

Effects of Personality on Individual Earnings: Leadership Role Occupancy as a Mediator

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Abstract

Purpose The purpose of this study was to investigate the direct and indirect effects of personality characteristics on individual earnings and to examine a person's leadership role occupancy as the potential mediator in the personality–earnings relationship.

Design/Methodology/Approach Longitudinal survey data were collected from a sample of 209 individuals. Earnings were measured 6 years after the personality variables.

Findings Two personality traits, i.e., Social Potency and Achievement, predict individual earnings longitudinally. The effects of personality were partially mediated by the person's occupancy of leadership roles in the workplace. For those occupying similar leadership positions, people higher in social potency still have greater earnings.

Implications These findings lend support for personality assessment in personnel selection and have important implications for leadership development and individual career success.

Originality/Value Previous research suggests that personality influences individual earnings beyond the effects

of traditional human capital variables. This study is among the first to distinguish personality's direct and indirect (through leadership role occupancy) effects on individual earnings. The findings provide direct support for the incentive-enhancing property of personality as well as indirect support for the trait activation theory on the personality–earnings relationship.

Keywords Personality · Social potency · Earnings · Leadership · Career success

Introduction

Personality plays a major role in research on work behavior and work-related outcomes (Barrick and Mount 1991). Personality traits have been shown to influence individual and organizational outcomes such as job performance (e.g., Hofmann and Jones 2005; Thoresen et al. 2004), organizational citizenship behavior (e.g., Bettencourt et al. 2001), job satisfaction (e.g., Judge et al. 2002b), and team effectiveness (e.g., LePine 2003). Earnings, as a crucial measure of individual career success, has also been linked to personality. A number of studies from organizational behavior and labor market economics literature have found incremental effects of personality traits on earnings beyond traditional human capital variables such as education, cognitive ability, and work experience (e.g., Boudreau et al. 2001; Bowles et al. 2001). However, a potential mediating variable in the personality–earnings relationship—the individual's leadership role occupancy—has been largely overlooked in previous studies.

Since personality is associated with the likelihood of being promoted into leadership positions (Judge et al. 2002a) and these positions are typically associated with

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higher earnings, leadership role occupancy can serve as a mediator in the personality–earnings relationship. This mediation mechanism through leadership role occupancy has seldom been examined in previous research. Studies focusing on career success typically identify certain personality traits as predictors of extrinsic career success—a composite variable consisting of leadership positions or occupational status and earnings (Judge et al. 1999). The use of this composite measure left little opportunity for examining leadership occupancy as a mediator. In studies in which earnings itself has been of primary research interest, leadership positions were typically not measured or examined. Researchers simply assumed the existence of direct effects of personality traits on earnings (e.g., Goldsmith et al. 1997; Groves 2005). However, prior research might have confounded the direct and indirect effects of personality on earnings because the potential mediator in the relationship (in this case, leadership role occupancy) has not been explicitly investigated and accounted for.

This study attempts to fill this research gap by examining the mediating role of leadership role occupancy in the personality–earnings relationship. Drawing upon various theoretical arguments [e.g., incentive-enhancing property of personality traits (Bowles et al. 2001) and trait activation theory (Tett and Burnett 2003)] and empirical studies linking personality, leadership, and earnings, we hypothesize a mediation model where leadership role occupancy mediates the relationship between personality and earnings measured 6 years apart. This longitudinal mediation model can help answer a research question: Does personality have any direct effect on earnings, controlling for the mediating effect carried through by leadership role occupancy?

This study contributes to the career success literature by partialling out the mediating effect of leadership role occupancy in order to capture the direct and incremental effect of personality on earnings. It also contributes to the personality literature by providing direct support for the incentive-enhancing property of personality and indirect support for the trait activation theory. This study investigates less studied personality variables using the Multidimensional Personality Questionnaire (MPQ; Patrick et al. 2002; Tellegen 1982). The results have important implications for personnel selection, career advancement, and leadership development/emergence in organizations.

This study is structured in the following manner. First, extant studies on the effects of personality on earnings are reviewed. The mediating effect of leadership role occupancy is hypothesized based on various theoretical arguments. Then, the research method and results based on a sample of white males are provided. Finally, we present a discussion about the practical implications for organizations and point out future research directions.

