

Executive narcissism inhibits inter-unit knowledge transfer

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Narcissistic executives cause the units or subsidiaries they manage to be less receptive to knowledge coming from other units. The new research, published in the *Strategic Management Journal*, explores the relationship

between executive narcissism and inter-unit knowledge transfer. The authors find that the effects of narcissism are reduced when there's a high environmental complexity or dynamism at play, as such extra-organization challenging situations give narcissists a reason to undertake external learning. However, such effects are strengthened when there is a high inter-unit competition, as such an intra-organization challenging situation enhances narcissists' distinctiveness-seeking tendencies.

"How to promote inter-unit knowledge transfer among different business units or subsidiaries inside a multi-unit firm is a key issue that often puzzles top executives of the parent firm," says lead author Xin Liu, an associate professor at Renmin Business School in Renmin University of China. On the one hand, Dr. Liu says, "the parent firm hopes to rapidly develop and expand business; but on the other hand, the parent firm isn't always able to provide detailed guidance to each [business unit](#). If units share knowledge with one another related to operation [management](#), it improves firm performance—but both practice and research show that inter-unit knowledge transfer is never easy."

The paper builds on existing literature on inter-organizational knowledge transfer and upper echelons theory. The research team focused on unit head narcissism because it has been identified as a prominent and fundamental personality trait of top executives that affects both their [strategic decisions](#) and organizational strategies.

The researchers used two field survey studies with two-wave, multi-source survey design to test the hypotheses. The exploratory study collected data from all 52 business units of a Chinese corporation that designs charging systems and devices and provides charging services for [electric cars](#), while the main study gathered data from 118 business units of a headhunting company in China.

The studies proved their hypotheses, finding narcissistic executives to be

more receptive to knowledge transfer when a higher level of environmental complexity or dynamism was present. Dr. Liu offered two theories as to why narcissism stands in the way of knowledge-transfer: One, narcissistic unit heads may strongly believe that they have a superior knowledge stock, compared to executives in other units, and understand their unit's problems better—leading them to believe others' knowledge is less valuable. The second theory is that these executives may believe that knowledge transfer may diminish their sense of superiority and uniqueness, leading them to decline to receive external knowledge in an attempt to preserve their image.

"However ... if they can offer social accounts and justifications that preserve their sense of superiority and avoid broadcasting an impression of weakness and vulnerability, narcissists are less likely to resist learning behaviors and new information," Dr. Liu says. "An environment characterized by complexity or dynamism is particularly suitable for providing such face-saving justifications or 'cover' for narcissists' fragile self-esteem."

The study makes the case for firms to be aware of the crucial impact of unit head narcissism when promoting or implementing knowledge transfer. But Dr. Liu cautions that corporations with multiple units should be careful when using relative performance evaluations or other similar practices that strengthen the competitive intensity among units, as the research shows that the negative effect of narcissism is amplified when there is high inter-unit competition. She suggests instead emphasizing the environmental complexity or dynamism to narcissistic unit heads, as the research suggests that the negative effects of unit head narcissism is lowered when there is high environmental complexity or dynamism.

More information: Xin Liu et al, Upper echelons and intra-organizational learning: How executive narcissism affects

knowledge transfer among business units, *Strategic Management Journal* (2022). [DOI: 10.1002/smj.3406](https://doi.org/10.1002/smj.3406)

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