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Antecedents To The Selection Of CEOs With Higher Levels Of Narcissism And How CEOs With Higher Levels Of Narcissism Affect The CEO Succession Process

Ormonde R. Cragun
University of South Carolina

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**ANTECEDENTS TO THE SELECTION OF CEOs WITH HIGHER LEVELS OF
NARCISSISM AND HOW CEOs WITH HIGHER LEVELS OF NARCISSISM
AFFECT THE CEO SUCCESSION PROCESS**

by

Ormonde R. Cragun

Bachelor of Science
Utah State University, 1997

Master of Organizational Behavior
Brigham Young University, 1999

Submitted in Partial Fulfillment of the Requirements

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Business Administration

The Darla Moore School of Business

University of South Carolina

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Accepted by:

Anthony J. Nyberg, Major Professor

Patrick M. Wright, Committee Member

Donald J. Schepker, Committee Member

Sali Li, Committee Member

Cheryl L. Addy, Vice Provost and Dean of the Graduate School

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DEDICATION

This dissertation is dedicated to Heidi; the love of my life; my foundation; my center.

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I am deeply grateful to my wife, Heidi. Without her sacrifice, it would have been impossible for me to attend such a high-quality doctoral program. I would also like to thank each of my children—Harley, Montana, Harris, and Rhees. They have sacrificed both financially and emotionally, being away from their father. Their resilience under adversity is an inspiration. My parents, John and Carolyn, and my mother-in-law, Yuri, have been steadfastly supportive. I hope this life experience teaches my children that if a family works together, anything is possible.

Next, I would like to thank Anthony Nyberg, who has patiently worked with me. He was always available and eager to help, no matter which day of the week or what time of the day. It is only because of his caring and support that I was able to see past my own shortcomings and continue to work towards becoming a scholar.

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ABSTRACT

This dissertation investigates the antecedents to the selection of CEOs with higher levels of narcissism, as well as their impact on the CEO succession process. The first study predicts how and when boards select CEOs with higher levels of narcissism. I predict when firm performance is low, environmental dynamism is high, and when environmental munificence is high, the board is more likely to select a CEO with higher levels of narcissism. I further predict that environmental conditions (i.e., dynamism and munificence) have a moderating effect on the relationship between firm performance and the level of narcissism of the newly-selected CEO. I find no statistically significant evidence that a board will select a CEO with higher levels of narcissism based solely on firm performance or environmental conditions, or a combination of the two.

The second study predicts CEOs with higher levels of narcissism are less involved in the CEO succession process, encourage a more competitive CEO succession process, and have fewer than average ready-now successors while having greater than average numbers of successors who are not-ready-now. It also predicts that when the CEO is highly narcissistic, the board will be less involved in the CEO succession process. I find evidence that CEOs with higher levels of narcissism have lower levels of involvement in the CEO succession process, and that boards are less involved in the CEO succession process when the CEO has higher levels of narcissism. However, I find no statistically significant evidence that CEOs with higher levels of narcissism are related to a more

competitive CEO succession processes or number of successors, regardless of successor readiness.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

A highly narcissistic chief executive officer (CEO) can bring unexpected outcomes to an organization, since the CEO's behavior and decision-making rationale can be purely driven by this self-serving personality trait (Finkelstein & Hambrick, 1996). Narcissism is a multifaceted personality trait that combines grandiosity, attention-seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others (American Psychiatric Association, 2013). Prior research shows that individuals with higher levels of narcissism can be visionaries who excel at innovation (Deutschman, 2005; Galvin, Waldman, & Balthazard, 2010), are more likely to emerge as leaders (Grijalva, Harms, Newman, Gaddis, & Fraley, 2015), and can inspire followers (Grijalva & Harms, 2014). CEOs with higher levels of narcissism have been linked to increased acquisition size (Chatterjee & Hambrick, 2007), risk-taking, and relentless pursuit of self-goals (Maccoby, 2000; Paulhus & Williams, 2002; Rosenthal & Pittinsky, 2006). Yet those with higher levels of narcissism also damage close relationships, demonstrate self-serving behavior (Grijalva et al., 2015), increase auditing costs (Judd, Olsen, & Stekelberg, 2015), and cause performance volatility (Chatterjee & Hambrick, 2007).

