



Media Release

The Importance of Social Skills in the Age of Artificial Intelligence

Study by Assistant Professor of Accounting An-Ping Lin from SMU and his team documented the important role of social skills in the financial industry.

Singapore, 15 May 2023 (Monday) – A new study by the Singapore Management University (SMU) examines the effects of equity analysts' social skills on their performance and career advancements and finds significant and positive effects of social skills. The findings support the growing importance of social skills, for which there is still no good substitute in the age of artificial intelligence, and highlights the importance of social skills training in school and workplace.

Titled "[*The Effect of Social Skills on Analyst Performance*](#)", this research was conducted by Assistant Professor of Accounting [An-Ping Lin](#) (Singapore Management University) and is forthcoming at *Contemporary Accounting Research Journal*. The author team comprised co-authors Congcong Li (Duquesne University) and Hai Lu (University of Toronto).

Rationale/motivation for this study

Social skills comprise two elements: (1) specific proficiencies or behaviours that play a role in establishing relationships with others and (2) competencies that assist individuals to interact effectively with others. Recent studies suggest that social skills are important in the labour market. For example, in the U.S., jobs that require high levels of social skills grew by 11.8 percent between 1980 and 2012. Consistently, better social skills are associated with greater labour market returns, partly because of the inability of newer technologies to replace the jobs that require social skills. In contrast, jobs that require high levels of technical skills but low levels of social skills declined by 3.3 percent between 1980 and 2012, and the decline was more pronounced after 2000.

Social skills can play an important role in equity analysts' performance, because the job requires effective gathering and analysis of information and smooth communication with investors and corporate management. Analysts with better social skills are likely to have broader social connections, such as industry peers, financial journalists, and the customers, suppliers, and competitors of covered companies. These connections serve as information sources and can provide analysts with information to improve their industry knowledge, an important determinant of analyst performance. Analysts with better social skills can also improve their performance and market impact by communicating more effectively with information sources and investors.

Despite the potentially important role of social skills in the analyst profession, there is no systematic evidence that social skills matter in the competitive equity research industry that demands a high degree of quantitative skills.

Thus while social skills are important, they seem difficult to measure. So far, few empirical studies have examined the effect of social skills on the performance of professionals. This study provides the first large-sample evidence highlighting the importance of social skills on financial analysts' performance.

Measuring analysts' social skills

Based on the psychology literature that suggests high correlations between social skills and the size of social connections, the team uses the number of connections in equity analysts' LinkedIn profiles to proxy for their social skills. They define analysts with better social skills, or more sociable analysts, as those whose LinkedIn connections are above the sample median.

The team validates this new measure of social skills with several tests. In one validation test, the team examines whether more sociable analysts enjoy better management access during earnings calls and finds that these analysts are treated more favourably by managers during earnings calls. In particular, they are given higher priority to ask questions in Q&A sessions and receive longer answers from management to their questions.

In another validation test, the team finds that more sociable analysts are more likely to lead an analyst team, consistent with prior studies suggest that social skills are essential for effective leadership and teamwork. All these results lend support to the use of our measure of social skills.

Key Findings and practical impact/implications for Society

Using a sample of 38,875 analyst-company-year observations from 2014 to 2015, the team finds that analysts with better social skills have higher earnings forecast accuracy. These analysts also issue more profitable "buy" stock recommendations and receive stronger market reactions to their "buy" and "sell" recommendations. These findings indicate that social skills have significant effects on analyst performance, presumably because they have more information sources and are able to communicate better with and disseminate their research more effectively to investors.

Next, the team investigates the role of social skills in analysts' career advancement. They find that analysts with better social skills are more likely to be voted as star analysts by institutional investors, likely because more sociable analysts can communicate better with institutional investor clients, be more responsive to clients' needs, and thus provide better services to clients.

The team also finds that analysts with better social skills are more likely to be promoted to high-status brokerage firms. This finding is consistent with the labour economics literature that shows the importance of job search and hiring through social networks and that job candidates with better social skills are more likely to be treated favourably by employers.

Further analysis shows that analysts with better social skills are more likely to keep their jobs when their employers are acquired by other brokerage firms, suggesting that more sociable analysts enjoy greater job security than other analysts.

Collectively, these findings suggest that analysts with better social skills tend to perform better and have better career advancement than other analysts, supporting the importance of social skills in the labour market of financial analysts. The findings also help alleviate the concerns over the sustainability of the financial analyst profession, due to the threat of being replaced by artificial intelligence. Importantly, because many professions require social skills and competencies in communication and because social skills can be trained and acquired from practices, the findings also highlight the importance of social skills training in school and workplace.

The study can be found [here](#).

About Singapore Management University (SMU)

A premier university in Asia, the Singapore Management University (SMU) is internationally recognised for its world-class research and distinguished teaching. Established in 2000, SMU's mission is to generate leading-edge research with global impact and to produce broad-based, creative, and entrepreneurial leaders for the knowledge-based economy. SMU's education is known for its highly interactive, collaborative, and project-based approach to learning.

Home to over 12,000 students across undergraduate, postgraduate professional and postgraduate research programmes, SMU comprises eight schools: School of Accountancy, Lee Kong Chian School of Business, School of Economics, School of Computing and Information Systems, Yong Pung How School of Law, School of Social Sciences, College of Integrative Studies and College of Graduate Research Studies. SMU offers a wide range of bachelors', masters', and PhD degree programmes in the disciplinary areas associated with its schools, as well as in multidisciplinary combinations of these areas.

SMU emphasises rigorous, high-impact, multi- and interdisciplinary research that addresses Asian issues of global relevance. SMU faculty members collaborate with leading international researchers and universities around the world, as well as with partners in the business community and public sector. SMU's city campus is a modern facility located in the heart of downtown Singapore, fostering strategic linkages with business, government, and the wider community. www.smu.edu.sg

For media queries, please contact:

Corinne Kang (Ms)

Assistant Director (Corporate Communications)

Singapore Management University

DID: (65) 6808 5238

Email: corinne kang@smu.edu.sg