Personality and Earnings

Personality traits describe central and stable individual differences in tendencies to behave in certain ways (Funder 2001). Some studies have linked personality to measures of career success, of which earnings is a critical component (e.g., Judge et al. 1999). Other studies have focused specifically on the impact of certain personality traits on earnings, since earnings is a consistent and robust measure of success across various contexts (Heslin 2005; Nicholson and de Waal-Andrews 2005). Thus, investigating earnings as the dependent variable itself is a worthwhile endeavor.

In the current study, personality was measured using the MPQ, a well-regarded measure of diverse normal-range dimensions of personality (Patrick et al. 2002; Tellegen 1982). The MPQ consists of 11 subscales representing fine-grained trait dimensions. Among the 11 traits in the MPQ, Social Potency, Achievement, and Stress Reaction are of primary interest in the current study. People high in Social Potency are forceful and decisive, persuasive and like to influence others, and take charge of and like to be noticed at social events. People high in Achievement work hard, enjoy demanding projects, persist where others give up, and put work and accomplishment before many other things. People high in Stress Reaction are nervous, vulnerable, sensitive, and prone to worry, and are likely to experience strong emotions without reason.

Although this study did not measure Big Five personality traits directly, MPQ scales have been empirically mapped onto the Big Five traits (Church 1994). In particular, the Social Potency trait corresponds well with Extraversion (sociable, dominant, ambitious, and active; $r = .47$, $N = 575$ in Church 1994). The Achievement trait is rationally and empirically similar to the achievement facet of Conscientiousness (see Hough and Ones 2001, and Table 3 in Church 1994; $r = .48$, $N = 575$). The trait of Stress Reaction empirically maps onto Neuroticism ($r = .76$, $N = 575$; Table 2 in Church 1994). In the literature review above, the three Big Five traits have been shown to be significantly related to earnings. Barrick and Mount's (1991) meta-analysis on personality and job performance has shown that Conscientiousness ($\rho = .22$), Extraversion ($\rho = .16$), and Neuroticism ($\rho = .13$) are significantly related to job performance. Thus, the three traits in MPQ (Social Potency, Achievement, and Stress Reaction) are relevant to individuals in work settings. Consequently, we selected these three traits as potential predictors of individual earnings.

A number of earlier studies investigated the relationship between various personality constructs and earnings. For example, Melamed (1996) found that extraversion and self-confidence (an indicator of low neuroticism) predicted salary levels in a sample of UK employees after controlling

for age. Harrell (1969) and Harrell and Alpert (1989) showed that self-confidence predicted salary levels in a sample of MBA graduates 5 and 20 years after the trait was measured. Several studies have also shown that Conscientiousness predicts salary levels. For example, Orpen (1983) showed that the need for achievement (as a subscale of Conscientiousness) predicted salary growth over a 5-year period. In their meta-analysis of five studies, Barrick and Mount (1991) found a positive correlation of $\rho = .17$ between Conscientiousness and salary levels. However, a common limitation of these studies is their lack of control for human capital variables. Human capital variables refer to individual educational, personal, and professional experiences that can contribute to earnings (Becker 1964). Such variables are often correlated with personality variables (Boudreau et al. 2001; Hough 1998, 1997) as well as individual earnings (e.g., Ng et al. 2005), which makes them potential confounding factors in examining the personality–earnings relationship.

The labor market economics literature, in contrast, has examined demographics (age, sex, marital status, etc.) and the human capital variables (education and work experience) as primary predictors of earnings. Because more than 60% of the variance in earnings remains unexplained after considering these variables, labor market researchers have begun to examine personality variables as independent predictors of earnings after controlling for human capital variables (e.g., Bowles et al. 2001). For example, Feinstein (2000) analyzed the effects of locus of control, self-esteem, attentiveness to peer relations, and extraversion at age 10 on earnings at age 26 and found significant effects for all variables. Duncan and Dunifon (1998) found that self-efficacy, trust propensity, and openness to experience, measured 15–25 years earlier, positively predicted individual earnings for both males and females. Goldsmith et al. (1997) and Groves (2005) also found that locus of control predicted earnings. Based on a large sample of the Dutch population, Nyhus and Pons (2005) found that neuroticism consistently impacted individual earnings across gender. This line of research typically controlled for human capital variables in their regression of earnings.