Since the CEO holds the most influential position in the company, the CEO's characteristics, behavior, and decisions have a substantive impact throughout the

organization and can determine long-term strategic consequences (Hambrick, 2007; Hambrick & Mason, 1984). In particular, a CEO's personality is a major factor in determining his or her behavior (Finkelstein & Hambrick, 1996). Indeed, there is growing evidence that the characteristics of top executives, especially CEOs, affect organizational decisions and behaviors (Chatterjee & Hambrick, 2007; Finkelstein & Hambrick, 1996; Hambrick, 2007; Hambrick & Mason, 1984; Sanders, 2001).

Psychologists have studied narcissism for over 100 years (Furnham, Richards, & Paulhus, 2013; Levy, Ellison, & Reynoso, 2011; Raskin & Terry, 1988); however, management scholars have only started studying the relationship between narcissism and leadership within the last 25 years (Rosenthal & Pittinsky, 2006). Until Chatterjee and Hambrick (2007), the study of narcissism at the CEO level was largely descriptive (Chatterjee, 2009). Nevertheless, limited research is now available regarding how boards decide which characteristics, especially personality traits, are needed for the CEO role (Davidson, Nemec, & Worrell, 2006; Karaevli, 2007; Karaevli & Zajac, 2013; Westphal & Fredrickson, 2001; Zhang, 2008).

If a highly narcissistic CEO is hired, the CEO's personality would subsequently impact important strategic decisions with regards to identifying and developing the next CEO (i.e., the CEO successor; Hambrick & Mason, 1984; Finkelstein et al., 2009). Although some evidence suggests that narcissists select followers who reinforce their self-esteem needs (Padilla, Hogan, & Kaiser, 2007), we still know little about how narcissists influence the selection of their successors, particularly at the executive level (Chatterjee & Pollock, 2017). How a narcissist influences the selection of their successor is an important question to address because CEO succession—preparing for and

implementation of a change in CEO—plays a crucial role in the future strategic direction of a company (Finkelstein, Hambrick, & Cannella, 2009; Giambatista, Rowe, & Riaz, 2005; Kesner & Sebor, 1994).

How the CEO's level of narcissism influences the process of selecting a successor is of particular interest because of the inherently personality-driven motives that may conflict with the firm's best interest and the best practices of CEO selection. Also, the shared responsibility with the board to develop and select successors (Friedman & Singh, 1989; Zajac, 1990; Zajac & Westphal, 1996) adds another level of complexity. In the context of CEO selection and succession, the lack of research on CEOs with narcissistic personality traits and the board's selection processes raises two interesting research questions. (1) What would motivate a board to hire a CEO with higher levels of narcissism? Moreover, (2) how does a CEO with higher levels of narcissism influence the CEO succession process? To answer these questions, I conduct both a literature review and two empirical studies.

1.2 Literature Review on CEO Succession and CEO Narcissism

To understand the existing theoretical and empirical literature regarding the selection of CEOs with higher levels of narcissism and how CEOs with higher levels of narcissism affect the CEO succession process, I conduct a literature review. The literature review takes a two-pronged approach. First, I review the CEO succession literature to understand the overall CEO succession process, as well as how individual personality traits affect CEO selection. Second, I review the narcissism literature to better understand the foundation of the construct, how the narcissism construct has changed over time, and

the underlying motivations of individuals with higher levels of narcissism. I also specifically search for and review studies that focus on the CEO's level of narcissism.

To gather articles on CEO succession, I conducted a keyword search and consult reviews on the subject to ensure completeness. The literature review covers 74 additional articles since the last comprehensive review (Cragun, Nyberg, & Wright, 2016). To gather articles on narcissism, I conducted a keyword search and consult reviews on the subject to ensure completeness. Due to the vast amount of literature on narcissism, I limit my literature review to studies that focus on narcissism within the business context (e.g., narcissism in the workplace, narcissism and leadership, CEO narcissism).

I find that the study of narcissism has a long history, dating back to the turn of the 20th century, and that our understanding of narcissism has greatly increased over that time. We have learned about both the positive traits (e.g., self-esteem, confidence) and negative traits (e.g., selfishness, entitlement) of narcissists. In the last 25 years, we have learned that narcissists are attracted to leadership positions, and although research has shown that narcissistic leaders can be innovative and visionary, they can also take excessive risks and can be manipulative. The research on the CEO's level of narcissism tells us that a CEO's level of narcissism is related to negative outcomes, such as performance volatility (Chatterjee & Hambrick, 2007), increased fraud (Rijsenbilt & Commandeur, 2013), and increased risk-taking behavior (Chatterjee & Hambrick, 2011), as well as positive outcomes, such as increased corporate social responsibility spending (Petrenko, Aime, Ridge, & Hill, 2015), innovation (Galvin et al., 2010), and earnings per share (Olsen, Dworkis, & Young, 2014).

