The Impact of CEO Facial Attractiveness on Company Decisions

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Abstract. With the transparency of the market and company systems, more and more scholars have included the chief executive officer (CEO) as an important part of company decision-making. The CEO is the company's top manager and is responsible for formulating the company's strategic plan and business development. Because of this, this paper takes CEO facial attractiveness as the research object to explore the CEO's personality characteristics and the mediating role of internal and external factors in the company and conducts analysis based on the company background. Based on the content of the appeal, this paper draws the following conclusions. First: Analysis at the internal level of the company found that the facial attractiveness and personality of the CEO have an impact on corporate decision-making. This paper conducts an example analysis from two aspects: the CEO's facial width-to-zygomatic ratio (Fwhr) and overconfident personality. The results show that decision-makers with a high fWHR ratio are more likely to have an overconfident personality. This overconfidence may lead them to overestimate their abilities, leading to more instability factors, such as wrong investment decisions and unclear risk control. Second, from the analysis of the external level of the enterprise, it is found that the company will face two decisive factors: market risk and financing decisions. Therefore, if a company has strong market capabilities, it can achieve greater profits. However, financing that is too high or too low may affect the company's sound operations.

Keywords: CEO facial attractiveness, Personality, Enterprise decision, Facial width to height ration(fWHR).

1. Introduction

As market competition intensifies, more and more companies are beginning to realize the importance of a company's investment decisions. Investment decisions involve how a company effectively invests its existing funds in long-term assets and predicts the company's expected income stream in the next few years [1]. At the same time, the way chief executive officers (CEOs) manage and invest in their companies is receiving increasing attention. According to the analysis of Botelho et al., a leader with strong adaptability and reliability will bring more performance to the company and achieve results beyond expectations [2]. Therefore, society and stakeholders realize the importance of CEOs, and the decisions made by company investment are closely related to managers.

In daily life, facial features are the first visual impression of human groups and can provide people with a lot of important information. After analysis, individuals with excellent appearance have good social skills, adaptability, and professional competence. At the same time, Tsai et al. confirmed that interactivity with the media can shorten the power distance between the CEO and the public [3]. Halford's research showed that CEOs with high facial attractiveness are not only good communicators and negotiators, but also receive better treatment when communicating or negotiating with others [4]. Kamiya proposed that CEOs with higher facial attractiveness are more confident in life and work [5]. Overconfident managers also play a decisive factor in a company's investment decisions. As early as 2002, scholar Heaton analyzed the relationship between managers'

overconfidence and corporate financing decisions. When managers have overconfidence bias, they tend to overestimate their benefits to the company and overestimate the company's internal investment. The net cash flow generated by the project in the future [6]. Managers' cognitive biases increase as the degree of overconfidence increases, so the probability of investment failure will also increase [7].

There are still some gaps in the current research on the correlation between CEO facial attractiveness and company investment decisions. Therefore, this article puts forward a hypothesis and based on the existing literature, takes CEO facial attractiveness as the research object and further explores the impact of CEO facial attractiveness on company investment decisions from the perspective of company investment. This paper aims to provide some reference for existing research on facial attractiveness.

2. Research Hypothesis

In the company's top management, the CEO's facial width-to-height ratio (fWHR) has a significant impact on company decision-making [5]. fWHR is a perceptual signal and an anthropometric measure of overall facial information [8]. It is calculated as the distance from the left zygomatic bone to the right zygomatic bone divided by the facial height [8]. This method can predict a person's characteristics under the influence of different internal and external factors such as gender, age, cultural background, etc. Stirrat and Perrett used the "trust game" research method to confirm that men with high fWHR are less trustworthy [9]. In addition, Lefevre confirmed in 2013 that facial width is affected by testosterone [10]. To this end, Mills and Hogan collected facial images of 968 CEOs of Fortune 500 companies and found that high testosterone levels would prompt managers to pursue high-risk interests and tend to make radical decision-making behaviors [11]. However, this study has certain limitations. Elsheikh's research data shows that fWHR uses testosterone levels as an indicator of male CEO faces, which does not apply to female CEOs [12].

