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Top Stocks

Do good-looking CEOs boost stock prices?

A new study analyzes the 'facial geometry' of corporate leaders, and claims that investors think more attractive bosses are more valuable.

By MSN Money Partner Fri 2:50 PM

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By Kiran Moodley, [CNBC](#)



Attractive chief executives receive higher total compensation, better returns on their first days on the job and boost stock performance when they appear on television, according to the preliminary findings of a new study.

Joseph Halford and Hung-Chia Hsu, two economists at the University of Wisconsin, released a working paper called "Beauty is wealth: CEO appearance and shareholder value."

In the paper, they rated the attractiveness of 677 CEOs from [Standard & Poor's 500 Index \(SINX +0.61%\)](#) companies based on "facial geometry."

The study wanted to find out whether there was a positive relation between the attractiveness of a company's CEO and a return on investment in that company, something argued by John Graham, R. Campbell and Manju Puri in a 2010 paper from Duke University. These three authors said that good looks made CEOs appear more competent and gave them better negotiating skills, enabling them to extract better deals for shareholders.

When looking at the relationship between CEO attractiveness and stock returns around their first day in the job, Halford and Hsu concluded: "We find that FAI (facial attractiveness index) has a positive and significant impact on stock returns surrounding the first day when the CEO is on the job, indicating that shareholders seem to perceive more attractive CEOs to be more valuable."

Halford and Hsu told CNBC that Marissa Mayer (pictured), the president and CEO of [Yahoo \(YHOO +2.48%\)](#), was a good example, based on their report. "She scored 8.45 (out of 10) in our facial attractiveness index and is among the top 5 percent (best-looking) in our sample," they wrote. "Yahoo has been doing well since she became the CEO (about 158 percent increase in stock price).

"Of course, we don't mean that all the increase in stock price is from her appearance. We just find that there might be some positive correlation between the two."

The economists conducted a variety of tests, for example, analyzing 1,830 merger and acquisition deals between 1985 and 2012. They discovered that: "The evidence... suggests that more attractive CEOs receive more surpluses for their firms from M&A transactions, a finding consistent with the hypothesis that more attractive CEOs improve shareholder value through superior negotiating prowess."

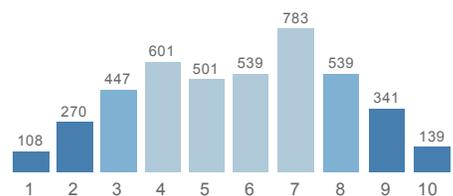
Furthermore, the paper looked into CEO television appearances -- which they restricted to those shown on CNBC.com between 2008 and 2012 -- and whether there was any correlation between the appearance of an attractive CEO and stock returns. Halford and Hsu concluded that shareholders responded positively to viewing more attractive CEOs on television.

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SYMBOL	NAME	RATING
ATVI	Activision Blizzard	10

Does this mean that Halford and Hsu would suggest that companies hire stunning CEOs to ensure a more profitable existence?

"Our results do not suggest that, when searching for CEOs, firms should only look at appearance without considering other abilities," they wrote in an email to CNBC. "On the other hand, for firms that rely more on the negotiation and visibility aspects, maybe they should place more weight on appearance when searching for CEOs."

This is not the first time the interaction between beauty and business has been investigated.

In 1994, University of Texas economist Daniel Hamermesh coined the term "pulchritomics," or the economic study of beauty. He wrote about the topic in the *American Economic Review*, commenting on a study conducted by himself and his colleague, Jeff Biddle, where interviewers in the 1970s had ranked the attractiveness of U.S. and Canadian workers, as well as noted their earnings. More attractive workers were found to earn a 5 percent premium over those of average appearance.

"Wages of people with below-average looks are lower than those of average-looking workers; and there is a premium in wages for good-looking people that is slightly smaller than this penalty," the report noted.

Commenting on Halford and Hsu's report, Robert Williams, principal and director at recruitment firm Asia Media Search, said first impressions were important.

"A commanding presence will add credibility either consciously or subconsciously, rightly or wrongly," he told CNBC via email. "My guess would be that Wall Street, like Washington, will always put stock in good looks as a measure of ability.

"I wonder if in today's instant media world, whether Abraham Lincoln, with his acne-scarred face, lanky body and high pitched voice, would ever have been elected, or FDR for that matter. Would the television media focus just on his wheelchair?"

He concluded: "As a recruiter, I feel the focus should be a candidate's abilities and accomplishments, not the smile. But human nature is what it is."

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NEWEST OLDEST **BEST** WORST CONTROVERSIAL

AnomalouslySpeakin

Fri 4:05 PM



Don't know about others, but when making investment decisions I only ask one question - can the CEO cook-n-clean?

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brian W

Fri 3:39 PM



I am so screwed. Guess I better hire a model to be CEO of my first company.

16 3 | Replies (0)

d4489

Fri 4:47 PM



MSN needs to look up "good-looking".

