accuracy	(3) Forecast Accuracy	(4) Forecast Accuracy	(5) Forecast Accuracy	(6) Forecast Accuracy
Activism	0.084 (0.112)	0.813* (0.425)	0.383* (0.204)	0.662** (0.331)	0.492* (0.277)	-0.388 (0.325)
Corporate Culture			-0.005 (0.020)	-0.015 (0.024)	-0.005 (0.014)	0.059 (0.079)
IOR	-0.308 (0.799)	0.206 (1.284)			0.435 (0.347)	5.192 (3.669)
E-index	-0.031 (0.010)	-0.368 (0.247)	-0.004 (0.105)	0.240* (0.140)		
Constant	3.798* (2.125)	12.220** (5.347)	7.598** (3.138)	2.709 (2.667)	1.092 (1.005)	23.920 (23.610)
Firm control	YES	YES	YES	YES	YES	YES
Analyst control	YES	YES	YES	YES	YES	YES
CEO control	YES	YES	YES	YES	YES	YES
Firm Cluster	YES	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Observations	3,926	3,924	3,931	3,924	14,577	852
R-squared	0.119	0.046	0.048	0.080	0.048	0.078

Panel C: CEO Power

Splits the sample by CEO power, using *CEO Duality* (1 if the CEO is also board chair) and *CEO Relative Pay* (ratio of CEO cash compensation to the second-highest paid executive).

	<i>CEO duality</i> = 0	<i>CEO duality</i> = 1	Bottom quintile of <i>CEO</i> <i>Relative Pay</i>	Top quintile of <i>CEO</i> <i>Relative Pay</i>
	(1) Forecast Accuracy	(2) Forecast Accuracy	(3) Forecast Accuracy	(4) Forecast Accuracy
Activism	0.220 (0.178)	1.403* (0.736)	0.586* (0.318)	1.672** (0.778)
CEO Duality			-0.011 (0.185)	-0.245 (0.450)
CEO Relative Pay	0.101 (0.087)	-0.432 (0.328)		
Constant	2.689* (1.510)	-5.831 (5.638)	7.006 (4.608)	-20.420* (12.070)
Firm control	YES	YES	YES	YES
Analyst control	YES	YES	YES	YES
CEO control	YES	YES	YES	YES
Firm Cluster	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	11,023	8,606	3,928	3,925
R-squared	0.062	0.060	0.091	0.137

Table 5: Effect of CEO Activism on Analyst Forecast Accuracy: Entropy Balancing Approach

This table reports the results of WLS regressions with analytic weights derived from the entropy balancing procedure estimating the effect of CEO activism on analyst forecast accuracy using entropy-balanced firm-month-year panel data from 2009 to 2020. The sample replicates the specifications in Table 3. All models include firm and year fixed effects, and standard errors are clustered at the firm level to account for within-firm correlation over time. The empirical model is specified as:

$$\text{Forecast Accuracy}_{i,m+1,t} = \alpha + \beta_1 \cdot \text{CEO Activism}_{i,m,t} + \mathbf{x} \cdot \mathbf{X}_{i,t-1} + \mathbf{y} \cdot \mathbf{Y}_{i,t-1} + \mathbf{z} \cdot \mathbf{Z}_{i,m,t} + \varepsilon_{it}, \quad \varepsilon_{it} \sim N(0, \sigma^2/w_{it}),$$

$\text{Forecast Accuracy}_{i,m+1,t}$ measures the forecast accuracy for firm i based on forecasts issued in month $m+1$ of year t . CEO Activism is a dummy equal to 1 if the firm i has experienced an activism event in month m of year t , and 0 otherwise. $\mathbf{X}_{i,t-1}$, $\mathbf{Y}_{i,t-1}$, and $\mathbf{Z}_{i,m,t}$ are firm-, CEO-, and analyst-level characteristics of firm i in month m and year $t-1$ and t , respectively. t -statistics are in parentheses, with *, **, and *** denoting statistical significance at the 10%, 5%, and 1% levels, respectively. Variable definitions are in Appendix Table A2.

Panel A: Mean and Variance Comparison

This panel reports the mean and variance of covariates for the treatment (activism) and control groups before and after applying entropy balancing.