Several theoretical arguments support the direct relationship between personality and earnings. The first was offered by Bowles et al. (2001) who, from a labor economics perspective, argued for the incentive-enhancing property of personality traits. In particular, employers use many kinds of incentives to elicit employee efforts in work settings. Certain employee personality traits, such as high Social Potency, high Achievement, and low Stress Reaction, may enable employers to elicit employee efforts at a lower cost to the company (non-wage costs such as the cost for coordination and communication between peers and

across organizational levels). According to this explanation, employers can recognize these employee characteristics when setting their wages even when employees hold similar leadership positions. Consequently, in addition to human capital variables such as ability and experience, personality traits are rewarded (or punished) in the labor market due to their incentive-enhancing property.

Second, the trait activation theory offered by Tett and Burnett (2003) also provides theoretical explanations with regard to the relationship between personality and earnings. Tett and his colleagues (Tett and Burnett 2003; Tett and Christiansen 2007) examined personality expression at work and the evaluation, reward/punishment for the expression. In particular, individual personality traits (such as high Social Potency, high Achievement, and low Stress Reaction) can be “activated” by situations that provide opportunities for trait expression. If others in the workplace (i.e., supervisors, peers, subordinates, and customers) value this expression, the trait expression becomes job performance and is subsequently rewarded in monetary terms. In their study based on the interactionist principles that link personality and situations, Tett and Burnett (2003) identified various contingencies and situations with regard to task, social, and organizational contexts where trait expression is rewarded or punished with higher or lower earnings.

A similar interactionist argument was offered by Lyubomirsky et al. (2005), who claim that positive personality “lead[s] people to think, feel, and act in ways that promote both resource building and involvement with approach goals” (p. 804). In addition, Judge and Hurst (2007) discussed the possibility that advantaged individuals (in this case, people high in Social Potency and Achievement, and low in Stress Reaction) use their positive personality to “capitalize” on the opportunities offered by benign conditions. This capitalization process is one through which individuals respond to advantageous events in certain ways so that they reap more benefits and more earnings than those conferred solely by the events themselves.

Drawing upon the above theoretical arguments as well as empirical research from both organizational behavior and labor market literatures, we develop the following hypotheses on the relationships between Social Potency, Achievement, and Stress Reaction and earnings after controlling for human capital variables.

Hypothesis 1a Social Potency (Time 1) will be positively related to individual earnings (Time 2) after controlling for human capital variables.

Hypothesis 1b Achievement (Time 1) will be positively related to individual earnings (Time 2) after controlling for human capital variables.

Hypothesis 1c Stress Reaction (Time 1) will be negatively related to individual earnings (Time 2) after controlling for human capital variables.

Leadership Role Occupancy as a Mediator

Previous studies linking personality and earnings typically assume a direct effect for personality. An important mediating variable has been overlooked in this relationship: leadership role occupancy. Earnings growth is a gradual process that unfolds over time, primarily through a series of promotions along the hierarchical ladder. Besides monetary incentives tied to different job levels, employers provide career ladders to motivate employees. Personality traits, it has been argued, directly influence leadership role ascendance (Judge et al. 2002a, b), which, in turn, predicts greater earnings tied to higher-level positions.

Socially potent individuals are more likely to be perceived as leaderlike and thus emerge as leaders in groups (Hogan et al. 1994; Watson and Clark 1997). People high in Social Potency are energetic and decisive, and like to take charge. All these characteristics are typical for leaders (Gough 1989). Judge et al. (2002a, b) meta-analysis found a true relationship of $\rho = .33$ between Extraversion (which can be mapped onto Social Potency) and leadership emergence.

People high in Achievement tend to be persistent in achieving their goals, and show more tenacity and initiative, all of which are necessary for successful leadership (Kirkpatrick and Locke 1991). Achievement has been linked to both leadership emergence and leader effectiveness (Judge et al. 2002a, b).

Hogan et al. (1994) suggested that emotionally unstable individuals (i.e., high Stress Reaction) are less likely to be perceived as leaders. Low levels of self-esteem and self-confidence (indicators for high Stress Reaction) have been shown to be negatively related to leadership (Hill and Ritchie 1977). The meta-analyzed correlation between Neuroticism and leadership emergence is positive ($\rho = .24$; Judge et al. 2002a, b).

