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CEO grandiose narcissism and firm performance: The role of organizational identification☆

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A B S T R A C T

This study reconciles the positive and negative sides of CEO grandiose narcissism by examining the role that CEO organizational identification plays in moderating the effect of CEO grandiose narcissism on top management team (TMT) behavioral integration. We first distinguish between grandiose and vulnerable narcissism and we then draw on upper echelons theory and executive personality research to hypothesize and test a model in which CEO grandiose narcissism is positively related to TMT behavioral integration when CEOs are high in organizational identification. The relationship is expected to be negative when CEOs do not identify strongly with their organizations. TMT behavioral integration, in turn, predicts subsequent firm performance. Findings based on multi-source data from a sample of 97 CEOs and their firms supported the hypotheses. These results highlight the complex nature of CEO grandiose narcissism – namely, that the construct has both positive and negative aspects as it relates to top management team dynamics and firm performance and that the relationship is affected by CEOs' identification with their organizations.

Introduction

The personal attributes of Chief Executive Officers (CEOs) have been purported to affect top management team (TMT) members, both of whom have important influences on firm performance (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984). An array of CEO characteristics has been examined in the literature (e.g., Boone & Debrabander, 1993; Gerstner, König, Enders, & Hambrick, 2013; Herrmann & Nadkarni, in press; Hiller & Hambrick, 2005; Nadkarni & Herrmann, 2010; Patel & Cooper, in press; Peterson, Smith, Martorana, & Owens, 2003; Resick, Whitman, Weingarden, & Hiller, 2009; Siegal & Brockner, 2005; Simsek, 2007; Simsek, Heavey, & Veiga, 2010), among which narcissism has emerged as one of the most perplexing. Narcissism is a personality trait referring to the degree to which an individual has an elevated level of self-admiration, lack of empathy, and hostility (Rosenthal & Pittinsky, 2006) and is preoccupied by continually reinforcing his/her positive self-view (Morf & Rhodewalt, 2001).

Researchers generally recognize the existence of two distinct dimensions of narcissism which are often referred to as grandiose and vulnerable narcissism (Miller & Campbell, 2008; Miller et al., 2011; Wink, 1991). These two types of narcissism stem from different internal motivations – for example, individuals who exhibit grandiose narcissism desire to be the center of attention and are characterized by a high level of arrogance, self-absorption, and entitlement (Kets de Vries & Miller, 1985; Rosenthal & Pittinsky, 2006) as well as dominance (Miller & Campbell, 2008; Miller, Widiger, & Campbell, 2010; Wink, 1991), which flows from a desire to reinforce

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their self-view and achieve status and dominance (Miller et al., 2011). On the other hand, individuals who exhibit vulnerable narcissism are highly neurotic and exhibit a hostile attribution bias such that they view others' actions as malicious and thus exhibit high levels of distrust and aggression (Miller et al., 2011). Given our interest in understanding how narcissistic CEOs who seek to achieve status and dominance impact firm performance and following prior research that has focused on CEO grandiose narcissism (Chatterjee & Hambrick, 2007, 2011; Patel & Cooper, in press; Resick et al., 2009), as well as a recent study which demonstrated that grandiose narcissism but not vulnerable narcissism was related to both positive and negative leadership outcomes among US presidents (Watts et al., 2013), we limit our discussion in this paper to grandiose narcissism. In all subsequent mentions of CEO narcissism, we are referring to grandiose narcissism.