	Treat		Control - before		Control - after		Treat minus Control	
	mean	variance	mean	variance	mean	variance	mean	variance
Firm size	11.400	3.042	10.040	1.917	11.400	3.042	0.000	0.000
Return on Asset	0.131	0.007	0.138	0.009	0.131	0.007	0.000	0.000
Earning Loss	0.005	0.005	0.013	0.013	0.005	0.005	0.000	0.000
Market-to-Book	4.753	45.510	3.648	71.200	4.754	45.560	-0.001	-0.050
Leverage	1.434	4.302	0.882	5.794	1.434	4.301	0.000	0.001
IOR	0.644	0.041	0.773	0.033	0.644	0.041	0.000	0.000
Board Size	11.480	4.743	10.890	5.497	11.480	4.740	0.000	0.003
%Indep. Directors	0.835	0.009	0.835	0.008	0.835	0.009	0.000	0.000
E-index	2.514	0.404	2.108	0.619	2.513	0.404	0.001	0.000
Corporate Culture	17.830	71.900	14.560	31.490	17.820	71.830	0.010	0.070
G-Score	4.796	4.256	5.621	3.908	4.794	4.254	0.002	0.002
ES-Score	5.341	1.600	4.818	2.123	5.339	1.600	0.002	0.000
ESG-Disc-Score	53.560	104.200	45.880	127.900	53.530	104.300	0.030	-0.100
Return Volatility	0.064	0.001	0.076	0.002	0.064	0.001	0.000	0.000
Financial Opaqueness	0.277	0.201	0.236	0.180	0.278	0.201	0.000	0.000
Analyst Coverage	3.536	0.344	3.437	0.282	3.535	0.344	0.001	0.000
Forecast Horizon	5.212	0.326	5.326	0.221	5.210	0.326	0.002	0.000
Specific Experience	5.400	2.459	4.914	2.234	5.398	2.458	0.002	0.001
Analyst Workload	8.445	9.143	9.036	11.690	8.441	9.138	0.004	0.005
CEO Tenure	5.663	49.670	5.845	39.150	5.660	49.630	0.003	0.040
CEO Age	56.420	34.660	57.400	36.210	56.400	34.630	0.020	0.030
CEO Gender	0.944	0.053	0.960	0.038	0.944	0.053	0.000	0.000
CEO Duality	0.567	0.246	0.561	0.246	0.567	0.246	0.000	0.001
CEO Relative Pay	1.538	0.328	1.614	0.352	1.538	0.328	0.000	0.000

Panel B: Logistic Regression on CEO Activism

This panel presents the results of logistic regressions predicting CEO activism status based on observable firm, CEO, and analyst characteristics before and after entropy balancing.

	(1) Activism - Before balancing	(2) Activism - After balancing
Firm size	0.629*** -0.078	0.014 -0.076
Return on Asset	1.706 -1.103	0.085 -1.157
Earning Loss	1.636** -0.822	0.008 -0.820
Market-to-book	0.031** -0.012	0.000 -0.013
Leverage	-0.063 -0.046	-0.002 -0.046
IOR	-0.367 -0.395	0.050 -0.397
Board Size	-0.049 -0.031	0.001 -0.030
%Indep. Directors	-0.061 -0.792	0.069 -0.783
E-index	0.328*** -0.105	-0.005 -0.106
Corporate Culture	0.041*** -0.010	0.000 -0.010
G-Score	-0.045 -0.036	0.001 -0.035
ES-Score	0.088* -0.052	0.001 -0.053
ESG-Discl-Score	0.030*** -0.008	0.000 -0.008
Return Volatility	-2.900 -2.607	0.155 -2.986
Financial Opaqueness	0.116 -0.143	0.005 -0.144
Analyst Coverage(ln)	0.072 -0.103	0.004 -0.107
Forecast Horizon(ln)	-0.426*** -0.107	0.008 -0.104
Specific Experience	0.075* -0.043	0.001 -0.044
Analyst Workload	-0.044** -0.021	0.001 -0.022
CEO Tenure	-0.023** -0.011	0.000 -0.011
CEO Age	-0.025** -0.011	0.001 -0.011
CEO Gender	0.120 -0.271	0.011 -0.265
CEO Duality	0.295** -0.135	-0.004 -0.136
CEO Relative Pay	0.100 -0.094	0.002 -0.104
Constant	-10.940*** -1.813	-0.408 -1.814

Panel C: Entropy Balanced OLS Regression

This panel shows the results of WLS regressions estimating the effect of CEO activism on analyst forecast accuracy after applying entropy balancing weights. The analyses control for firm-, CEO-, and analyst-level characteristics, with firm and year fixed effects and errors clustered at the firm level.