What neither literature identifies is what leads to the selection of a CEO with higher levels of narcissism or how a highly narcissistic CEO will affect the CEO selection process. Due to the importance of CEO selection (Karaevli, 2007), there are broad implications for both the selection of highly narcissistic CEOs and how a narcissistic CEO affects the CEO succession process after taking office.

1.3 Study One: Antecedents to the Selection of CEOs With Higher Levels of Narcissism

Understanding what leads to a board's selection of a CEO with higher levels of narcissism would help us understand when and if the selection of a CEO with higher levels of narcissism leads to desirable organizational outcomes. Current firm performance, the level of turbulence and uncertainty in the market (i.e., environmental dynamism; Dess & Beard, 1984), and the scarcity or abundance of resources in the environment (i.e., environmental munificence; Castrogiovanni, 1991) are of primary consideration when determining CEO trait requirements (e.g., Jenter & Kanaan, 2015). Nevertheless, despite effective identification of strategic needs, selected CEOs can operate in an self-serving manner, thereby undermining the desires of the board (Dalton, Hitt, Certo, & Dalton, 2007). One method of avoiding this is selecting CEOs whose interests are aligned with the strategic intent of the board (Jensen & Meckling, 1976), thus reducing the probability of opportunism. Therefore, I investigate the firm performance and environmental conditions that precede the selection of a CEO with higher levels of narcissism, under the premise that boards select CEOs with higher levels of narcissism when they value the behaviors and outcomes associated with leaders with higher levels of narcissism.

To do this, I build a theoretical framework that connects firm performance, environmental munificence, and environmental dynamism to the selection of CEOs with higher levels of narcissism. I develop the underlying arguments by considering both the extant theoretical and empirical outcomes of research on CEOs with higher levels of narcissism (e.g., bold vision, innovation, performance volatility; Deutschman, 2005; Galvin et al., 2010; Olsen et al., 2014), together with how firm performance, environmental munificence, and environmental dynamism influence CEO selection. Further, I predict low firm performance will result in boards selecting CEOs with higher levels of narcissism and that the relationship will be attenuated when either environmental dynamism or environmental munificence are low.

The research on CEOs with higher levels of narcissism focuses solely on the consequences of CEOs with higher levels of narcissism, neglecting any antecedents. The CEO selection literature primarily looks at insider status, education, or function background to describe a CEO's characteristics, without considering a CEO's level of narcissism. Further, limited research is available regarding how boards decide which characteristics, especially personality traits, are needed for the CEO role (Davidson et al., 2006; Goel & Thakor, 2008; Karaevli & Zajac, 2013; Westphal & Fredrickson, 2001; Zhang, 2008). The primary contribution of this study is to provide a theoretical framework that identifies the circumstances when boards select CEOs with higher levels of narcissism. This extends the research on CEO narcissism and CEO selection literatures by looking at the relationships between firm performance, the environment, and the level of narcissism of CEO candidates as antecedents to CEO selection.

This contribution has both theoretical and practical implications. A deeper understanding of the circumstances that result in the selection of a CEO with higher levels of narcissism will help us understand a board's decision and when it results in an optimal outcome. Also, understanding the factors associated with the selection of a CEO with higher levels of narcissism helps identify ways boards can mitigate the negative consequences of narcissism and capitalize on the positives ones.

1.4 Study Two: How CEOs With Higher Levels of Narcissism Affect the CEO Succession Process

Understanding how a CEO with higher levels of narcissism affects the CEO succession candidate pool and processes would help us understand when and if a CEO with higher levels of narcissism leads to desirable CEO succession outcomes. The careful management of the CEO succession process, the competitiveness of the CEO succession process, the identification of CEO successor candidates, as well as the level of board involvement, all affect the quality of the CEO succession pool and process. If a CEO behaves in a narcissistic manner while leading the succession process, the CEO could undermine the desires of the board (Dalton et al., 2007). Therefore, I investigate how CEOs with higher levels of narcissism behave while leading the CEO succession process, with the assumption that the sitting CEO plays a large leadership role in the development of the internal CEO successor pipeline and pool.

