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Long Game or Rapid Response: Which Is Better For Navigating Analyst Pressure?

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Problem of practice

What kind of CEO would you prefer to be or work for? A CEO who abandons important competitive actions, driven by short-term, negative market sentiment? Or a CEO who maintains a long-term perspective and sustains strategic initiatives even in the face of market pressure during a bad quarter? If you prefer the second type of CEO, a recent study by Jianhong Chen, Wan-Chien Lien, Danny Miller, and Tianxu Chen provides a compelling insight: CEOs with a long-term orientation are more likely to stay the course despite negative analyst recommendations.[1] But why does that matter? If your CEO is less likely to flinch during bad times, does your business do better? The answer is a resounding yes, from extensive and rigorous research.[2] Maintaining a strong rhythm of competitive actions – think product development, service upgrades, brand building, and operations effectiveness – has a positive, long-term impact on company profits. Building on the research by Chen and team, and illustrated with several examples, our essay provides a road map for top management teams to manage market pressure while staying committed to long-term value creation

[1]The article 'Competitive Actions under Analyst Pressure: The Role of CEO Time Horizons' by Jianhong Chen, Wan-Chien Lien, Danny Miller, and Tianxu Chen, featured in Volume 61, Issue 5 of *Journal of Management Studies* talks about underscoring CEO time horizon as a critical contingency in studying the impact of analyst pressures

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CEO's time orientation

Research shows that analyst recommendations are a credible signal for retail and institutional investors and a 'sell' recommendation by equity analysts often leads to a decline in share prices.[3] These declines place immense pressure on company leadership — particularly CEOs, CFOs and investor relations teams — to deliver quick results that can counteract the negative market sentiment. This pressure can lead organisations to delay or even abandon long-term strategic initiatives. In such cases, senior leadership teams feel compelled to react defensively, limiting their attention to long-term impact. Such behaviour also makes CXOs focus on operating on a quarter-to-quarter basis, to ensure positive or neutral recommendations. This reactive behaviour can reduce value creation and may even destroy shareholder value in the long term.

A recent survey found that 78% of finance leaders consider balancing short-term market expectations with long-term strategic goals, a paradox they frequently face in today's market environment.[4] In a similar vein, another recent survey highlights specific CFO concerns such as investor sentiment, volatility, and reputation risk, all of which are heavily influenced by equity analyst coverage.[5]

The balancing act

So, how can CEOs balance short-term results to counter negative sentiments with long-term business goals? The research by Chen's team examined CEO response to analyst scrutiny to illustrate how a leader's orientation (short- or long-term) can influence their strategic behaviour under pressure. They created two dimensions to showcase how a company responds to market pressure: Strategic action intensity and Strategic action rhythm.

A recent EY Global DNA of the CFO survey found that 78% of finance leaders consider balancing short-term market expectations with long-term strategic goals a paradox CFOs face in today's market environment

Strategic action intensity refers to the number and scale of major strategic initiatives a company undertakes, such as acquisitions, product launches or new partnerships. Senior leaders with a long-term orientation tend to maintain, or even increase, the intensity of strategic moves, despite negative recommendations. Take the case of Tata Motors' acquisition of Jaguar and Land Rover in 2008: The analyst community initially had negative perceptions about the deal.[6] Rather than reintegrating Jaguar Land Rover Automotive PLC (JLR) into the Indian operations, they kept the existing leadership, maintained operations, and invested in long-term capital. The Tata Group's confidence enabled JLR to thrive.[7] In contrast, firms like Intel, which received downgrades from





analysts during the early 2010s, chose not to increase their strategic intensity in emerging technologies such as cloud and mobile.[8] This cautious response contributed to Intel's gradual decline, culminating in leadership upheaval, strategic retrenchment, and financial losses by 2025.[9]