	(1) Forecast Accuracy	(2) Forecast Accuracy	(3) Forecast Accuracy	(4) Forecast Accuracy
Activism	0.226** (2.070)			
Social Activism		0.194* (1.620)		
Environmental Activism			0.137 (1.440)	
Controversy				0.266* (1.720)
Non- Controversy				0.182* (1.720)
Constant	-3.227 (0.760)	-3.028 (0.640)	-2.899 (0.690)	-3.396 (0.770)
Firm control	YES	YES	YES	YES
Analyst control	YES	YES	YES	YES
CEO control	YES	YES	YES	YES
Firm Cluster	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	19,629	19,629	19,629	19,629
R-squared	0.534	0.533	0.533	0.534

Table 6: Two-Stage Least Squares Model on Analyst Forecast Accuracy

This table presents two-stage least squares regression results estimating the causal effect of CEO activism on analyst forecast accuracy. The first stage instruments CEO activism using (i) the industry average number of activism events in the prior month (*Industry Activism* $i_{m-1,t}$) and (ii) whether the firm is headquartered in a U.S. state that voted Democratic *Blue State* i_t . The second stage regresses forecast accuracy on the instrumented *CEO activism* variable. All firm-, CEO-, and analyst-level controls (as described in Table 2) are included. Firm and year fixed effects are applied, with errors clustered at the firm level. t-statistics are reported in parentheses; *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. Variable definitions are in Appendix Table A2.

	Stage 1 Activism	Stage 2 Forecast Accuracy
Industry Activism	0.0319*** (-3.680)	
Blue State	0.0125*** (-3.690)	
Activism		5.433* (-1.83)
Firm control	YES	YES
Analyst control	YES	YES
CEO control	YES	YES
Firm Cluster	YES	YES
Firm FE	YES	YES
Year FE	YES	YES
Wald F statistic		12.290

APPENDIX

Appendix A: Identification of CEO Activism Events

Our approach to collecting data on CEO activism events closely follows the methodology of Mkrtchyan et al. (2023). We used Python to develop a web scraper in order to obtain activism events from news outlets via Rapid API. News articles were collected using a variety of query terms:

<“first name AND last name AND keyword”>, <“first name AND company name AND keyword”>, <“last name AND company name AND keyword”>, <“CEO AND company name AND keyword”>

The companies included in our study are all S&P 500 firms observed from 2010 to 2019, identified using the respective CEOs’ first and last names during their tenure. The list of keywords draws from Larcker et al. (2018) and Mkrtchyan et al. (2023), with additional extensions. Table A1 displays the keywords grouped into different categories aligned with the ESG elements *environmental* and *social*. In total, we collected 7,542 news articles.

Following the news collection, we conducted a manual review of each article as follows. Initially, we scrutinized each headline to determine if it clearly presented the CEO’s name, company, and stance on the issue, thereby qualifying it as an activism-related news event. For example, we retained headlines such as “Salesforce CEO Marc Benioff: ‘Anti-LGBT’ Bills Are ‘Anti-Business’” (Steinmetz, 2016); “Howard Schultz on Charlottesville: ‘I know we are better than this’” (Smith, 2017); “TripAdvisor CEO: Businesses Must Step Up to Address the Refugee Crisis” as instances of CEO activism events (Kaufer, 2019).