Based on the analysis above, this paper proposes the following hypotheses:

1. The CEO's personal qualities and experience have an impact on the company's investment decisions. Specifically, a CEO's degree of overconfidence may affect his evaluation and decision-making on investment projects, thereby affecting the company's investment behavior.

2. The CEO's decision-making tendencies are related to the company's investment decisions. For example, an overconfident CEO may be more inclined to adopt risky investment strategies, while a conservative CEO may be more inclined to choose prudent investment projects.

3. The impact of the association between CEO overconfidence and facial features on investment decisions. In the relationship between facial features and CEO personality, overconfident CEOs may be more inclined to make high-risk investment decisions.

3. Empirical Research

3.1. Factors Affecting Corporate Investment Decisions

With the development of the economy, the company's investment decision plays a vital role in the company's development. For the company, investment decision is an important financial activity, in the rapid development of the economy at the moment, the competition in all walks of life is very fierce. To better achieve the benefits of investment decision-making to achieve the maximization of benefits, the CEO, as a corporate manager, should be the company's investment direction and decision-making content in-depth understanding of the corporate resources and production factors to achieve the optimal combination. Through the optimal investment decision, it is more helpful for the company to enhance its competitiveness, win in the homogenized market competition, and ultimately realize the healthy and rapid development of enterprises.

Many scholars had and have extensively studied the influencing factors of the company's investment decision. Most scholars believe that the factors affecting the investment decision of the

company are mainly divided into two categories: internal and external factors [13]. The internal factors mainly include the factors of corporate decision-makers and so on. External enterprises can be mainly divided into market risk, financing scale, etc [14, 15].

3.1.1. Internal factors

The quality and experience of corporate decision-makers have an important impact on corporate investment decisions. With the increasing number of listed companies, enterprise decision-makers usually hold a large proportion of shares, which also makes some decision-makers improve the investment efficiency and personal profit, and thus carry out excessive or not beneficial to the development of the company, the wrong investment activities, and vice versa, there may also be a lack of clear control of the risk, fear of personal gain, which leads to no investment or too little investment activities. In addition, some business decision-makers may have unique personalities or decision-making habits, which may have an impact on the company's investment decisions.

3.1.2. External factors

Some scholars believe that market risk is mainly reflected in four aspects: changes in market demand, fluctuations in market prices, the risk of developing new markets, the emergence of new technologies, and the development of substitutes [16]. Environmental changes or changes in consumer preferences can lead to a decline in market demand, which can reduce the company's return on investment and the success rate of investment decisions. The rise and fall of the price of raw materials will lead to the rise and fall of the cost, in a competitive industry it is more difficult for the company to obtain enough market share, which will lead to the income difficult to cover the investment cost, and then lead to investment failure. New markets are unfamiliar to many companies, such as unfamiliar environments and unfamiliar cultural practices. The development of new markets requires enterprises to make discoveries and feel their way. In the process of exploration, there is no lack of mistakes, which will lead to investment decision-making being affected. The emergence of new technologies and substitutes can make products and services uncompetitive, affecting the market position and profitability of enterprises.

The size of financing serves as an important factor that can determine the cost of capital of a firm. When the company's financing needs increase, the cost of capital will also increase thus affecting the company's investment decision [15]. The determination of financing size not only involves the cost of capital of the company but also affects the financial leverage of the company. Too high a financing scale may lead to an increase in the company's financial risk, affecting the sound operation of the company; while too low a financing scale may limit the company's expansion and development. Therefore, the reasonable determination of financing scale is one of the key factors in the company's investment decision.

