The Charismatic Leader's Edge: A Literature Review on CEO Extraversion and its Impact on Financial Performance

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ABSTRACT

CEO personality traits, particularly extraversion, have garnered increasing attention for their potential influence on organizational outcomes, yet existing research offers fragmented insights into how this trait specifically affects financial performance. This study aims to synthesize and critically evaluate the literature on CEO extraversion and its relationship with firm financial outcomes. Employing a narrative review methodology, data were collected from the Scopus database using targeted search strings to identify relevant peer-reviewed articles. The analysis integrated theoretical perspectives from Upper Echelons Theory and Trait Activation Theory to explain how CEO extraversion influences strategic decision-making, stakeholder engagement, and performance under varying environmental conditions. Key findings suggest that extraverted CEOs tend to enhance firm performance through assertiveness, optimism, and communication, although such traits may also lead to excessive risk-taking during periods of uncertainty. The study contributes theoretically by bridging psychological traits and strategic outcomes, and practically by guiding boards in executive selection and governance practices. These insights provide a foundation for future empirical research to further examine personality-performance dynamics across industries and cultural contexts.

Keywords: CEO extraversion, financial performance, leadership traits, upper echelons theory, trait activation theory.

INTRODUCTION

In an era of dynamic market shifts and increased scrutiny of executive leadership, the role of the Chief Executive Officer (CEO) has become more prominent in determining a firm's strategic direction and financial performance. While traditional views have emphasized technical skills and experience, there is growing recognition that CEO personality traits, especially extraversion, may substantially influence firm performance (Chen et al., 2024; Peterson et al., 2003). Extraversion, typically associated with sociability, assertiveness, and energetic leadership, is often linked to charismatic leadership styles. These characteristics may empower CEOs to build stronger relationships with stakeholders, energize teams, and take bold initiatives that could improve financial outcomes (Wang & Chen, 2020). As organizations face increasing volatility and competition, understanding the influence of extraverted CEOs is becoming more relevant than ever.

Prior research has attempted to link CEO extraversion with financial performance, with varying results. On one hand, studies suggest that extraverted CEOs may enhance profitability, cost-efficiency, and employee morale due to their proactive leadership and strong interpersonal communication skills (Chen et al., 2024; Wang et al., 2025). They are also associated with favorable debt financing conditions, such as lower loan costs and extended maturities (Wang et al., 2025). On the other hand, scholars caution against overvaluing this trait. Evidence from the Global Financial Crisis indicates that firms led by extraverted CEOs tended to underperform due to riskier behavior and financial overleveraging (Liao et al., 2024; Lartey et al., 2020). Additionally, interactions between CEO traits and the characteristics of top management teams (TMTs) and

CFOs have shown that context matters in determining whether extraversion is an asset or liability (Harrison & Malhotra, 2024).

Despite these contributions, literature presents fragmented and context-dependent findings. While some studies examine the effects of CEO extraversion during crises (Liao et al., 2024) or in debt markets (Wang et al., 2025), others limit their focus to personality interactions within executive teams (Harrison & Malhotra, 2024). There is limited consensus on the long-term impact of extraversion across industries or varying firm dynamics. More importantly, few studies propose an integrated framework that combines CEO extraversion with external and internal moderating factors to explain financial outcomes holistically. This literature review seeks to address this gap by synthesizing the diverse strands of research and proposing a conceptual framework that captures both the positive and negative effects of CEO extraversion on financial performance.

This study is significant for several reasons. First, it consolidates existing empirical findings to assess when CEO extraversion is beneficial and when it becomes detrimental. Second, it contributes to upper echelons theory (Hambrick & Mason, 1984) by proposing a framework that includes contextual moderators such as firm size, market competition, and top management team (TMT) composition. Third, the insights can inform executive recruitment, board evaluations, and succession planning by identifying behavioral traits aligned with firm strategy and market conditions. In doing so, this study not only advances academic understanding but also offers practical guidance for stakeholders involved in corporate governance.

The structure of this paper is as follows. Section 2 provides a literature review of CEO extraversion, leadership styles, financial outcomes and theoretical framework. Section 3 outlines the methodology used to collect and analyze existing studies. Finally, Section 4 concludes with a summary and directions for future research. This review ultimately aims to clarify the complex relationship between CEO personality and firm performance and to stimulate more integrated, contextual, and longitudinal studies in this emerging field.

