

Science can help to spot symptoms of executive hubris

By Gillian Tett

Savvy investors should screen executives' statements for signs of arrogance

How can an investor tell if a bank is heading for danger? In the past five years, analysts have proposed all manner of financial measures. But why not analyse the words of the person running the bank? Researchers have been looking at the speech patterns of leaders such as British politicians and bank chief executives. And this has revealed a point that we instinctively know but often forget: power not only goes to the head, but also to the tongue.

More specifically, when leaders become hubristic, it generates what psychologists call "linguistic biomarkers". Hubris has long fascinated poets, philosophers and political scientists. Four years ago David Owen, a former British foreign minister who happens also to be a psychiatrist, tried to give the idea a firmer framework by listing 14 markers of hubris. He examined dozens of British and US politicians over the past century and concluded that some leaders (such as the former British prime ministers Margaret Thatcher and Tony Blair) had succumbed to hubris in office. Others (such as John Major) had not.

[Peter Garrard](#), a neurology professor at St George's, University of London, has taken this analysis a step further. Dementia is known to cause changes in speech. "Meaning, emotion and attitude are communicated intentionally through language, but psychological and cognitive changes can be reflected in more subtle ways, of which a speaker remains unaware," he says. But Prof Garrard was curious to see if power changed speech, too. So he assembled a group to analyse all the words uttered by the three British prime ministers who served from 1979 to 2007 – Thatcher, Mr Blair and Mr Major – during their questioning by British MPs in their regular parliamentary grillings. This gave the academics a bank of largely unscripted verbal activity to study, and it revealed some fascinating trends.

The number of "linguistic biomarkers" associated with hubris was highest for Mr Blair, followed by Thatcher – with Mr Major a long way behind. Hubris increased both in the speeches of Mr Blair and of Thatcher – with a particularly marked rise after periods of war (in the former case, this was the conflict in Iraq; for the latter, the Falklands war.) Mr Blair started using words such as "I", "me" and "sure" more.

Prof Garrard's team now plan to use this approach to analyse the language of chief executives, too, echoing analysis already done by American psychologists into narcissism among corporate leaders. But in the meantime, another intriguing study has also recently emerged from University College Dublin.

[Niamh Brennan](#) and John Conroy, a professor and a graduate student, analysed [the letters to shareholders issued by the chief executive of a European bank](#) that expanded very dramatically during the boom and then suffered massive losses. Their analysis showed that during the eight years that he was in power, this chief executive also displayed rising hubris in his speech, with excessive optimism and a growing use of the royal "we".

"From a total of 148 sentences identified as being good news, 57 per cent was attributed to the chief executive himself, while only 39 per cent was attributed to the company and a further 4 per cent to outside parties," they write. But the chief executive "did not attribute any bad news to themselves or the company but stated it was the result of external factors".

Of course, as Prof Brennan and Mr Conroy admit, such analysis is "subjective", since they have to decide which words equate to hubris. It is also limited in scale, and none of the academics has yet attempted to produce what investors would dearly love to see: real-time analysis of whether the language of chief executives at banks (or anywhere else) is starting to display linguistic biomarkers of hubris.

But that may just be a matter of time: savvy investors already analyse most aspects of our lives and it should not be so difficult to screen business statements for patterns. If this work sparks a little more scrutiny of the people who run institutions such as banks – and helps puncture the hype – that can only be a good thing. It is just a pity that these techniques were not more widely used when men such as Dick Fuld of Lehman Brothers were being lauded for their genius. Investors take note – particularly in the sector currently most prone to hubris: tech.