Based on the above findings linking the three personality variables to leadership emergence, we hypothesize the following:

Hypothesis 2a Social Potency and Achievement (Time 1) will be positively related to leadership role occupancy (Time 2), and Stress Reaction (Time 1) will be negatively related to leadership role occupancy (Time 2).

Leadership role occupancy can serve as a potential mediator in the relationship between personality and earnings. As argued by Schmidt and Hunter (1998, p. 265), personality traits can impact job performance through “will-do” motivational components, whereas human

capital variables such as cognitive ability and work experience affect performance mainly through “can-do” capabilities. Following this motivational framework, Barrick et al. (2001) and Witt et al. (2002) found consistent evidence that personality traits predict individual performance. More productive employees are more likely to be rewarded through promotion to higher levels typically associated with higher salaries. Consequently, it is likely that an individual’s earnings are not directly determined by his/her personality traits; rather, the effect of personality on earnings is through the individual’s success in climbing the hierarchical ladder. Previous studies have seldom considered this mediating role played by individuals’ leadership role occupancy within organizations.

Based on this motivational explanation, this study argues that the “economic reward” for Social Potency, Achievement, and Stress Reaction is carried out through the individual’s obtainment of leadership positions. That is, leadership role occupancy serves as a mediator in the relationship between the three personality traits and individual earnings. There could, however, be other potential mediators in the personality–earnings relationship. For example, socially potent people may fare better in salary negotiations, and people high in Stress Reaction may be less favored by supervisors even after holding job performance consistent. Thus, we hypothesize a partial mediation effect for leadership role occupancy:

Hypothesis 2b Leadership role occupancy (Time 2) will partially mediate the relationship between Social Potency, Achievement, and Stress Reaction (Time 1) and individual earnings (Time 2).

Methods

Sample and Procedures

We derived data¹ by longitudinal surveys using a sample drawn from the Minnesota Twin Registry. A twin sample is advantageous to a sample of job incumbents in organizations because of its representativeness. A twin sample is more representative of the general population than current job incumbents because sampling from job incumbents tends to exclude certain individuals (e.g., those who select themselves to be self-employed). The Time 1 survey measured the personality traits of 1,116 male twins using the MPQ (Tellegen 1982). Six years later, a Time 2 survey assessing human capital variables, earnings, and leadership

¹ A subset of the data has been used in an earlier study on genetic influence on personality and leadership, which was published elsewhere. However, the current study asks unique research questions that were not examined in the previous study.

role occupancy was mailed to the same individuals. The overall response rate was 57% for those completing both surveys. In order to eliminate the interdependency of participants from a twin pair (which can render regression analysis problematic), one twin within each complete twin pair was excluded from the sample, resulting in 326 independent individual participants. (The results of hypothesis testing remained the same if the other twin of the pair was used and thus will not be reported here.) In addition, due to the limitation of our measure on earnings, 117 participants were excluded from the analyses, leaving a final sample size of $N = 209$. The following measures section provides details of this procedure.

In the final sample, all participants were white males with an average age of 37 (s.d. = 1.5, $N = 209$) at the time of the second survey. Approximately 46% of participants had a high school degree or less, and 48% had a two-year or four-year college degree. Participants held a variety of jobs across seven occupation categories.

Measures

Individual Earnings

Due to the sensitive nature of income data, we measured income levels rather than real dollar values for each participant. Annual pretax income is categorized into a list of ranges where “1” = \$5,000–\$9,999, “2” = \$10,000–\$19,999, ..., “10” = \$90,000–\$99,999, and “11” = greater than \$100,000. A similar scale was used by Judge et al. (1999). Using this scale, participants were asked to indicate their individual income level if they were single, divorced, separated, or widowed, and to indicate their family income level if they were married or living with a partner ($n = 232$). We conducted further steps to derive a measure of individual earnings. Among the 232 individuals who reported family total incomes, 115 had spouses who were housewives and had no income. The remaining 117 had working wives of various occupations. In order to accurately measure individual earnings, we excluded these 117 participants, resulting in a total usable sample of $N = 209$. The earnings variable has an approximately normal distribution with mean 6.68 and standard deviation 2.58.