LITERATURE REVIEW

The relationship between CEO personality traits and financial performance has been a growing area of interest in corporate governance and behavioral finance literature. Among the Big Five personality traits, extraversion, characterized by assertiveness, enthusiasm, and social engagement, has been most commonly associated with charismatic leadership and executive visibility (Judge et al., 2002). Several studies have reported that extraverted CEOs are more likely to exhibit transformational leadership qualities, make bold strategic decisions, and engage more effectively with stakeholders (Wang & Chen, 2020; Chen et al., 2024). This behavioral orientation can influence not only internal dynamics such as team morale and employee productivity but also external perceptions, potentially improving investor confidence and firm valuation (Wang et al., 2025).

Despite these advantages, CEO extraversion also carries potential risks, especially in volatile environments. Liao et al. (2024) found that during the Global Financial Crisis, firms led by highly extraverted CEOs underperformed due to aggressive risk-taking and overconfidence. Similarly, Lartey et al. (2020) showed that extraverted leaders tend to favor higher financial leverage, which may be detrimental in periods of financial instability. Additionally, the positive or negative effects of extraversion appear to be contingent upon contextual moderators such as firm size, market competition, and CFO characteristics (Harrison & Malhotra, 2024). These findings point to the complexity and duality of CEO extraversion, indicating that its impact on financial performance cannot be assessed in isolation from contextual and organizational dynamics.

Given the inconsistent empirical results and lack of a unified theoretical lens, this review identifies a need for an integrated framework to reconcile these findings. While several studies highlight either the advantages or the drawbacks of CEO extraversion, few attempt to conceptualize the conditions under which it is beneficial or harmful. Therefore, this paper synthesizes these diverse strands of research and proposes a conceptual framework that accounts for both direct effects and moderating factors such as firm dynamics, TMT complementarity, and macroeconomic conditions. This approach advances upper echelons theory (Hambrick & Mason, 1984) by emphasizing how observable CEO traits interact with firm-level variables to shape strategic outcomes, offering a more comprehensive view of the CEO-performance relationship.

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CEO Extraversion

Extraversion, one of the Big Five personality traits, is characterized by high levels of sociability, assertiveness, enthusiasm, and dominance, attributes commonly associated with charismatic leadership. CEOs with high levels of extraversion are often seen as transformational leaders who articulate compelling visions, mobilize followers, and actively seek external engagement (Judge et al., 2002; Wang & Chen, 2020). These traits make extraverted CEOs more visible in media, more interactive with stakeholders, and more comfortable engaging in public or investor-facing roles (Chen et al., 2024). Recent studies using linguistic and behavioral analytics confirm that extraverted CEOs exhibit greater verbal expressiveness and social dominance, which can influence strategic decision-making and communication flows within the organization (Wang et al., 2025). However, the literature also cautions that extraversion may come with downsides, such as overconfidence, risk-taking, and excessive optimism (Liao et al., 2024). These behavioral tendencies can lead to potentially reckless strategies, particularly during uncertain or crisis periods. The effects of extraversion are therefore context-dependent, and its value as a leadership trait can vary based on organizational and environmental contingencies (Harrison & Malhotra, 2024).

Financial Performance

Financial performance, often measured through indicators such as return on assets (ROA), return on equity (ROE), market valuation, and debt structures, is a core metric for evaluating CEO effectiveness. Studies have reported mixed results concerning the impact of CEO extraversion on these metrics. On the positive side, extraverted CEOs have been linked to improved operational efficiency, lower debt costs, and favorable financing terms due to their persuasive interpersonal skills and proactive management styles (Wang et al., 2025; Chen et al., 2024). For example, firms led by extraverted CEOs are more likely to secure longer loan maturities and reduced interest rates, suggesting that lenders may perceive them as better communicators and negotiators. However, during adverse market conditions, such as the Global Financial Crisis, firms led by highly extraverted CEOs underperformed, often due to their aggressive strategies and higher leverage ratios (Lartey et al., 2020; Liao et al., 2024). This suggests that while extraversion may be an asset in stable environments, it can be a liability when risk mitigation and conservatism are needed. Consequently, the relationship between CEO extraversion and financial performance is not linear and warrants a framework that accounts for moderating factors like firm size, industry volatility, and executive team dynamics.

