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Informer

CEOs' Looks Affect Their Compensation

William P. Barrett, 04.27.10, 12:30 PM ET

After conducting what they bluntly call "beauty contest experiments" involving scores of big-company CEOs, Duke business-school researchers say "competent" looking bosses get paid more regardless of company profitability.

In a new [study](#), [Fuqua School of Business](#) finance professors John R. Graham, Campbell R. Harvey and Manju Puri had hundreds of students view headshots of scores of CEOs and non-CEOs. One experiment asked reviewers to rate each picture on a scale of 1 to 5 for attractiveness, competence, likability and trustworthiness.

In Pictures: Beauty Ratings of 20 CEOs

The researchers say "competent" means more mature-looking and less baby-face-looking, and that the older-looking crowd got 7.5% more pay after adjustment for various factors including the size of their company and their experience. "This finding is potentially worrisome because psychology research shows that baby-faced-looking people often possess qualities opposite to those projected by their facial traits," the pros wrote. "We find no evidence that the firms of competent-looking CEOs perform better. Essentially, the 'look' of competence says very little about effective competence."

That corporate boards to some degree judge a book by its cover surprised the researchers: "There is not only a long track record available on chief executive candidates and the eventual winner, but the decision as to who is appointed CEO is likely made by a handful of people intimately familiar with the track record of the CEO candidates."

The research used CEOs holding office in 2004. The universe of CEOs whose mugs were used included famous bosses of famous companies. The roster included Jeffrey R. Immelt of General Electric, Samuel J. Palmisano of International Business Machines, Ivan G. Seidenberg of Verizon Communications and Frederick W. Smith of FedEx. Also reviewed were CEOs no longer in their posts. This list included Rick Waggoner of General Motors, Charles Prince of Citigroup, Robert Nardelli of Home Depot and Henry Paulson Jr. of Goldman Sachs, who left to become U.S. Treasury Secretary in the most recent Bush Administration.

Wonder what it takes to get to the top of a big company? In another experiment, the researchers asked reviewers—mainly business students at Duke and the [University of North Carolina](#)—to rank the facial traits of pairs of photos, one of a CEO and the other of a non-CEO. The CEOs were rated as more competent-looking and more attractive but less trustworthy and less likable.

In a third study reviewers were asked to evaluate picture pairs consisting of a big-company CEO and a small-company CEO. The large-company CEOs were judged more competent looking 55% of the time, with no difference in assessments of the other three facial traits.

At the request of Forbes, the Duke researchers provided the "beauty contest" ratings of a sampling: nearly two-fifths of the 138 big-company CEOs. On the facial trait of "attractiveness," the highest rated was Bruce Nelson, ex-CEO of Office Depot, followed by Thomas M. Ryan of CVS Caremark and Immelt of GE. The lowest rated: James Tobin, ex-CEO of Boston Scientific, followed by Daniel P. Amos of AFLAC, Philip H. Knight of Nike and James Cayne, ex-CEO of Bear Stearns.

On the appearance of competency, top grades went to ex-Home Depot CEO Nelson, Eli Lilly ex-CEO Sidney Taurel, Lear Corp. CEO Robert E. Rossiter and Intel ex-CEO Craig Barrett. The bottom end: Nike's Knight, Newell Rubbermaid

ex-CEO Joseph Galli Jr. and DTE Energy CEO Anthony F. Earley.

Who looked the most likable? Lowe's ex-CEO Robert Tillman, then Dillard's CEO William T. Dillard and General Electric's Immelt. Least likable? They're all ex-CEOs: David Siegel of US Airways Group, Richard Davidson of Union Pacific and Michael Capellas of MCI.

Trustworthiness? Tops were Delphi Corp. ex-CEO J.T. Battenberg III, Lowes's ex-CEO Tillman and AFLAC CEO Amos. At the other end were MBNA ex-CEO Bruce Hammonds, Nike's Knight and Williams Cos. CEO Steven J. Malcolm.

To focus solely on facial traits, the CEOs used in the study were not identified by name or company to the student reviewers, who viewed the picture over the Internet. The researchers said they only used photos of white male CEOs, because there were so few [minorities](#) or women who were CEOs that they might be identifiable, which could influence the assessment of facial traits.

Looking at company return on assets, the researchers found no evidence that competent-looking CEOs were more--or even less--competent. "Facial traits affect compensation but not performance," they write. "In the CEO labor market, it would appear that there is a 'competent looks' premium as opposed to a beauty premium."

The [study](#) was published by the National Bureau of Economic Research.

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