# Young, male, testosterone-fueled CEOs more likely to start or drop deals: study

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Too much testosterone can be a deal breaker, according to Sauder School of Business researchers at the University of British Columbia. Their paper, to be published in the INFORMS journal *Management Science* on September 10, shows that young CEOs with more of the steroidal hormone in their system are more likely to initiate, scrap or resist mergers and acquisitions.

The study by Sauder Finance Professors Maurice Levi and Kai Li, and PhD student Feng Zhang, titled "Deal or No Deal: Hormones and the Mergers and Acquisitions Game," shows that testosterone - a hormone associated with male dominance-seeking in competitive situations - can be a negative factor in high-stakes decision making.

"We find a strong association between male CEOs being young and their withdrawal rate of initiated mergers and acquisition," says Prof. Levi, whose research relies on the established correlation between relative youth and increased levels of testosterone.

"For instance, young CEOs, who have higher levels of testosterone, tend to reject offers even when this is against their interest."

The study shows that younger CEOs operating with more testosterone in their systems are 20 per cent more likely to withdraw a merger or acquisition bid than their older counterparts. Young CEOs are also four per cent more likely to flex their managerial muscles and attempt to acquire other companies.

As well, when companies run by young male CEOs are targeted for a mergers or acquisitions, there is a two-per-cent greater chance the CEOs will resist, pushing the bidder to pursue a hostile takeover that bypasses company leadership.

The researchers analyzed 350 merger and acquisition bids in the United States between 1997 and 2007, using a securities database from Thomson SDC.

The Sauder study builds on a 2007 experiment by Harvard University Economics Prof. Terence Burnham, which examined the role of testosterone in the "ultimatum game," a negotiation between two people where participants often reject offers of free money, defying standard economic rationality.

In the two-player game, subjects had to agree on how to divide 40 dollars or risk losing it all. Participants who begin with the entire sum of money could offer only five dollars or 25 dollars to their competitor.

Burnham found that, among those considering the offers, participants with higher levels of testosterone were more likely to reject what they perceived as low offers, ending up with nothing as a result.

Provided by University of British Columbia

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