15 3 | Replies (0)

Fatuuus Secundus

Fri 5:00 PM



OK. So, companies everywhere should pay me a bonus just for NOT being their CEO then.

It's a win-win...

13 2 | Replies (0)

omena1951

Fri 4:42 PM



Did the FAI algorism factor in for assumed meritocracy before or after the exponential derivatives. (if that confuses you - yes it was total BS; but no less meaningful than the article).

9 2 | Replies (1)

NeoCapitalist

Fri 4:24 PM



Skilling was a good-looking guy and look how that ended up. But then again Ebbers screwed over MCI Worldcom. I see no correlation between looks and a company's success or demise.

8 2 | Replies (1)

bomberpete46

Fri 5:11 PM



Interesting article on corporate "face people" -- it's obvious why Marissa Mayer's pic is there. Knowing that she's hard to work for, doesn't respect her people and that her strategy to fix Yahoo is failing doesn't make her less attractive, but it does continue make the stock an unattractive buy.

7 2 | Replies (0)

DMan1011

Fri 4:24 PM



Interesting article. Has anyone read the numerous articles about Marissa Mayer? Any beauty you may find (which seems like a challenge in and of itself) seems to be only skin deep, as she's reportedly extremely difficult to work for. The word mostly bantered about in regards to her is b.... Plus, who bases their stock picks on the looks of the CEO anyway?

8 4 | Replies (0)

Someone (petejohn)

Fri 5:08 PM



If this is in fact true, then our country is really in need of super-therapy.

6 2 | Replies (0)

PhabPhil

Fri 5:33 PM



Who looks at the CEO?? You should look at the balance sheet

5 2 | Replies (0)

ABC123174

Fri 7:42 PM



....we shouldn't judge the talent level by how a person looks - but we do quite a bit.....

Some more stats:

67% of the Fortune 500 CEO's are six feet or taller, whereas the average height for men is 5'9".

Our Jurrien Timmer breaks down 3 possible market scenarios for 2014: <http://t.co/NrVnmnw3Ue> 4:01 PM Jan 06th

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The majority of US Presidents within the last 50 years have been six feet or taller.

It must be subliminal that we associate tall height and/or good looks with higher levels of perception of competencies.

4 1 | Replies (1)

average Texas duder

Fri 5:52 PM



and the WHOLE WORLD is STILL falling for this CRAP... Their compensation should be put back into the business and they should be shown the DOOR.... oh ! and have a nice day !

5 3 | Replies (0)

John G (GMountain)

Fri 4:18 PM



I think this theory is partially correct, but I think the reason is younger, fresher, prettier or handsome CEOs get invited to speak about the state of the economy, their particular industries etc.,by the media more often and they use this opportunity to tout their own company's innovations or successes. Sometimes that firsthand enthusiasm is transferred to the audience which happens to be investors. Comes down to a sales pitch. If you were at a car dealership, would you be more likely to buy from a fat, bloated sweaty man, or a nice looking lady who has the same level of knowledge. I bet she wipes up the salesperson of the month.

4 2 | Replies (0)

LostOnEarth

Fri 8:04 PM



All Repukelicans are blind, deaf, ugly and stupid. Now that's truly pathetic!

2 1 | Replies (3)

LostOnEarth

Sat 8:35 PM



The biggest problem in America's society is all the Repukelican trash.

Take all the trash out and burn it. Biggest problem solved!

God bless a Repukelican free America!

1 0 | Replies (1)

Jesusiswatching

Fri 4:04 PM



Mirrors that answer questions tend to crack.....mirror, mirror, on the wall

3 3 | Replies (0)

jrhhoh

Fri 4:39 PM



and will add....no M&A I have been involved with had CEO's anywhere near the table. I think economists might not have a huge insight into business....they sound similar, but I have never seen an economist in any management team I was involved with.

They probably should have linked the study so we could find it...no information on the strength/significance of the findings were given. they also said nothing about financial performance of the stock during the beauty review....now if they noted decreasing financial performance, and increasing stock price during the beauty CEO tenure....I'd be listening more.

And who gives better deals to pretty men....I don't buy it entirely for pretty women....but men saying

More

2 2 | Replies (0)

jrhhoh

Fri 4:30 PM



I think the better correlation question, is do hot (or new) companies hire good looking CEO's ? Seems like the correlation on stock price would be the same. Plus, when they represent the findings as stock holders like attractive CEO's....what % if investors have any idea what the CEO even looks like ?

I'm not that aware of CEO negotiating business deals either.

But I do like Wisconsin.

2 2 | Replies (0)

James In Atlanta

Fri 6:45 PM



Looks can be deceiving.

1 2 | Replies (0)

Ritxard

Sun 6:18 PM



No, no, no!! Everyone knows -- multi-millionaire CEOs boost stock prices. Just as long as the workers are all ugly paupers!!!

0 1 | Replies (0)

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