

Confident skydiver with an MBA? Research finds what makes a successful CEO

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CEO characteristics such as confidence, political views, age, education and military background not only influence leadership, but also innovation and value creation in companies, finds research from BI Norwegian Business School.

Koen Pauwels, Adjunct Professor at BI Norwegian Business School (<https://www.bi.edu/>), and colleagues reviewed research on senior executives and reveal how personality, experiences and other key characteristics can affect company performance and innovation.

Confidence

Previous studies have shown that managers with high self-esteem are more innovative at work because they are more creative and prefer change over routine. Elon Musk, currently the richest person in the world, exemplifies such confidence. However, high self-esteem can become problematic if the CEO overestimates their own ability to make good decisions.

Military Background

Recent research suggests companies led by those with military backgrounds are less likely to innovate and invest in R&D. Military training emphasises subordination to authority, duty and self-sacrifice which may encourage low risk-taking in a company. However, although risk aversion and discipline may limit company growth, it could be an asset in certain crisis situations, such as the ongoing pandemic.

Education

Some studies have found that companies are more innovative if their managers are highly educated. Specifically, senior managers with MBA degrees from well-respected business schools are more likely to pursue innovative or risky business models, leading to improved stock returns. Case in point, Google CEO Sundar Pichai holds both a master's degree in engineering from Stanford and an MBA from Wharton. Education also has an impact on ex-military CEOs as holding an MBA prevents the negative effects military training has on their innovation.

Age

Firms managed by older CEOs tend to underperform compared to those led by younger CEOs: Younger CEOs spend more on research and development, while older CEOs are more concerned about their own financial and professional safety and invest less in R&D. Older CEOs are on average slower to learn new technologies and less likely to seek growth through innovation.

Politics

Leaders with liberal values are more likely to innovate while leaders with conservative values fear change. Companies led by Republican-leaning executives in the US also experience more internal conflict, weaker results, and show lower emphasis on corporate social responsibility.

Hobbies

CEOs with risky hobbies can potentially scare away shareholders, however many successful senior

executives spend their free-time engaging in risky pastimes: Facebook co-founder Mark Zuckerberg hunts boar with a bow and arrow, and Google co-founder Sergey Brin enjoys skydiving, roller-hockey and circus stunts.

Prof. Pauwels says,

“Boards may have to consider whether what makes a person a successful CEO also makes them likely to engage in highly risky hobbies. Those responsible for the selection of CEOs need to recognise that personality, demographics and experience are key factors in firm performance, including innovation and stock returns. They need to be aware that characteristics such as overconfidence, military background and political ideology may affect decision-making, innovation output and shareholder returns.”

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For more information, a copy of the research, or to speak with Prof. Pauwels, please contact Kyle Grizzell from BlueSky Education on 01582 790709 or kyle@bluesky-pr.com