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Using Humble Language Can Drive Market Success

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Businesses in trouble can reap benefits by displaying humility – but the rules differ for family and non-family firms.

Across the United States, both family-run and nonfamily-run businesses have served as the backbone of the economy, quietly thriving for generations. Their enduring presence stems from a variety of strengths — from deep-rooted cultural values to entrepreneurial leadership — that have earned them lasting respect from investors, employees, and communities alike. Nonfamily firms are often known for entrepreneurial, bold and aggressive moves. Family firms are recognized more for their steady, tradition-driven approach to business, and have earned strong respect for a blend of character, leadership, and people-centered values.

These qualities often make both types of firms favorable to investors. However, they can also draw different kinds of media attention, with family firms frequently scrutinized for perceived tradition-bound decisions, and nonfamily firms sometimes criticized for entrepreneurial tactics or lack of long-term orientation.

Think of a firm, whether family-run or non-family, whose strong and reliable character has gained investors' trust over the years. Then comes trouble: A significant misstep, such as a financial scandal, a public fallout involving an executive member, a controversial executive decision, or a major product recall, hits the news and headlines, triggering a wave of negative media coverage. In the face of these negative news reports, investors grow uneasy and doubtful, and as a result, the firm's future becomes more uncertain.

In this case, both family and non-family businesses have a critical decision to make about how to respond to this negative news: Should they respond defensively, or take a different path and acknowledge the situation and show appreciation for its stakeholders, including shareholders and investors?

Intrigued by the potential consequences of this decision, we undertook a study, which was recently published in the journal *Small Business Economics*. In particular, we studied how family and non-family firms' communication style, specifically humble language, would influence investors' responses when the firm is presented unfavorably by the media.

What We Studied

We analyzed 2,250 annual letters to investors from large firms and 1,460 from small and medium-sized firms. In these letters, we looked for specific language that reflected rhetorical humility — phrases that expressed accountability, acknowledged challenges or mistakes, conveyed appreciation, and emphasized learning and improvement. To assess whether the firms were under scrutiny, we collected and coded media coverage surrounding each firm in the same time period, identifying whether the tone of the press was negative or positive. Shareholder reactions were measured by calculating cumulative abnormal returns (CAR), a metric that captures stock price movement beyond what would typically be expected given market trends. This helped us determine how investors responded to the firm's communication in the context of recent media coverage.

What We Found

We saw that compared to non-family businesses, family firms — often defined by their strong cultural values —experienced stronger positive shareholder reactions when they used humility rhetoric in their communications during times of crisis. These results suggest that humility rhetoric creates trust, especially in family firms.

In practice, this means that rather than being defensive and aggressive, family CEOs get better results when they chose to communicate humbly and softly with the investors through the annual letter. The letter should admit past mistakes, acknowledge the difficulty of the situation, and praise employees for their dedication during tough times. The CEO should also express gratitude to long-term supporters and promise to focus on improving company practices.

By doing so, the overall message the family firm conveys with humble language is simple: "We've stumbled, but we're learning. Our commitment to our values — honesty, accountability, and resilience — has never been stronger."

To stakeholders and social audiences, this may seem like a risky move. But we saw that the shareholders responded positively, as reflected in improved stock market performance — particularly for family firms compared to non-family firms. This doesn't necessarily mean shareholders bought more shares; rather, it indicates that investors reacted more favorably in the market, showing greater confidence in the firm's messaging and values. This suggests that the humility in the firm's words resonated with the investors, reinforcing trust in the company's values and character that the investors have favored. It goes beyond damage control; it is a strategic decision that pays off. By acknowledging their flaws, firms were able to calm investor concerns and restore confidence.

However, under positive media coverage, the opposite occurred. When family firms were presented favorably by the media, the humble language in their messaging seemed to undercut the positive momentum — possibly because their communication appeared forced or calculated. For nonfamily firms, humility rhetoric was most effective when they are covered favorably by the media, enhancing their credibility. In those situations, humble messaging amplified the firm's strengths and reinforced a forward-thinking image.

The results were the opposite for non-family firms. When these firms used humble language under negative media coverage, the response from investors was more muted, possibly because the communication felt inconsistent with the firm's typical assertive brand or because investors perceived the rhetoric as less authentic.

Takeaways

For family firms, especially smaller businesses, humility rhetoric isn't just a way to sound relatable; it's also a powerful strategic tool. When faced with public scrutiny, showing vulnerability while committing to improvement can build resilience and trust among stakeholders in the long run.

For non-family firms, the lesson is different. Humility works best when times are good. By blending humility with positive media attention, these firms can strengthen their public image and reinforce investor confidence. However, when non-family firms are under the gun, facing critical or negative media, a different approach may be more effective. Rather than relying solely on humble messaging, these firms may benefit from projecting a tone that emphasizes competence, control, and a clear action plan. Confidence combined with transparency can help reassure investors that the firm is capable of navigating the challenge while maintaining credibility and direction.

The key insight from our research for family businesses and entrepreneurs is this: When faced with negative media coverage, they should communicate humbly, rather than being defensive and aggressive. In short, we suggest that humility isn't just good ethics — it's good strategy. When used thoughtfully, humility rhetoric can turn setbacks into opportunities for growth and deeper investor trust.

Explore the Research

Sanchez, P., Pidduck, R. J., Phillips, D., Daspit, J. J., & Holt, D. T. (2024). From modesty to market: shareholder reactions to humility rhetoric in family and nonfamily firms under media scrutiny (https://www.researchgate.net/publication/377977222_From_modesty_to_market_shareholder_reactions_to_humility_rhetoric_in_family_and_nonfamily_firms_under_media_scrutiny) . *Small Business Economics*, *63*(2), 755-780.

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