From a face validity perspective, narcissism is considered an undesirable CEO attribute as it relates to firm performance. However, empirical research has been equivocal on this issue (e.g., Chatterjee & Hambrick, 2007; 2011; Patel & Cooper, in press; Resick et al., 2009). Some researchers contend that CEO narcissism is detrimental to firm performance because narcissistic CEOs take unnecessary risks (Chatterjee & Hambrick, 2007) and are not attentive to objective performance cues (Chatterjee & Hambrick, 2011). In contrast, others have pointed out that there is a positive side of narcissism for business leaders (e.g., Judge, Piccolo, & Kosalka, 2009; Lubit, 2002; Maccoby, 2004; Rosenthal & Pittinsky, 2006), especially during a crisis (Patel & Cooper, in press). In terms of research findings, Chatterjee and Hambrick (2007) found that narcissistic and non-narcissistic CEOs tend to have, on average, similar levels of firm performance and that CEO narcissism was unrelated to acquisition premiums or risky outlays (Chatterjee & Hambrick, 2011). These results are surprising given that these two studies utilized samples from the high technology industry, where it has been suggested that narcissism should lead to positive outcomes (Maccoby, 2000, 2004). Further, Resick et al.'s (2009) results did not show any significant relationships between CEO narcissism and two measures of organizational performance with Major League Baseball teams. Finally, in a recent study, Patel and Cooper (in press) used the economic crisis beginning in 2007 as a quasi-natural experiment. They found that grandiose narcissism has both positive and negative effects in that more narcissistic CEOs experienced greater declines of firm performance in the onset of the crisis but greater performance gains in the post-crisis period. In Table 1, we summarize the key findings from four studies that have explicitly examined CEO grandiose narcissism and firm performance.

The popular press has generally encouraged a negative view of narcissism. It has been suggested that narcissistic CEOs are more than willing to take credit for positive outcomes like growth, appreciating share prices, and increasing shareholder value. However, those same CEOs are rarely willing to take responsibility for the negative events that occur on their watches. For example, Tony Hayward, CEO of BP during the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, was infamous for saying that he would like his life back, and wondered "what the hell did we do to deserve this?" On the other side of the coin are those who purport that dissecting CEO statements and actions is nothing more than "CEO bashing." After all, former Apple CEO Steve Jobs, who was generally thought to be narcissistic, led a pretty successful firm. It seems that we publically revere CEOs who are bold visionaries and risk takers when the outcomes are positive, but we look upon them with disdain the minute something goes wrong. In short, there seems to be a love/hate relationship with narcissistic CEOs leaving many questions in need of answering. In particular, is CEO narcissism always negative for firms and if not, *why* or *how* might CEO narcissism have positive outcomes for firm performance?

Table 1
Summary of prior studies linking CEO grandiose narcissism to firm performance.

Study	Relationships examined	Narcissism measure	Key findings
Chatterjee and Hambrick (2007)	CEO narcissism in 111 CEOs and the following dependent variables: strategic dynamism, acquisitions, performance extremeness, and performance fluctuation (computer software and hardware firms)	Unobtrusive measures of narcissism including: prominence of CEO photograph, CEO prominence in press releases, CEO use of first-person singular pronouns in interviews, and CEO cash and non-cash compensation divided by that of the second-highest paid executive in the firm	CEO narcissism was unrelated to the level of company performance generated. Narcissists tended to generate more extreme and irregular performance than non-narcissists, but in the end, narcissists did not generate systematically better or worse performance
Chatterjee and Hambrick (2011)	The effects of narcissism in 152 CEOs on risk taking and acquisition premiums (computer software and hardware firms)	Unobtrusive measures of narcissism including: prominence of CEO photograph, CEO prominence in press releases, and CEO cash and non-cash compensation divided by that of the second-highest paid executive in the firm	Narcissistic CEOs exhibited a stronger positive relationship between social praise and risk taking as compared to less narcissistic CEOs; narcissism was unrelated to acquisition premium or risky outlays
Patel and Cooper (in press)	CEO narcissism in 392 manufacturing firms on firm performance at the onset of the economic crisis of 2007 and during the postcrisis period (manufacturing firms)	Unobtrusive measures of narcissism including: prominence of CEO photograph, CEO prominence in press releases, CEO use of first-person singular pronouns in interviews, ratio of CEO cash compensation to the second highest paid executive, and ratio of CEO bonus compensation to second highest paid executive	Narcissistic CEOs experience greater performance declines (at the onset of the crisis period) and greater performance gains (in the post-crisis period), as compared with less narcissistic CEOs
Resick et al. (2009)	Narcissism in 75 CEOs and manager turnover, fan attendance, team winning percentage, and independent rating of influence (Major League Baseball teams)	Derived 8 items to measure narcissism from the Gough Adjective Check List (ACL; Gough & Heilbrun, 1965)	CEO narcissism is unrelated to transformational leadership and negatively related to contingent reward leadership. No significant direct effects were found between CEO narcissism and firm performance