

Study shows how narcissistic CEOs influence boards of directors to take more risk

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Narcissistic CEOs who also serve as chairs of the board are adept at controlling how their boards of directors focus their attention, giving the CEO the ability to get their way. A [new study](#) published in the *Strategic*

Management Journal has found that by driving board discussions about risk-taking to hold a positive tone, narcissistic CEOs can allocate more resources toward risk-taking strategies. The findings deepen our understanding of how CEO behavior and personality types can drive risk management strategies.

The research team—Christopher S. Tuggle of the University of Central Arkansas, Cameron J. Borgholthaus of the University of Wyoming, Peter D. Harms of the University of Alabama, and Jonathan P. O'Brien of the University of Nebraska–Lincoln—looked to explore how CEO narcissism is connected to corporate risk-taking, specifically through the board of director discussion tone around the topic of risk taking during board meetings.

They reached out to firms—in the name of research—to request corporate board meeting transcripts for research. Their unique dataset included transcripts from 88 public firms and 197 CEOs over 20 years. They ran text analyses to identify the emotionality of the board conversations. They also measured CEO narcissism, through—for example—how prominent the CEO's picture was in the reports, how well the CEO was paid in comparison to others in the firm, and how often the CEO was mentioned in press releases, relative to others.

The researchers looked at a few ways that CEOs could use positive emotion or positive affect in discussions about risk-taking. They found that CEOs can stack the deck, selecting their preferred directors over time, meaning the board would favor the CEO and be willing to follow the executive's lead for greater risk taking. Or, the CEO could use emotionality: They would convey their ideas with a lot of enthusiasm and confidence, with people embracing their confidence and their excitement about an idea.

The researchers also explored the concept of duality and how an

individual acting as both CEO and board chair can have control over the board: They decide who speaks, perhaps choosing board members or outside members who speak positively about a risk-taking idea. And as board chair, the CEO can even control where a board meeting is held, which can sway how receptive [board members](#) feel about risk-taking concepts presented.

The team was able to illustrate how narcissistic CEOs employ significant influence in shaping board conversations to mirror their own pro-risk inclinations. Simply put, narcissistic CEO-chairs are positively related to positive board discussions of risk-taking, an insight that helps clarify the importance of understanding CEO behavior in guiding risk-management strategies.

Borgholthaus says one of the most important aspects of the study was in helping boards identify that CEOs are capable of manipulation, and how to change the approach to such situations by way of personality training or understanding how to interact with or support CEOs who have this particular trait.

"Boards need to be careful of when and when they don't have duality; when they do and don't give CEOs the title of board chair," he says. "It can be a good thing, but at the same time a lot of government reforms were done to put more responsibility on the board to ensure they wouldn't be manipulated."

More information: Christopher S. Tuggle et al, Setting the tone to get their way: An attention-based approach to how narcissistic CEOs influence the board of directors to take more risk, *Strategic Management Journal* (2024). [DOI: 10.1002/smj.3610](https://doi.org/10.1002/smj.3610)

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