

Why businesses should take humour seriously

Written by

[Cláudia Custódio](#)

Published

2 November 2023

Category

[Finance](#)

Key topics

[Finance](#)

Getting a laugh out of people when the subject is finance is no easy task. But there are major benefits for businesses if they can use humour to their advantage.

There are perhaps no two topics with a less obvious connection than humour and finance. Just ask anyone who has recently visited their accountant or received a tax reminder. After all, finance concerns the ways in which individuals and institutions manage their money, and how they make related decisions, such as investing, borrowing, lending, budgeting and saving – not exactly typical subjects for comedy.

Humour, however, is a unique form of communication, which may have a useful role even in an area as sober, complex and objective as finance. Humour not only entertains, it also establishes and maintains close connections, relieves tension, and helps to create a relaxed environment. Used without care, though, and it can

generate distrust in the communicator or in the information they are providing, which is certainly not desirable if the topic is money.

Comical earnings calls

A [recent study](#), one of the first on this topic in an accounting journal, explores the relevance of humour in a corporate finance context. Specifically, the study found that when managers use humour to announce a company's financial results on an earnings call, stock market returns and analyst forecast revisions following the call are more positive. The main reason for this is that negative financial results are more likely to be ignored when communicated humorously – **suggesting humour mutes the market reaction to negative earnings news.**

There are some limitations to this effect. The study notes that the worse the negative earnings news, the less likely managers are to use humour on the call. They are also more likely to use humour when analysts already have an overall positive view of the firm, so the tactic is unlikely to be enough to make an already-struggling company's poor performance go down well.

In spite of this, the researchers found no evidence of a reversal in the positive impact over time, which means **the use of humour is positively associated with future earnings for companies.** And the same is true for the other side of the relationship; analysts who use humour in calls with managers were found to get more attention, were allowed to speak for longer and received more lengthy responses.

Serious humour

In line with these findings, **humour is being taken increasingly seriously in academia, business and finance.** At this year's European Finance Association annual conference, for example, the schedule included a [whole programme on humour and finance](#), exploring the effective use of humour in communicating new academic research in finance to the general public.

And at Stanford Graduate School of Business, MBA students take a course entitled "[Humour: Serious Business](#)" about the power of humour in leadership, with one of the lecturers on the course referring to humour as "an underleveraged superpower in business".

This progress suggests **humour really could be an effective way to communicate complex ideas**. This is a particularly useful finding for universities whose perceived status as ivory towers populated by inaccessible academics means they often struggle to communicate with the general public. Using humour could potentially help academic institutions make the content of their research findings lighter, more relatable and easier to understand.

Need to laugh

And the same may be true for financial communications from companies. **Humour is often effective in capturing attention**, and information relayed humorously is more easily recalled.

Humour also can help communicators keep their messages simple, clear and short, as we instinctively understand that overloading the audience with information is unlikely to make them laugh. It can even **break down prejudices around a topic**, potentially helping people understand finance by overcoming the common aversion to mathematics among the general public.

This might seem like a lighthearted idea, but there is a clear need for improved communication in financial messaging. According to a [Eurobarometer study](#) for the European Central Bank, **levels of financial literacy in Europe are far from desirable**.

Negative financial results are more likely to be ignored when communicated humorously

For instance, Portugal ranks close to the bottom among EU countries, with only one in four people correctly answering a set of questions on inflation, interest rates and risk diversification. The Portuguese public might well benefit from a new, more humorous approach to financial communication. And if this is effective, the UK might find itself free of worry when it comes to financial literacy, thanks to the world-famous British sense of humour.

Ultimately, making people laugh is no easy task and it's even more challenging when the topic is finance. However, the evidence suggests that the challenge is worth taking on, as the return on investment appears to be assured.

Written by

[Cláudia Custódio](#)

Published

2 November 2023

Category

[Finance](#)

Key topics

[Finance](#)

Main image: siraanamwong / iStock / Getty Images Plus via Getty Images.

Share



About Cláudia Custódio

Professor of Finance

Cláudia Custódio is Professor of Finance at Imperial Business School and a research associate for the Centre for Economic Policy Research, the European Corporate Governance Institute, and the Financial Markets Group at the London School of Economics.

Prior to joining Imperial London, she worked at Nova School of Business & Economics in Lisbon and Arizona State University. Professor Custódio's research interests are mainly in corporate finance, including corporate diversification, mergers and acquisitions, capital structure and risk management.

Read [Cláudia's Imperial Profile](#) for more information and publications.

Monthly newsletter

Receive the latest insights from Imperial Business School

[Sign up now](#)

[**Credit ratings: where they come from and why they matter**](#)

Credit ratings play an important role in converging opinion about the creditworthiness of financial instruments. New research explores how this role took shape by analysing the impact of the first rating system for bonds in the early 20th century.

[Read more](#)