In cases where the CEO's name was not explicitly stated in the headline, we examined the content of the article to ascertain whether the CEO had expressed a stance on the issue. Only articles containing a relevant statement from the CEO were included in the CEO activism dataset. Note that we also excluded articles where the CEO or company name were mentioned randomly, without relevance to the keywords. Additionally, we disregarded articles where the keyword appeared in an unrelated context, such as "work environment" or "market environment" alongside the keyword "environment," or "big gun" alongside the keyword "gun." Duplicate news articles were removed, with preference given to the earliest event date. Consequently, the final dataset comprised 1,330 unique news articles.

Finally, we classified Trump- and Brexit-related news articles, and applied the following categorization:

1. Categorization of Trump-Related Events: Trump-related events are classified based on CEOs' reactions to his policies or his persona. CEO activism concerning policies such as the travel ban (keyword "Travel Ban") and the termination of DACA (keyword "Immigration") are categorized under the subcategory "Immigration and Human Rights," and ultimately fall within the Social category. Commentary on Trump as a political figure often intersects with broader social issues, including public discourse, societal values, and community reactions. CEOs addressing Trump's persona may discuss the impact of his actions and statements on societal norms, public sentiment, or the social environment of their stakeholders. These remarks are included in the subcategory "Other Social Issues," and are also categorized under the Social category.

2. Categorization of Brexit-related events: Brexit-related events impact U.S. firms with operations in the U.K. or EU, which may experience changes in the labor market. These include things like shifts in workforce mobility, labor availability, and potential changes in employment laws. These factors could affect hiring practices, employee relocations, and overall workforce stability. Thus, we place these events in the “Social” category.

Table A1: Categorization of CEO Activism Events

Subcategory	Category	Keywords
Environment	Environmental	clean air, clean water, environment, pollution, renewable, carbon tax, climate change, global warming, Paris Agreement
Diversity and Inclusion	Social	discrimination, diversity, gender equality, glass ceiling, sexual harassment, inclusion, pay gap, equal pay, minimum wage
Immigration and Human Rights		racial, religion, pride parade, same-sex marriage, homosexual, lesbian, gay, transgender, LGBT, #metoo
Other Social Issues		dreamers, immigration, DACA, human rights, refugee, travel ban
		income inequality, healthcare, violence, abortion, planned parenthood, gun control, mass shooting, Obamacare, poverty, white supremacists, Brexit, Trump

Table A2. Variable Definitions

Variable	Definition	Source
<i>CEO Activism-Related Variables</i>		
CEO Activism	A dummy variable equals to 1 if firm has at least one activism event during month m in fiscal year t.	Rapid API
Environmental Activism	A dummy variable equals to 1 if the first activism event at the firm during month m fiscal year t is on environmental issues.	Rapid API
Social activism	A dummy variable equals to 1 if the first activism event at the firm during month m fiscal year t is on sociopolitical issues.	Rapid API
Controversial Activism	A dummy variable equals to 1 if there is at least one activism event in month m fiscal year t is controversial. Respective issue is shown in Mkrtychyan et al. (2023, Table B.1. <i>Degree of Controversy-More Controversial</i> column), and 0 otherwise.	Mkrtychyan et al. (2023, Table B.1.)
Non-Controversial Activism	A dummy variable equals to 1 if there are no activism event in month m fiscal year t is controversial. Respective issue is not shown in Mkrtychyan et al. (2023, Table B.1. <i>Degree of Controversy-More Controversial</i> column), and 0 otherwise.	Mkrtychyan et al. (2023, Table B.1.)
Industry Activism	The industry (SIC-2 digit) average of the number of CEO activism at month m-1 fiscal year t, excluding self.	Rapid API
Blue State	A dummy variable equals to 1 if the state firm headquartered in voted for democrats in the last nearest election cycle, 0 otherwise.	MIT Election Data Science Lab (2017) & Gao et al. (2021)
<i>Analyst-Related Variables</i>		
Forecast Accuracy	The absolute value of the difference between the actual annual earnings per share (EPS) and the consensus forecast, where consensus is represented by the median of individual analyst forecasts for the company in month m+1 fiscal year t deflated by stock price at the beginning of fiscal year t.	I/B/E/S
Analyst Coverage	The number of analysts covering a firm at month m in fiscal year t.	I/B/E/S
Forecast Horizon	The median number of days between forecast date and earning announcement date at month m in fiscal year t.	I/B/E/S
Specific Experience	The average number of years analysts cover firm i at month m fiscal year t.	I/B/E/S
Analyst Workload	The average number of firms covered by analysts at month m fiscal year t.	I/B/E/S
<i>Ownership, ESG, & Board Characteristics</i>		
IOR	Institutional ownership ratio measures the fraction of shares outstanding owned by institutional investors at fiscal year t-1.	Thomson/Refinitiv/Institutional (13f) Holdings
ESG-Disclosure-Score	ESG disclosure score at fiscal year t-1. Ranging from 0 to 10	Bloomberg
E-Disclosure-Score	Environmental disclosure score at fiscal year t-1. Ranging from 0 to 10	Bloomberg
S-Disclosure-Score	Social disclosure score at fiscal year t-1. Ranging from 0 to 10	Bloomberg
ES-Score	The average of environmental and social score at fiscal year t-1. Ranging from 0 to 1	MSCI ESG
E-Score	Environmental score at fiscal year t-1. Ranging from 0 to 1	MSCI ESG
S-Score	Social score at fiscal year t-1. Ranging from 0 to 1	MSCI ESG
G-Score	Governance score at fiscal year t-1. Ranging from 0 to 1	MSCI ESG
E-index	Entrenchment index at fiscal year t-1. Ranging from 0 to 5	Bebchuk et al. (2009)
Board Size	Number of directors on the board at fiscal year t-1	BoardEx, ISS
% Indep. Directors	Number of independent directors divided by total number of directors at fiscal year t-1.	BoardEx, ISS