The reliability of this single-item measure was estimated by correlating it with a similar item that was measured 2–4 years before Time 1 when these participants were first recruited to the Registry (about 8–10 years earlier than this earnings measure). The earlier item asks about an individual’s personal annual income using a seven-point scale (1 = 0–\$10,000, ..., 7 = \$75,000 and above). The correlation coefficient between the current earnings measure and the earlier measure is $r = .61$ ($P < .001$, $N = 205$).

Because individual earnings are expected to grow over time, this correlation is only a rough proxy for the test-retest reliability. But this high correlation coefficient does show an acceptable level of the rank-order stability of this single-item measure of earnings. In addition, we checked the accuracy of their answers by directly telephoning 10 participants who had indicated very high income levels and/or had taken several leadership roles. No deceitful answers were detected.

Personality Traits

The 198-item form of the MPQ (Tellegen and Waller 2001) was administered to measure personality traits. The three subscales Social Potency, Achievement, and Stress Reaction are composed of 18 items each, with all items answered true/false. The average 30-day test-retest reliability was .87 for these three subscales, and the internal consistency estimates were .78, .75, and .83 for Social Potency, Achievement, and Stress Reaction, respectively. The raw scores were converted to T-scores based on normative statistics (Patrick et al. 2002). Means and standard deviations of the three traits (see Table 1) were compared to population averages. In particular, one-sample t -tests were conducted to compare the means of the three traits of this sample with the normative statistics. Only the t -test for Stress Reaction was significant ($t = -2.15$, $P < .05$). The means of Social Potency and Achievement are comparable to population averages (t -values are $-.92$, $P < .36$ and $-.77$, $P < .44$, respectively). Overall, this sample is representative of the population with regard to these personality measures.

Leadership Role Occupancy

Respondents were asked to indicate whether they were occupying leadership positions at work. A number of different options were presented (e.g., work group leader, shift supervisor, manager, director, vice-president, and president). The score was developed by assigning 7 points if the respondent checked president (the highest-ranking category), 6 points if vice-president was checked (the next highest-ranking category) but not president, and 5 points if the respondent checked manager but neither of the other two higher-ranking categories, etc. The mean score was 4.12 and standard deviation 4.25. See Arvey et al. (2006) for more evidence of the construct validity of this measure.

Cognitive Ability

Participants’ cognitive ability was measured at Time 1 using items drawn from the Weschler Adult Intelligence Scale (WAIS) Vocabulary Test during a telephone

Table 1 Descriptive statistics and Pearson correlations

	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8	9	10	11
Earnings	6.68	2.58											
Small town	.38	.49	-.20**										
Medium city	.33	.47	.01	-.55**									
Large city	.28	.45	.22**	-.50**	-.44**								
Work experience	15.63	2.63	-.30**	.25**	-.11	-.15*							
Experience-squared	251.2	82.9	-.30**	.25**	-.11	-.16*	.99**						
Education in years	14.34	2.35	.34**	-.31**	.13	.20**	-.91**	-.90**					
Cognitive ability	46.40	12.10	.33**	-.22**	.03	.21**	-.40**	-.41**	.50**				
Social potency	49.36	10.08	.37**	-.07	.03	.05	-.14*	-.15*	.17*	.29**			
Achievement	49.49	9.62	.14**	.01	.03	-.02	.07	.07	-.07	-.04	.27**		
Stress reaction	48.54	9.81	-.08	.02	-.06	.05	.09	.09	-.12	-.19**	-.11*	.03	
Leadership role occupancy	4.12	4.25	.23**	.02	-.08	.05	-.12	-.12	.21**	.18**	.27**	.15**	-.03

* $P < .05$; ** $P < .01$. Two-tailed tests. $N = 209$. The seven occupation dummies were controlled for in the analyses, but due to space limitations, they are not shown in the matrix. The full matrix can be obtained from the first author

interview. The WAIS Vocabulary Test is one of the most widely used and extensively validated standardized intelligence tests. The mean score is 46.40 ($s.d. = 12.10$), which is lower than normative statistics ($t = -4.96$, $P < .01$) based on an age group of 20- to 34-year-olds (McLean et al. 1989; Kaufman 1990). However, since we use this only as a control variable in the analysis, we do not expect that this mean difference will distort our mediation analyses.

