Seeing People: The Selective Attention of Financial Analysts in their Research Output[*]

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Abstract

We study how analysts' attention towards people is associated with their research outcomes. To measure this *person orientation* of analysts, we count the frequency of individual names mentioned in their reports. Analysts who exhibit a higher degree of person orientation tend to ask more questions related to individuals during earnings calls and provide more comments on management turnover in their reports. Compared to nonperson-oriented analysts, these individuals perform better in terms of All-Star status, earnings forecast accuracy, and forecast error consistency. Furthermore, they generate higher long-term returns (ranging from 41 to 53 basis points) from their stock recommendations, although no significant differences are observed in short-term returns, implying that investors do not immediately recognize the superior information content present in the reports of person-oriented analysts. We attribute these findings to the improved abilities of person-oriented analysts in acquiring and processing person-related information, rather than having better access to private information through closer personal ties with executives.

Keywords: financial analysts, earnings forecasts, person orientation, textual analysis
JEL codes: M41, G14, G24, J24

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