Theoretical Framework

The theoretical foundation of this study is primarily grounded in Upper Echelons Theory (UET) (Hambrick & Mason, 1984), which posits that an organization's outcomes, such as strategic choices and performance, can be partially predicted by the characteristics of its top executives. In this context, CEO personality, particularly the trait of extraversion as part of the Big Five personality dimensions, plays a critical role in shaping firm behavior and performance outcomes (Judge et al., 2002). Additionally, Trait Activation Theory (TAT) (Tett & Burnett, 2003) complements UET by suggesting that traits like extraversion are expressed when relevant cues in the environment trigger their activation. Together, these theories provide a dual lens: UET explains *why* CEO traits matter for firm-level outcomes, and TAT explains *how* and *when* these traits manifest in observable behavior that can influence financial performance.

In applying these theories to the current study, CEO extraversion is conceptualized as a central antecedent influencing firm financial outcomes, particularly through mechanisms such as strategic decision-making, communication, and stakeholder engagement. Extraverted CEOs are more likely to exhibit assertiveness, sociability, and optimism, traits that can lead to bold strategies and greater investor and employee engagement (Peterson et al., 2003). However, under contexts of high uncertainty, for instance, financial crises, these same traits may lead to excessive risk-taking and deteriorated performance (Liao et al., 2024). The conceptual framework, therefore, posits that CEO extraversion affects financial performance both directly and through contextual moderators such as economic volatility and executive team composition. This framework integrates prior literature showing the dual outcomes of CEO extraversion (Wang et al., 2025; Chen et al., 2024), allowing for a more nuanced understanding of when and how extraverted leadership contributes to or detracts from firm value.

The theoretical insights drawn from this integration offer both scholarly and practical contributions. From a theoretical standpoint, the model bridges psychological traits with strategic outcomes, responding to calls for more micro-foundational studies in strategic management (Barney & Felin, 2013). It also enriches leadership literature by explaining the conditions under which extraversion yields optimal firm outcomes. Practically, this framework aids boards and governance bodies in executive selection, suggesting that personality assessments, particularly extraversion, should be interpreted in light of organizational context and team dynamics. For example, pairing extraverted CEOs with more risk-averse CFOs might help balance decision-making and enhance firm stability (Harrison & Malhotra, 2024). In conclusion, the proposed theoretical framework not only explains the influence of CEO extraversion on financial performance but also guides future research and executive practices in aligning personality traits with organizational objectives.

Proposition Development: CEO Extraversion Affects Financial Performance

CEO extraversion, one of the Big Five personality traits, plays a significant role in shaping organizational outcomes through its influence on leadership behavior, strategic decision-making, and stakeholder engagement. Extraverted CEOs tend to exhibit sociability, assertiveness, and enthusiasm, traits that facilitate communication, motivate teams, and attract investors, ultimately driving superior financial results (Judge et al., 2002; Peterson et al., 2003). The Upper Echelons Theory (Hambrick & Mason, 1984) supports this connection by positing executives' personal characteristics, such as personality, predict organizational strategies and outcomes. Complementing this, Trait Activation Theory (Tett & Burnett, 2003) explains how environmental cues such as leadership roles and competitive markets activate extraverted behaviors, such as risk-taking or charisma, that may translate into improved financial metrics such as return on assets, market value, or profitability (Chen et al., 2024). However, this relationship is not unidirectional; extraversion may also lead to overconfidence, excessive risk-taking, or underestimating threats in volatile environments, possibly undermining firm value (Liao et al., 2024). Thus, while CEO extraversion is often beneficial, its effectiveness depends on the organizational context, industry conditions, and complementary traits within the executive team. Integrating these perspectives, this study proposes that CEO extraversion significantly influences financial performance, offering both positive and potentially negative outcomes depending on contextual moderators.

Proposition

CEO extraversion is significantly associated with firm financial performance.

Conceptual Framework

This framework illustrates the conceptual analysis of how CEO extraversion impacts financial performance in Figure 1.

Figure 1: Conceptual Framework

METHODOLOGY

Research Design – Narrative Review Methodology

This study adopts a narrative literature review methodology, which is suitable for synthesizing existing knowledge on the multifaceted relationship between CEO extraversion and financial performance. A narrative review enables the researcher to critically analyze and interpret a broad range of studies with varied

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methodological designs, theoretical orientations, and empirical findings (Greenhalgh et al., 2018). Unlike systematic reviews, which emphasize exhaustive coverage and replicability, the narrative approach focuses on building conceptual clarity and thematic insight through selected high-impact and relevant sources (Baumeister & Leary, 1997). This method is particularly appropriate given the interdisciplinary nature of the topic, which spans leadership psychology, behavioral finance, and strategic management.