(Continued)

Table A2. Variable Definitions(continued)

<i>Firm Characteristics</i>		
Return on Assets	Operating income before depreciation, scaled by book value of total assets at fiscal year t-1	Compustat
Firm Size	Log of total assets at in fiscal year t-1	Compustat
Leverage	Book value of debt divided by market value of equity at fiscal year t-1.	Compustat
Market-to-Book	Book value of equity as a fraction of the market value of equity at fiscal year t-1.	Compustat
Earning Loss	A dummy variable equals to 1 if ROA is below 0, zero otherwise at fiscal year t-1	Compustat
Return Volatility	the standard deviation of monthly stock returns at fiscal year t	CRSP
Financial Opaqueness	Scaled accruals (ACCRUAL) are computed using balance sheet and income statement information as $ACCRUAL = (\Delta CA - \Delta CL - \Delta CASH + \Delta STD - DEP + \Delta TP) / lag(TA)$, where ΔCA is the change in total current assets; ΔCL is the change in total current liabilities; $\Delta CASH$ is the change in cash; ΔSTD is the change in the current portion of long-term debt included in total current liabilities; DEP is depreciation and amortization expense; ΔTP is the change in income taxes payable; and $lag(TA)$ is total assets at the end the previous year. Scaled accruals are calculated as the absolute value of a firm's scaled accruals averaged over the past three years of each firm. FIN takes the value of 1 if a firm has a higher than industry-year mean of ACCRUAL at fiscal year t-1, and 0 otherwise.	Compustat & Dhaliwal et al. (2012)
Corporate Culture	Constructed from earring call transcripts using machine leaning technique at fiscal year t-1.	Li et al. (2021)
<i>CEO Characteristics</i>		
Male	Dummy variable that equals 1 if the CEO is male, and 0 otherwise at fiscal year t-1.	BoardEx, ExecuComp
CEO Age	CEO age at fiscal year t-1 as reported by BoardEx, if missing as reported by ExecuComp.	BoardEx, ExecuComp
CEO Tenure	Number of years in the position of CEO at fiscal year t-1 as reported by BoardEx, if missing as reported by ExecuComp.	BoardEx, ExecuComp
CEO Duality	Dummy variable that equals 1 if the CEO also serves as board chair, and 0 otherwise at fiscal year t-1 as reported by BoardEx, if missing as reported by ExecuComp.	BoardEx, ExecuComp
CEO Relative Pay	CEO's cash compensation (salary and bonus, total_curr) divided by that of the second-highest paid executive in the firm at fiscal year t-1.	ExecuComp