3.2. CEO Personality Orientation Research

The vast majority of scholars in their research on CEO personality have focused primarily on the impact of CEO overconfidence on various aspects of the company. Overconfidence is one of the most robust findings in the psychology of decision-making [17]. Overconfidence is a psychological phenomenon in which people typically overestimate their judgment and likelihood of success.

In addition, many studies have also shown that decision-makers exhibit a large degree of overconfidence when they make major decisions, such as CEOs making major decisions for their companies. At the same time, many studies have shown that the level of self-confidence of such groups as managers is much higher than that of ordinary people. Wu and Liang once based on the results of psychological research in the field of overconfidence, the study show that investors are overconfident, easily underestimating the risk, which in a period will make the price of risky assets rise sharply [18]. Cooper et al. have been through a survey of research concluded that the majority of managers of their own companies hold a positive and optimistic attitude, 81% of the business managers believe that the investment 81% of business managers believe that the chance of success is 7 (out of 10) or higher, and 33% believe that the chance of success is 10 (out of 10) [19]. However,

when these managers were considering the chances of investment success in other similar firms, they perceived the chances of success to be much lower [19]. Similarly, Brettel et al. in their study of the relationship between managers' overconfident personalities and firms' investments have found that many managers with overconfident personalities usually choose to overestimate their own and their firms' capabilities, and on the contrary underestimate the various risks of the project and tend to prefer a lower discount rate when evaluating the projects they invest in [20].

Ye and Wang also found through their research that companies with overconfident managers have relatively high levels of internal investment, merger and acquisition investment, and total investment compared to companies with rational managers, but the expansion of the scale of investment did not lead to performance improvement, and the investment behavior, in turn, led to a decline in corporate performance [21]. In their study, He and Zhao found that business managers have an important voice in corporate decision-making, and overconfidence in business managers can easily lead to corporate overinvestment. The study shows that overconfident business managers significantly enhance the level of corporate overinvestment and reduce investment efficiency to a certain extent; in addition, overconfident business managers usually have a high sensitivity to investment cash flow, and abundant free cash flow within the enterprise will strengthen the overinvestment tendency of overconfident managers [22]. Thus, it can be seen that the overconfident personality traits of corporate managers have a significant impact on corporate investment decisions.

3.3. The Effect of CEO Personality and Facial Attractiveness on Investment Decisions

It is a consensus that first impressions can affect the interpersonal process. When people first contact with strangers, they often judge the state and personality characteristics of the other person according to the appearance and expression of the face. These evaluations based on facial characteristics will bring effects that cannot be ignored.

The facial aspect ratio, or fWHR, is a biological indicator of individual characteristics. It is traditionally defined as the ratio of the width of the face of the subject and the distance between the eyebrows and the upper lip. Therefore, it has the advantage of measuring convenience over other methods of measuring personality characteristics. Goetz et al. believe that fWHR can more accurately predict men's seeking motivation and a series of related personalities [23]. There has been sufficient research on this abroad, compared with foreign countries, few people pay attention to this field.

Scholars see a significant positive relationship between male facial structure and motivation to seek higher status and a complex set of "aggressive" personality traits. Haselhuhn and other scholars believe that people with wider faces are more likely to be more active in their careers and will make more effort in the competition [24]. Welker And others believe that men with higher fWHR are also more likely to take more risky actions or violate the rules to gain higher status [25].

In the field of economics, Lazear and other scholars believe that in a more competitive environment, the tendency to seek status opportunities strongly urges employees to pay more effort [26]. Chen, Konrad believes that in the competition, this motivation for seeking status will eventually lead those employees with higher facial aspect ratio to use some bad means and ways to obtain better grades, and thus improve their ranking [27]. Stirrat and Perrett used the width ratio as a measure of face structure, and they demonstrated that people with larger face width ratios are more difficult to get others to trust than people with smaller face width ratios [9]. At the same time, people with a larger ratio of height are more likely to use others themselves for economic gain.