Other Control Variables

Traditional human capital and demographical variables were measured as controls based on previous research in labor market economics. Specifically, educational level was measured as years of schooling. Following the common practice of economists, work experience in the labor market was calculated as current age—years of schooling—7 (Nyhus and Pons 2005). In addition, participants' region (small town, medium city, or large city) and occupation type were controlled for. Participants were coded as living in small towns if they live in a town with less than 10,000 people. They were coded as living in a medium city if their city has between 10,001 and 100,000 people. They were coded as living in a large city if they live in a city or a suburb of a city with over 100,000 people. Age did not enter the regression as a control variable due to its near-perfect correlation with work experience.

Analysis

To test whether personality traits contribute to earnings independent of traditional human capital variables, we conducted path analyses using a structural equation

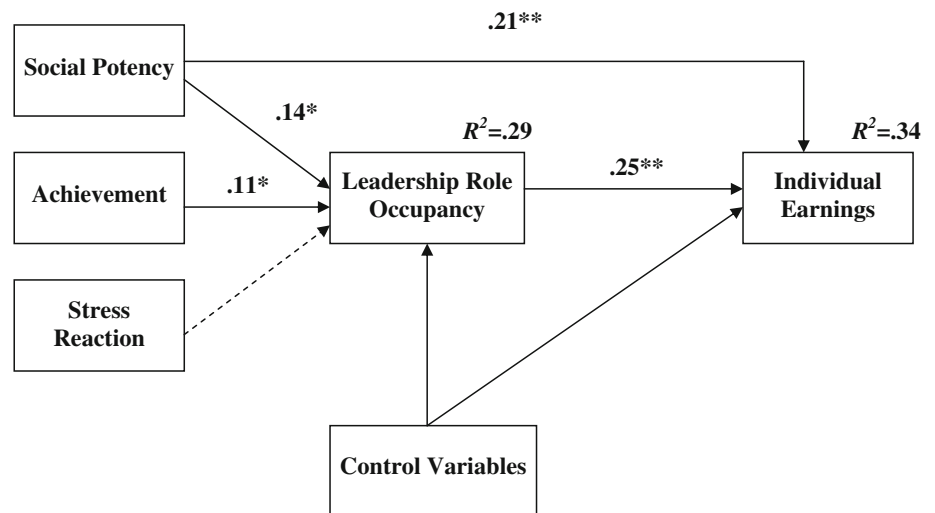
modeling software Mplus (Muthén and Muthén 1998–2007). Control variables include region dummies, occupation dummies, education level, work experience and its square term, and cognitive ability. A work-experience-squared variable was used because empirical studies have consistently found concave profiles between experience and earnings (Bowles et al. 2001).

Nested models were compared to each other based on various goodness-of-fit indexes [e.g., chi square, comparative fit index (CFI), Tucker-Lewis index (TLI), standardized root mean square residual (SRMR), and root mean square error of approximation (RMSEA)]. We started by estimating a partial mediation model where the direct and indirect effects of all three personality variables on earnings were estimated, controlling for geographical region, occupation, and human capital variables. This model was reduced to another model where non-significant coefficients between the personality variables and earnings were fixed at zero. Figure 1 shows the reduced model. The final model was estimated with the dashed path fixed at zero in Fig. 1. The mediating effect of leadership role occupancy was tested using the final model, which was the most parsimonious model with satisfactory fit indexes.

Results

The zero-order correlations between the three personality variables, control variables, and individual earnings (see Table 1) revealed that Social Potency and Achievement are positively correlated with earnings. In particular, Social Potency showed a correlation coefficient of $r = .37$ ($P < .01$, $N = 209$), and Achievement demonstrated a correlation coefficient ($r = .14$, $P < .01$, $N = 209$). Stress

Fig. 1 Path diagram of the mediating effect of leadership role occupancy. * $P < .05$; ** $P < .01$. Standardized coefficients are reported; for purposes of simplicity, specific control variables (e.g., education, cognitive ability, occupations, etc.) are not shown in the figure



Reaction failed to show a significant relationship with earnings. Table 1 also shows that Social Potency and Achievement were correlated positively with leadership role occupancy at .27 ($P < .01$, $N = 209$) and .15 ($P < .01$, $N = 209$), respectively. Stress Reaction failed to show a significant relationship with leadership role occupancy.