Strategic action rhythm refers to the consistency and pacing with which major initiatives are undertaken. A regular rhythm reflects steady, deliberate decision-making often tied to a long-term roadmap, as Paul Polman did. When he faced analyst wrath after Unilever failed to meet its sales targets, he stopped issuing quarterly guidance, signalling to Wall Street that he would not make decisions based on short-term recommendations to improve the stock price.[10] He rolled out a long-term strategy, known as the Sustainable Living Plan, to make Unilever a better steward of the environment and a more socially responsible business.[11] He did not give in to short-term market demands but focused on strategic rhythm for long-term sustainable growth. Hence, he delivered long-term returns better than competitors and was even called 'a standout CEO of the past decade' in 2018.[12]

Leaders can listen and adapt to analyst recommendations and course correct without losing sight of their long-term goals, thus enhancing their adaptability

In contrast, the case of Yahoo under Marissa Mayer is a cautionary tale of irregular strategic rhythm. Appointed in 2012 to revitalise the business, Mayer responded to analyst concerns about declining revenues by acquiring Tumblr for $1.1 billion in 2013.[13] The deal was announced within weeks of mounting pressure, without a clear integration roadmap or cultural fit analysis, demonstrating a reactive approach in pursuit of quick profits, despite lacking knowledge of social business.[14] There was no effort to clarify Yahoo's strategic direction — whether it aimed to be a media company or a technology platform.[15] Most acquisitions are long-term decisions that require proper integration, yet Yahoo made this commitment based on short-term criteria such as an immediate revenue boost to placate analysts.

Within just three years, Yahoo was forced to write down two-thirds of the acquisition's value, resulting in significant downgrade of shareholder wealth.[16]

The takeaway: CEOs with a long-term orientation tend to maintain both intensity and rhythm in the face of negative market commentary. In contrast, CEOs with a short-term focus often act in fits and starts, leading to fragmented strategies and diminished long-term value.

its rich IP portfolio.[20] But these moves were defensive and lacked strategic coherence and scale, and Kodak ultimately filed for Chapter 11 bankruptcy protection in January 2012.[21]

Sometimes organisations can maintain a strong long-term focus but fail to engage meaningfully with analyst feedback, missing out on opportunities to maximise potential, as Toyota did. Analysts encouraged Toyota to



Sustainable value creation depends on leadership's ability to manage the paradox between short-term expectations and long-term goals. This requires cultivating 'temporal adaptability' (the ability to stay anchored in long-term strategic direction while selectively adapting to short-term analyst feedback when necessary)

Role of analyst recommendations

But that doesn't mean that senior management can afford to ignore analysts' reports/recommendations, even if negative, as they may provide important feedback.

Leaders can listen and adapt to analyst recommendations and course correct without losing sight of their long-term goals. The transformation of Starbucks under Howard Schultz's leadership shows how leaders can adapt to analyst recommendations without losing sight of long-term goals. During the 2008 crisis, many companies, including Starbucks, were being viewed in a negative light when Howard Schultz took over as CEO.[17] He, in response to the negative comments, focused on short-term measures such as closing stores and opening new ones.[18] But he also focused on the long-term goal of building the brand through a better customer experience.[19]

In contrast, organisations like Kodak that responded to analyst recommendations in the short term without anchoring their actions in a coherent, long-term strategic vision could only secure temporary survival but not sustained success. After the dawn of digital photography, Kodak was scrutinised by analysts for its failure to pivot into the new technology. Under CEO Antonio Pérez, the company initiated efforts to reinvent itself, focusing on digital cameras, printing, and licensing

shift more aggressively into Electric Vehicles (EV), citing global market trends and rising competition. However, Toyota, committed to its long-term vision, remained focused on hybrid and hydrogen fuel cell technologies.[22] While this strategy reflected a consistent long-term perspective, its limited responsiveness to analyst and market signals regarding the accelerating EV transition put it at a disadvantage. Today, many feel Toyota missed the early EV wave and now trails behind competitors in key markets.[23]