By tracing the biological basis of human social behavior, scholars Lefevre, Lewis, etc., have found that face-wide leaders usually have a higher baseline testosterone level of [21]. Increased testosterone levels cause individuals to be more risk-seeking, show more overconfidence, and more willing to take risky behaviors

Since ancient times, Chinese people have said that pride will be defeated, and there are some studies on this abroad. Foreign scholar Roll first put forward the "arrogant hypothesis", he believed that managers' overconfident psychology and reality will deviate, and cannot well recognize the risks of the project, which leads to the inefficiency of investment behavior to reduce the enterprise value

[28]. Bernardo Research found that overconfident managers tend to have good psychological quality, and have high risk-bearing ability, accordingly higher overconfidence, the risk hobby degree is higher, so in investment decisions, overconfident managers tend to choose a certain risk interest, and challenging projects to their ability [29]. Li in research managers overconfidence on the influence of excessive investment, for good development opportunities and investment opportunities, overconfident managers will focus and by strong intention to invest, due to underestimating potential risk, unconscious investment, ignoring the market factors, leading to too much investment in unnecessary project [30]. Gervais and Odean research shows that when enterprises are strong in the market competition when investing, overconfident managers tend to choose venture capital due to their underestimation or even ignore the potential risks [31]. According to the research of Ye Bei and Yuan Jianguo, the higher the overconfidence of managers, the more they will make non-efficient investment behaviors that will damage the enterprise value under the dual driving factors of cognitive deviation and self-interest factors, reduce the investment efficiency of the company, and even bring irreparable losses to the company and lead to bankruptcy [32].

4. Discussion

With the development of the economy, people pay more and more attention to the company's investment decisions, and the CEO, as a representative of a company, naturally attracts much attention. As is known to all, facial features and personality play a very important role in interpersonal communication, this paper adopts a new Angle, from the CEO facial aspect ratio as a breakthrough point to demonstrate the influence of its investment decisions, according to the above empirical research analysis, concluded that fWHR more CEO more likely to overconfidence, and demonstrates the overconfident CEO will misjudge the situation, ignore the potential risk, and make risky investment decision point of view.

Although it's not clear about facial features and the extent to which personality affects others, at least corporate governance makes people think about whether the personality and image of the CEO can have a positive or negative impact on the company. I believe that with people's attention to the field and future in-depth research on the field, more accurate conclusions can be drawn.

5. Conclusion

Since the rapid development of the economy, the behavior of companies and policymakers has received widespread attention from society. This article refers to existing domestic and foreign literature and conducts analysis and research. Data show that people's research on how decision-makers facial expressions affect decision-making behavior is still in the initial stage. In the current research situation, this article found that two factors affect a company's investment decision: internal and external. The two factors are mainly analyzed from three different perspectives: decision makers, market risks, and financing scale. Secondly, research on CEO personality orientation mainly focuses on studying the impact of overconfident personality on the company. Finally, this article explores the impact of CEO personality and facial attractiveness on investment decisions based on the existing biological indicator of individual characteristics: fWHR. Since the existing data is limited, this article cannot provide more accurate data to comprehensively analyze the behavior of decision-makers. In the future, multi-dimensional analysis of correlation research is needed.

The study of the impact of CEO facial attractiveness on company investment decisions not only enriches the research field of facial attractiveness and company decision-making, provides a research basis for relevant researchers, but also helps society further understand how companies develop. However, this article found that existing research still has certain limitations. Outlook for the future: First, the exploration of CEOs is no longer limited to faces and masculine traits, but can also explore the impact of female decision-makers on the company, as well as some of their characteristics (posture, clothing, voice, smell). Second, a company's decision-making does not determine the company's

development alone. Researchers can expand the scope of the group to the board of directors and senior managers to collect and sample how different individual personality characteristics of the same group affect the company's outcome. decision. The importance of the media is gradually emerging in society, and people can use media reports and information to conduct further analyses of CEOs and their companies.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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