The nested-model comparison and the path analyses results (Tables 2 and 3) showed that the partial mediation model is a just-identified model with “perfect fit.” The two paths from Achievement and Stress Reaction to earnings were not significant in this full mediation model (standardized path coefficients $\beta = .10$, $P < .25$ and $\beta = -.04$, $P < .67$, respectively). In the reduced model shown in Figure 1, the above two paths were fixed at zero. This reduced model did not show a significantly worse fit than the partial mediation model. In the final model, Stress Reaction was excluded in the model. The final model is the most parsimonious one and shows acceptable goodness-of-fit ($CFI = .998$, $TLI = .995$, $SRMR = .005$, $RMSEA = .008$). It was not significantly worse than the partial mediation model in terms of model fit ($\Delta\chi^2 = 14.07$, $\Delta df = 15$). Thus, the final model was used to test the hypotheses (see Figure 1 for an illustration of the model).

Table 3 shows the standardized path coefficients in the final model. For the earnings and leadership variables, respectively, a total 34 and 29% of the variance was explained by the model. Path coefficients in Table 3 (final model) show that after controlling for region, occupation, and human capital variables, Social Potency and Achievement significantly predict individual earnings directly and indirectly, respectively. The path for Stress Reaction was insignificant. Thus, Hypotheses 1a and 1b were supported, but Hypothesis 1c was not. In addition, Hypothesis 2a was partially supported because Social Potency and Achievement (but not Stress Reaction) predicted leadership role occupancy, after controlling for various human capital variables.

The mediating effects (Hypothesis 2b) of leadership role occupancy between the personality–earnings relationship was supported. In particular, the relationship between Social Potency and earnings was partially mediated by leadership role occupancy, whereas the relationship between Achievement and earnings was fully mediated by leadership role occupancy. Since Stress Reaction failed to show a significant relationship with either earnings or leadership, leadership role occupancy did not serve as a mediator for Stress Reaction.

Table 2 Fit indexes for the models tested

Models	χ^2 (df)	$\Delta\chi^2$ (Δdf)	CFI	TLI	SRMR	RMSEA
Partial mediation model	.00 (0)	–	1.00	1.00	.000	.000
Reduced model (shown in Fig. 1; the dashed path was estimated)	3.16 (2)	3.16 (2)	.991	.868	.008	.052
Final model (Stress Reaction was excluded from the reduced model)	17.23 (17)	14.07 (15)	.998	.995	.005	.008

In the partial mediation model, all three personality variables predict both earnings and leadership role occupancy

CFI comparative fit index, TLI tucker-lewis Index, SRMR standardized root mean square residual, RMSEA root mean square error of approximation

Table 3 Path coefficients for the partial mediation model and final model

	Partial mediation model		Final model	
	Earnings	Leadership role occupancy	Earnings	Leadership role occupancy
Region				
Small town (omitted)				
Medium city	.12	-.22**	.12	-.22**
Large city	.24**	-.08	.24**	-.08
Occupation				
Managerial and administrative	.02	.43**	.01	.43**
Professional and technical	.13	.13	.13	.13
Sales and related	.16*	.15*	.15*	.15*
Clerical and administrative support	.02	.01	.03	.01
Service	-.04	.12*	-.04	.12*
Agricultural, forestry, fishing	-.04	-.04	-.04	-.04
Production, construction, operation, maintenance (omitted)				
Human capital				
Work experience	-.40	.19	-.44	.19
Experience-squared	.25	.10	.31	.11
Education in years	-.05	.42**	-.06	.41**
Cognitive ability	.08	-.03	.08	-.03
Personality traits				
Social potency	.18**	.14*	.21**	.14*
Achievement	.10	.12*		.11*
Stress reaction	-.04	.03		
Leadership role occupancy	.24**		.25**	
R^2	.35**	.29**	.34**	.29**

* $P < .05$; ** $P < .01$. $N = 209$. Standardized path coefficients are reported