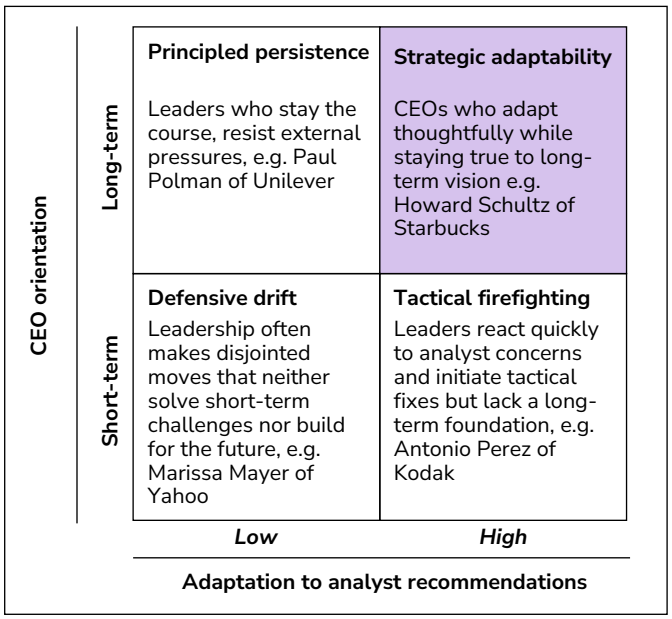
Another important source of feedback is the credit or fixed-income analyst community, whose assessments can serve as guidelines for investors, banks, and bondholders to assess whether a company is financially reliable and worth investing in. While equity analysts tend to dominate market conversations, credit rating downgrades are often followed by significant declines in equity prices.[24] Their recommendations can affect bond markets, as debt investors may reassess a company's financial risk based on market sentiment.[25] When Moody's upgraded Tesla's credit rating, the company became 'blue-chip quality', where conservative investors are willing to buy the company's debt.[26]

The takeaway: Leaders need to interpret and manage feedback from both equity and fixed income analysts. They must balance short-term expectations with long-term vision when making decisions, especially under market pressure.

Analysts and temporal adaptability

Businesses are increasingly relying on markets to raise capital, which exposes them to greater scrutiny from analysts. Sustainable value creation depends on leadership's ability to balance short-term expectations and long-term goals. They need to cultivate 'temporal adaptability' (the ability to focus on long-term strategic direction while selectively adapting to short-term analyst feedback when necessary). **Figure 1** represents the different dimensions of this balancing act.

Figure 1: Balancing market pressures and strategic intent



Source: Developed by the authors based on Jianhong Chen et al., 'Competitive Actions under Analyst Pressure: The Role of CEO Time Horizons', Journal of Management Studies 61, no. 5 (2024): 1916–45, https://doi.org/10.1111/joms.12964

For any business, the above framework offers both a diagnostic lens and a prescriptive path. Some key highlights are:

- Investor relations teams need to proactively communicate the long-term roadmap to analysts and investors, thus managing expectations through clarity and conviction.[27]



- Most companies perform better when leaders focus on long-term development. But they can also face shareholders' wrath if they ignore analyst recommendations which can lead to short-term gains. The key is to maintain a consistent focus on the long-term vision while integrating short-term gains into it. A prime example is Satya Nadella, who focused on long-term plans such as developing AI capabilities while still managing steady growth each quarter.[28]
- To foster leadership that can navigate high-pressure periods without abandoning long-term commitments, organisations can offer targeted executive education on capital markets, behavioural finance, and stakeholder communication.[29]
- Boards and majority shareholders should support long-term viability by holding dedicated sessions on long-horizon strategies, especially during periods of market volatility or analyst downgrades.[30]

Adapt to avoid pitfalls

Company leadership is often trapped into reacting to negative analyst recommendations and this can hurt the long-term competitive health of the organisation. To avoid this trap, as illustrated above, senior leadership can cultivate a long-term perspective and maintain the slower rhythms of competitive action. This 'temporal adaptability' or balance can help organisations avoid the pitfalls of short-term negative sentiments while unlocking sustained value creation.

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