Key Steps in Conducting a Narrative Review

The review followed a structured approach to ensure rigor and relevance. The initial step involved defining the scope of the review, focusing on studies examining the relationship between CEO personality traits, particularly extraversion, and firm financial outcomes. Data collection was conducted using the Scopus database, which offers a wide repository of peer-reviewed literature across business, psychology, and economics. The inclusion criteria emphasized articles published between 2000 and 2025, written in English, and indexed in reputable peer-reviewed journals. The selected articles were then filtered for relevance based on abstracts, keywords, and titles before undergoing full-text analysis. Themes and theoretical perspectives were extracted using thematic coding and iterative comparison.

Data Collection and Review

A thorough search was conducted on the Scopus database using the following Boolean search string: ("CEO" OR "chief executive officer" OR "executive") AND ("extraversion" OR "extroversion" OR "personality" OR "traits") AND ("financial performance" OR "financial results" OR "profitability" OR "economic performance"). This resulted in a focused sample of 42 articles, which were further narrowed to 18 based on relevance, methodological quality, and thematic fit. Articles were analyzed for key themes such as CEO personality frameworks (e.g., Big Five), concepts like risk-taking behavior and strategic vision, and theoretical perspectives including the Upper Echelons Theory (Hambrick & Mason, 1984) and Trait Activation Theory (Tett & Burnett, 2003). The review highlighted how extraversion influences strategic decisions, communication styles, and stakeholder engagement, as well as how these behaviors affect firm performance in different contexts such as crisis scenarios, firm size, and debt structure.

Key Findings from the Narrative Review

Study	Key Findings
Wang et al. (2025)	CEO extraversion is linked to more favorable private debt outcomes and improved lender confidence.
Liao et al. (2024)	Extraverted CEOs underperform during financial crises due to excessive optimism and risk-taking.
Chen et al. (2024)	Extraverted CEOs lead to better operational efficiency and investor engagement under normal conditions.
Harrison & Malhotra (2024)	CEO-CFO personality complementarity is vital; extraverted CEOs require counterbalancing from cautious CFOs.
Judge et al. (2002)	Extraversion is positively correlated with transformational leadership effectiveness.
Lartey et al. (2020)	The impact of CEO extraversion on capital structure is moderated by product market competition.
Wang & Chen (2020)	Social media communication patterns can reflect CEO extraversion and predict strategic behavior.

The review reveals that CEO extraversion is a double-edged trait: it enhances strategic visibility, communication, and engagement during stable periods, but may contribute to overconfidence and imprudent risk-taking during volatile market conditions. Key patterns suggest that extraversion can boost financial performance through improved stakeholder relationships and external financing access (Wang et al., 2025), but only when balanced with internal governance mechanisms (Harrison & Malhotra, 2024). The presence of complementary traits in other top executives, especially CFOs, mitigates potential downsides (Chen et al., 2024). These findings support the relevance of Upper Echelons Theory, which posits that executive characteristics shape organizational outcomes (Hambrick & Mason, 1984), and Trait Activation Theory, which explains how traits like extraversion are expressed depending on environmental cues (Tett & Burnett, 2003). Overall, the review highlights the contextual nature of the extraversion-performance link and identifies a need for more studies exploring moderating variables.

CONCLUSION

This study reviewed existing literature to explore the relationship between CEO extraversion and financial performance, highlighting that extraverted CEOs often contribute positively to firm outcomes through enhanced communication, strategic boldness, and stakeholder engagement. The integration of Upper Echelons Theory and Trait Activation Theory provided a robust theoretical foundation to explain both why and how CEO personality traits influence organizational success. Practically, the findings underscore the importance for boards and executive selection committees to consider personality assessments, particularly extraversion, when hiring or evaluating top executives, while also acknowledging the influence of contextual factors such as industry dynamics and executive team composition. However, this study is limited by its narrative review approach, which may lack the systematic rigor of meta-analyses, and by the potential exclusion of relevant studies outside the Scopus database. Future research should employ empirical designs to test the proposed propositions across various industries and cultural contexts, and examine the interaction effects of CEO personality traits with other leadership dimensions to provide a more comprehensive understanding of their impact on firm performance.

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