Chief executives have a lot on their plate. Rapid globalisation, the transformative powers of the internet and the increasing requirement to be on top of risk management and corporate sustainability agendas are making the job more complex.

Now there's a new worry. Where do our CEO's rank in the Facial Attractiveness Index?

FATTI, as it will no doubt be nicknamed, has been dreamt up by academics Joseph T Halford and Hung-Chia Hsu at the University of Wisconsin.

It tests the hypothesis that the physical appearance of CEOs has a measurable effect on the returns investors can enjoy by investing in their companies’ shares. And its conclusion is that this is indeed the case.
Halford and Hsu’s report, entitled Beauty is Wealth: CEO Appearance and Shareholder Value, uses “facial geometry” to place into FATTI 677 CEOs from companies in the S&P500 index between 2000 and 2012.

Comparing share price reaction to television and press exposure coverage of news announcements by the chosen CEOs, the study finds that chief executives with a higher FATTI rating are associated with better stock returns around their first days in the job than facially-challenged peers. They also apparently deliver better share price reactions when announcing acquisitions.

It concludes that the findings “suggest that CEO appearance matters for shareholder value and provide an explanation why more attractive CEOs receive ‘beauty premiums’ in their compensation”.

“Overall, our findings suggest that more attractive CEOs receive higher compensation for a reason,” the report states. “They create value for shareholders through better negotiating power and visibility.”

Halford and Hsu’s research provides counter evidence to the findings of “A Corporate Beauty Contest,” a 2010 study by John R Graham, Campbell R Harvey and Manju Puri, academics at North Carolina’s Duke University.

They conducted “beauty contest experiments” among nearly 2,000 people and found that overall they rated CEO faces as “appearing more competent” than faces of people who were not chief executives.

Their work also found that CEOs at large companies were judged to look more competent than those running smaller companies.

However, Graham, Harvey and Puri concluded that, although more attractive CEOs receive higher compensation, it was not clear that companies with competent-looking CEOs achieve better performance in terms of returns on assets.

In these times of political correctness, it is discouraging, though perhaps not surprising, that instinctive responses to a pretty face colour financial investments.

The question is where all this takes us. For Marissa Mayer, the Yahoo chief executive given a 8.45-out-of-ten FATTI rating in the Halford and Hsu rankings, it is no doubt an unwanted distraction, following her encounter at last summer’s annual meeting with a shareholder who told her: “I’m Greek. I’m a dirty old man and you look attractive.”
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