Discussion

Personality traits have been examined as incremental predictors of individual earnings beyond traditional human capital variables. Researchers have hinted at a mediating mechanism through which leadership role occupancy carries through the effects of personality on earnings. The current study is among the first to empirically examine this mediator in the personality–earnings relationship. Based on a sample of 209 white males, this study found that two MPQ personality traits (i.e., Social Potency and Achievement), which correspond with Extraversion and Conscientiousness in the Big Five model of personality, consistently predicted individual earnings measured 6 years apart after accounting for various human capital variables, geographical regions, and occupations. More importantly, an individual's leadership role occupancy partially mediated the relationship between social potency and earnings and fully mediated the relationship between Achievement and earnings. In other words, Social Potency and Achievement positively correlate with the individual's obtainment of leadership roles, which is, in turn, related to higher earnings. With respect to Achievement, its

relationship with earnings was fully carried through by leadership role occupancy; in contrast, Social Potency shows an incremental direct relationship with earnings.

Although strong causal conclusions may not be derived from these results, an explanation of this finding is that more socially potent and achievement-oriented employees are more likely to move up the promotional ladder and occupy leadership roles in organizations and hence obtain higher levels of earnings associated with these leadership positions. Furthermore, we found that the Social Potency trait has a direct and incremental influence on individual earnings after controlling for the mediating effect of leadership role occupancy. For those people holding the same level of leadership positions, more socially potent individuals still tend to obtain greater earnings.

The results have important practical implications for employers because personality assessments have been used extensively in personnel selection. This study shows that socially potent and achievement-oriented employees are more likely to be successful in obtaining promotions and higher incomes. Organizational success is often dependent upon individual employees' success. Assuming that achieving higher leadership positions is an indicator of

success, the personality traits that lead to individuals' attainment of leadership roles and higher incomes can also help organizations to be successful. It is notable that this study examines leadership emergence rather than leadership effectiveness. Although many individuals who emerged as leaders failed to achieve any meaningful accomplishments (Hogan et al. 1994), we believe leadership emergence is a necessary precondition for leadership effectiveness (i.e., as the first step on the path to becoming a successful leader). Thus, leadership emergence is of great practical interest by itself.

Although the mediating mechanism of how personality traits influence earnings has been discussed in Judge et al. (1999), the current study is among the first empirical efforts to examine such a mechanism. The partial mediation effect of leadership role occupancy may be due to there being mechanisms other than leadership role occupancy through which personality influences individual earnings. For example, socially potent people could be better wage negotiators in comparison to others holding the same leadership positions. This potential mechanism between personality and earnings merits additional empirical investigation.

It should be noted that this study failed to find the effects of cognitive ability on earnings. In addition, we did not find a significant relationship between Stress Reaction (Hypothesis 1c) and earnings. Previous research has shown that neuroticism and cognitive ability were associated with extrinsic career success (e.g., Ng et al. 2005). Future research should attempt to replicate these results with larger, more diverse samples.

Limitations and Future Research

Several limitations are associated with the current study. A major limitation is the nature and composition of the sample. This study focused only on male employees due to the lack of access to a female sample with comparable age. Because of this limitation, we cannot consider the possibility of gender-specific returns for personality. Men and women's career experiences are often different. Ng et al. (2005) found that gender moderates the relationship between individual differences and objective career success. In particular, their meta-analysis showed that the education–salary and hours worked–salary relationships were stronger for women than for men.

Second, the effective sample size was only moderate ($N = 209$) in the SEM analyses, but the number of control variables was large. This limitation had made it impossible to analyze full-scale structural equation models. Rather, path models were used in the study. Third, although there is a six-year lag between obtaining personality measures and the earnings measure, strong causal inferences still cannot be drawn because a third variable may have impacted both

of the two self-reported measures. Future research may utilize true longitudinal designs and measure whether personality at youth predicts earnings in adulthood. Furthermore, future studies can use adult workers' earnings in dollar metric, instead of an earning index, as the dependent variable.

In conclusion, social potency and achievement contribute to the explanation of earnings in addition to traditional human capital variables. Variability in earnings among individuals who are similar with respect to age, education, and labor market experience can be partly explained by individuals' personality trait of Social Potency and Achievement. Individuals' leadership role occupancy mediated the above personality–earnings relationship. Consequently, personality may be treated as “psychological capital” because it is positively related to leadership role occupancy, which in turn leads to higher earnings.

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