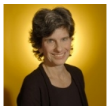

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I cover careers, jobs and every aspect of leadership.

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Optimists Become CEOs, Study Finds

Chief executive officers in the U.S. are more optimistic about life than are members of the general population, according to a new study by researchers from Duke University's Fuqua School of Business. The study's authors, professors Manju Puri, Campbell Harvey and John Graham, scrutinized 3,000 personality test responses to draw their conclusions, available here, in a paper called "Managerial Attitudes and Corporate Actions," which will be published in an upcoming issue of the *Journal of Financial Economics*.

The professors also found that the CEOs, besides being optimistic about life in general, were upbeat about the prospects of their businesses and were more willing to take risks than members of the general population. Those traits, in turn, influence companies' financial policies and decisions, according to the paper.

According to the personality test results, 80% of U.S. CEOs are what the researchers dub "very optimistic" people. That compares with only 65% of chief financial officers who are presumably less optimistic than CEOs because they have to deal with the nitty gritty of companies' finances. Though the paper doesn't say what percentage of the lay people considers themselves optimistic, they note that the CEO and CFO numbers are well above the mean.

"The executives are a vastly different breed than the average person," said international business professor Campbell Harvey, in a statement.

The study also looked at how finance executives rate their CEOs. "Finance executives go so far as to say that their CEOs are more optimistic about almost everything in life," says finance professor Puri, "even beyond their outlook on business prospects."

The researchers also found that companies tend to attract CEOs who reflect a firm's "personality," including risk aversion and optimism.

In turn, company policies are closely related to executives' personality. That includes traits like risk tolerance and outlook on future financing. A risk-tolerant CEO might initiate more mergers and acquisitions, for instance, according to the research. Adds John Graham, who is also a finance professor at Fuqua, risk-tolerant CEOs initiate more mergers and acquisitions because "they are more content to 'roll the dice,'" on business deals.

The researchers also evaluated how CEO personality traits affect pay structure. The study looked at risk-taking versus non-risk-taking CEOs, and at CEOs who are patient and those who are impatient. Risk-taking CEOs are much more likely to be paid with a greater share of their package made up of stock, options and bonuses, and less in the form of salary. Also CEOs who are impatient tend to earn a greater share of their compensation in the form of salary, than do patient CEOs.

The researchers concluded that it costs companies more to compensate risk-averse CEOs because the companies have to pay more in salary and go the extra mile to encourage their chiefs to take on expensive investment projects that have more risk. Ultimately, firms match their CEOs' personality traits in a way that cuts the cost of incentive compensation.
