

New study measures narcissistic CEOs' effect on corporate strategy, performance

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Companies led by more narcissistic chief executives tend to make more frequent strategy changes, undertake larger and more frequent acquisitions, and have more extreme and irregular fluctuations in performance, according to new research from Penn State's Smeal College of Business.

Arijit Chatterjee, graduate lecturer, and Donald Hambrick, Smeal chaired professor of management, gauged the level of narcissism exhibited by 111 CEOs of computer software and hardware companies and compared it to the subsequent strategies and performance of their companies.

"Highly narcissistic CEOs -- defined as those who have very inflated self-views, and who are preoccupied with having those self-views continuously reinforced -- can be expected to engage in behaviors and make decisions that have major consequences not only for the individuals who interact directly with them, but also for broader sets of stakeholders," the researchers wrote.

They used five indicators to measure CEO narcissism: the prominence of the CEO's photograph in the company's annual report, the frequency of the CEO's name appearing in company news releases, the use of first person singular pronouns (I, me, mine, my and myself) by the CEO in interviews, and the CEO's cash and non-cash pay compared to the company's second-highest executive.

Using these measurements, Chatterjee and Hambrick developed an index, ranking the CEOs according to their levels of narcissism.

They then compared the CEOs' narcissism levels to their companies' strategic dynamism, acquisitions, and performance extremeness and fluctuation. Their results show that CEO narcissism is related to all four measures.

The data show that narcissistic CEOs tend to lead companies through more changes in strategic resource allocation and their companies experience higher highs and lower lows in organizational performance.

"While less narcissistic CEOs may be inclined to pursue incrementalist strategies that entail refining and elaborating on the status quo, more narcissistic CEOs gravitate to bold and highly visible choices," they wrote. "Thus, narcissism may be thought of as an ingredient that stimulates distinctive, extreme managerial actions."

Their research indicates no relation between executive narcissism and how well a company performs. "Although narcissists tend to generate more extreme and irregular performance than non-narcissists, they do not generate systematically a better or worse performance," they found.

"It's All About Me: Narcissistic CEOs and Their Effects on Company Strategy and Performance" is forthcoming in *Administrative Science Quarterly*.

Source: Penn State

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