

DO HUMBLE CEOS MATTER? AN EXAMINATION OF CEO HUMILITY AND FIRM OUTCOMES

Research that will soon appear in the *Journal of Management* shows that CEOs who are more humble positively affect the functioning of the executive leadership team. More humble CEOs are associated with top management teams that are more likely to share information across the team, more likely to jointly make decisions, and more likely to share a vision for firm success.

Key Takeaways:

- More humble CEOs lead to executive leadership teams that collaborate better, jointly make decisions and have a greater shared vision.
- Executive leadership teams have lower pay disparity when the CEO is humble.
- More humble CEOs increase the likelihood that executive leadership teams will be able to adapt both exploration and exploitation strategies and this ambidexterity is associated with higher firm performance.

Using data based on surveys of CEOs and CFOs from 105 privately held companies in the computer industry, each with fewer than 500 employees, researchers found that CEOs high in humility were associated with a number of positive executive leadership team outcomes and ultimately firm performance. Larger degrees of CEO humility, as reported by the CFO, led to greater executive leadership team integration.

This integration included an increased likelihood of helping each other. Higher CEO humility was also related to lower pay disparity between the CEO and the executive leadership team. Greater CEO humility was also associated with an executive leadership team that was more likely to be flexible in their strategic orientation, meaning that they were more likely to be able to use both exploration and exploitation strategies.

The study also found more complex relationships. In addition to the positive direct effect between CEO humility and the executive leadership team, an indirect effect worked through smaller pay differentials between CEO's high in humility and the executive leadership team.

Their analysis statistically controlled for aspects of the firm (like size and prior firm performance), the executive leadership team (like average tenure) and the CEO and CFO (like education and functional background). The authors suggest that future research is needed to learn about the potential drawbacks to CEO humility, what humility means in terms of the likelihood of rising to the CEO position, and how these findings may differ in larger, publicly traded firms.

Source: Ou, A.Y., Waldman, D.A., Peterson, S.J. (2015). Do Humble CEOs Matter? An Examination of CEO Humility and Firm Outcomes. *Journal of Management*, In Press.

