



Direct and interactive effects of narcissism and power on overconfidence



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ABSTRACT

Prior research has separately examined the influence that narcissism and power have on the general concept of overconfidence. In this article we examine the influence of narcissism on overconfidence utilizing three different methods to operationalize the overconfidence construct (Studies 1–4). In addition, we examine the role that power plays in the relationship between narcissism and overconfidence (Studies 2–4). Results indicate that both narcissism and power both individually and collectively exert an influence on overconfidence. Furthermore, when individuals who score relatively high on the Narcissistic Personality Inventory are in an elevated state of power, overconfidence is significantly higher than for individuals in a low state of power. This interaction effect, however, was only evident when high levels of narcissism were overweighted in the analyses, by, for example, oversampling (Study 4). We conclude by discussing implications and avenues for future research.

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1. Introduction

Narcissism has been increasingly investigated as a factor influencing behavior in organizations. In particular, the link between narcissism and leadership has long been recognized (Freud, 1950) and research has shown the high likelihood of narcissists to emerge as leaders (Brunell et al., 2008). Indeed narcissism, a multifaceted personality trait that encompasses an inflated sense of self, feelings of superiority, entitlement, and a constant desire for admiration (Bogart, Benotsch, & Pavlovic, 2004; Morf & Rhodewalt, 2001) seems to go hand in hand with the stereotype of political leaders, CEOs, and other high status individuals (Miller et al., 2015). However it is still unclear whether narcissists are more or less effective once they achieve these positions. While some research suggests that narcissists have skills and qualities that are beneficial to becoming leaders in a group (Brunell et al., 2008; Watts et al., 2013), others have found that narcissism has a range of effects on leadership, including: negative effects on organizational effectiveness (Peterson, Galvin, & Lange, 2012), null effects of narcissism on organizational effectiveness (Resick, Whitman, Weingarden, & Hiller, 2009), or unpredictable organizational performance at extremes (Chatterjee & Hambrick, 2007), a trade-off between success and ethics (Watts et al., 2013), or a curvilinear relationship where narcissism is less effective at extremes (Grijalva, Harms, Newman, Gaddis, & Fraley, 2014). Part of the issue is that narcissism is linked to risk taking and overconfidence, which can have a range of effects on outcomes (Campbell, Goodie, & Foster, 2004; Chatterjee & Hambrick, 2007). Thus, gaining a better

understanding of the relationship between narcissism and overconfidence and especially when in positions of power, is important.

In the present paper our goal is to understand the narcissism–overconfidence link by examining a detailed conceptualization of overconfidence as well as the potential role of power. Specifically, four studies are used to assess the relationship between narcissism and three measurements of overconfidence. Additionally, in three of these studies, power is examined as a potential additive main effect and moderator of the relationship between narcissism and overconfidence. Before describing the research, however, we want to briefly describe our key variables of interest.

1.1. Overconfidence

Research has shown that most people maintain a deep sense of overconfidence in their abilities and judgments (Russo & Schoemaker, 1992) and tend to view themselves in a more positive light than may be warranted in reality (Dunning, Heath, & Suls, 2004; Klayman, Soll, González-Vallejo, & Barlas, 1999). While overconfidence can have a beneficial impact in motivating an individual to perform, research has indicated that it can also distort one's judgment leading to negative consequences (Moore & Healy, 2008).

Overconfidence has been blamed for many outcomes across contexts, from lawsuits and wars to stock market bubbles and crashes. This psychological construct has been examined in relationship to causes of war (Johnson, 2004), labor strikes (Neale & Bazerman, 1985), merger and acquisitions (Malmendier & Tate, 2005), investing (Odean, 2002), and entrepreneurial activities (Camerer & Lovo, 1999). While overconfidence has been studied in relation to a number of outcomes, it may best be characterized as being the most prevalent

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and catastrophic problem when considering that judgment and decision making can lead to such outcomes (Plous, 1993). By increasing the understanding of what influences an individual's level of overconfidence, we can potentially improve the quality of the individual's decisions.

While the conceptualization of the construct has been examined in relation to a variety of variables, early research confounded the different methods to operationalize the construct, leading to inconsistent results. Moore and Healy (2008) presented a reconciliation of the three distinct ways in which past research has conceptualized overconfidence. Their research found examples in which past research had assumed that the different types of overconfidence result from the same underlying psychological causes or studied the construct in inconsistent ways. Their review shows that overconfidence is typically operationalized in one of three ways either focusing on overprecision, overplacement, or overestimation. Overprecision occurs when an individual has an inflated sense of confidence regarding the accuracy of their beliefs (Russo & Schoemaker, 1992; Soll & Klayman, 2004). As organizations depend on accurate decision making, having a good knowledge of what one does and does not know is important. Overplacement refers to the self-serving bias that one is better than others or above average on specific characteristics (Alicke, Klotz, Breitenbecher, Yurak, & Vredenburg, 1995; Larrick, Burson, & Soll, 2007). Evolving from Social Comparison theory, research emerged that emphasized downward comparisons (Hakmiller, 1966; Wills, 1981) primarily as a source of self-enhancement and positive affect (Alicke, 1985; Goethals, Messick, & Allison, 1991; Taylor, 1989; Taylor, Wayment, & Collins, 1993). Individuals generally seek out and recall social comparison information that is favorable to the individual thus supporting the view that they are superior to others. Overestimation refers to an inflated view of one's abilities, performance, level of control, or chance of success (Clayson, 2005). Thus, there are measurements related to an individual's perception of their accuracy, one related to their belief in their ability, and one that measures their perception of their own performance as it relates to others' skills in the same task. See Moore and Healy (2008) for an in-depth and insightful exploration of the dimensions of overconfidence.

Moore and Healy's (2008) results indicate that the three conceptualizations of overconfidence are not different manifestations of the same underlying construct and are conceptually and empirically distinct. Thus, we deemed it important to follow the direction of previous research by operationalizing the construct utilizing the separate, distinct methods previously defined with the expectation that the different methods would produce similar results.

1.2. Narcissism, overconfidence and decision making

Previous research on narcissism in organizations has focused on both the bright and dark side of narcissism. Narcissism has been considered a "mixed blessing" meaning that as the narcissist focuses on behaviors that benefit them, the organization can either benefit or be penalized for their actions (Campbell & Campbell, 2009; Paulhus, 1998). While it is unclear how the narcissism trait is related to performance (Campbell, Hoffman, Campbell, & Marchisio, 2010), results indicate that organizations led by a narcissist show more volatility and extreme levels of performance (Chatterjee & Hambrick, 2007). Since leaders are expected to make decisions as a part of their roles that benefit the organization, developing a greater understanding of how this personality trait influences confidence in decision making may help to improve decision making process in organizations.

Narcissists are especially prone to errors of overconfidence because they possess the following qualities: they think they are special and unique (Emmons, 1984), that they are entitled to more positive outcomes in life than are others (Campbell, Bonacci, Shelton, Exline, & Bushman, 2004), and that they are more intelligent and physically attractive than they are in reality (Gabriel, Critelli, & Ee, 1994). Narcissists

are very confident about their abilities to complete the task at hand and have been found to be even overly confident and more confident than non-narcissists (Campbell, Bonacci et al., 2004; Campbell, Goodie et al., 2004; Foster, Reidy, Misra, & Goff, 2011). Furthermore, narcissists tend to exaggerate beliefs about their abilities and accomplishments (John & Robins, 1994), have high optimism, and inflate their own performances (Farwell & Wohlwend-Lloyd, 1998). In order to maintain their self-view, narcissists will seek the admiration of others (Campbell, 1999; Morf & Rhodewalt, 2001; Rosenthal & Pittinsky, 2006), partner with high-status individuals where they can gain status through association (Campbell, 1999), and boast in order to draw attention to themselves (Buss & Chiodo, 1991). Since they also tend to ignore or not seek disconfirming information (Galinsky, Magee, Gruenfeld, Whitson, & Liljenquist, 2008), these individuals continue to believe that they are better than others.

1.3. Power, overconfidence, and decision making

Interesting, many of these outcomes of narcissism are also seen with high power, either actual or induced. For example, previous research found that power, like narcissism, can lead to overconfidence in decision making tasks with support being found for the presence of power increasing overconfidence in the accuracy of one's thoughts and beliefs (Fast, Sivanathan, Mayer, & Galinsky, 2011). These results are consistent with other studies which have indicated that individuals in an elevated state of power will be more optimistic and take more risk (Anderson & Galinsky, 2006), less averse to loss (Inesi, 2010), more inclined to take action (Galinsky, Gruenfeld, & Magee, 2003), less impacted by the press of a situation (Galinsky et al., 2008), have an illusion of personal control (Fast, Gruenfeld, Sivanathan, & Galinsky, 2009), and have an increased propensity to discount advice, relying more on their own views (See, Morrison, Rothman, & Soll, 2011). The powerful can become aggressive in defense of their ego when this power and self-perceived incompetence are paired together (Fast & Chen, 2009). Many of these outcomes of power can be perceived as similar to those of the narcissistic behavior.

While both narcissism and power have been studied a great deal, with both shown to independently influence overconfidence, it is unclear how the two variables work together to influence outcomes related to decision making. There is some research showing that narcissism and power can be linked in interesting ways. For example, previous results have indicated that select subcomponents of narcissism are correlated with a personal sense of power (Anderson, John, & Keltner, 2012) and that power can increase the linkage between traits and behaviors (Bargh, Raymond, Pryor, & Strack, 1995; Chen, Lee-Chai, & Bargh, 2001; Keltner, Gruenfeld, & Anderson, 2003). Furthermore, narcissistic individuals have been shown to desire powerful positions (Kets de Vries & Miller, 1984). Understanding how a sense of power impacts the behavior of a narcissist can increase our knowledge about some leaders' decisions. There are several possible relationships: (a) narcissism and power can interact, so the most overconfident decisions will take place in the context of high narcissism and high power, (b) narcissism and power can have an additive effect of decision making so that both variables have an effect, but one does not depend on the level of the other, or (c) narcissism and power could predict the same variance in overconfidence, so that having both in the model will not predict better than having either one in the model. Given the past research (e.g., Keltner et al., 2003), it is plausible that power will act as a moderator of the narcissism → power relationship.

2. Material and methods

We will begin by examining the relationship between narcissism, the subscales of narcissism, and the three types of overconfidence (Study 1). The final three studies will examine the additive interactive effects of narcissism and power as it relates to overconfidence in

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