To do this, I build a theoretical framework that connects narcissism with the level of CEO involvement in the internal CEO successor development processes, the competitiveness of the CEO succession process, the number of internal CEO successor candidates, and the level of board involvement in the development of the CEO successor

pool and CEO succession process. I develop the underlying arguments by considering both the extant theoretical and empirical outcomes of research on CEOs with higher levels of narcissism (e.g., bold vision, innovation, performance volatility; Deutschman, 2005; Galvin et al., 2010; Olsen et al., 2014), together with how CEO personality affects the CEO succession process. Further, I predict CEOs with higher levels of narcissism will be less involved in the CEO succession process, encourage a more competitive CEO succession process, have fewer ready-now candidates, and more not-ready-now candidates. Finally, I predict that the board will be less involved in the CEO succession process when the CEO has higher levels of narcissism.

This study contributes to both the narcissism and CEO succession literatures in the following four ways. First, although some evidence suggests that narcissists select followers who reinforce their self-esteem needs (Padilla et al., 2007), we know little about how narcissists select their followers, particularly at the executive level. Because the CEO has influence on the internal succession process and the CEO succession pipeline, how a narcissist fills the succession pipeline is an important question to address because CEO succession plays a crucial role in the future strategic direction of the company (Finkelstein et al., 2009; Giambatista et al., 2005; Kesner & Sebor, 1994). How a CEO's level of narcissism influences the process of selecting and grooming a successor is of particular interest because of the inherently personality-driven motives that may conflict with the firm's best interest and the *best practices* of CEO selection. Second, my model offers theoretical insight into what influences the implementation or avoidance of certain succession practices in the CEO succession process. Most of what is known about the CEO succession process is a description of *best practices* (Finkelstein et

al., 2009). What is not known is why some practices are implemented, while others are not (Nyberg, Schepker, Wright, & Cragun, 2017).

Third, this study examines narcissism's consequences on the succession process. Scholars have discussed how narcissists can inspire followers (e.g., Grijalva & Harms, 2014), but they have not examined how narcissists may directly influence their follower pool through succession planning. Managing the succession process is one mechanism for controlling who follows the CEO and for meeting the highly narcissistic CEO's need for adoration. Finally, a deeper understanding of CEOs who have higher levels of narcissism would help us learn how to capitalize on the strengths of narcissists while mitigating their negative traits.

1.5 Summary

This dissertation contributes to the CEO succession literature and the study of the CEO's level of narcissism in the following four ways. First, my model offers theoretical insight into what influences the implementation or avoidance of certain succession practices in the CEO succession process. Specifically, I propose that the CEO's level of narcissism impacts the implementation of certain succession practices in the CEO succession process. Most of what is known about the CEO succession process is a description of best practices (Finkelstein et al., 2009). What is not known is why some practices are implemented, while others are not. Understanding the CEO succession process is necessary to advance our understanding of what contributes to a successful CEO transition.

Second, this dissertation identifies what processes boards adopt or avoid that might ultimately result in the selection of a highly narcissistic CEO. The CEO succession

literature, as well as the CEO narcissism literature, has thus far examined personality traits, specifically narcissism, as an independent variable (e.g., Chatterjee & Hambrick, 2007). As a result, we know little about what contributes to the selection of a highly narcissistic CEO. Understanding why CEOs with higher levels of narcissism are selected will provide insight into how to avoid hiring a highly narcissistic CEO or how to mitigate the consequences of such a selection decision.

Third, this study examines the consequences of narcissism on the succession process. Scholars have discussed how narcissists can inspire followers (e.g., Grijalva & Harms, 2014) but have not examined how narcissists may directly influence their follower pool through succession planning. Managing the succession process is one mechanism for controlling the CEO's subordinates and for meeting the highly narcissistic CEO's need for adoration. Together, these three contributions extend our understanding of how executive personality affects strategic decisions, how the succession processes contribute to the selection of highly narcissistic CEOs, and how highly narcissistic CEOs affect the succession process.

Finally, from a practical perspective, there are several high-profile cases of highly narcissistic CEOs and their extremely positive or negative impacts on business and societal outcomes (Drucker, 1994; Foster & Brennan, 2011; Isaacson, 2013). Due to the outcome of these cases, some have hailed narcissism as an essential part of executive leadership and innovation (Maccoby, 2000, 2003), while others have labeled narcissism an evil to be avoided (Ronson, 2011). Certainly, a deeper understanding of CEO narcissism would help us learn how to capitalize on the strengths of narcissists while

mitigating their negative traits, or how to avoid the selection and rise to power of a highly narcissistic CEO altogether.

CHAPTER 2

LITERATURE REVIEW AND OBJECTIVE

2.1 Introduction

A highly narcissistic chief executive officer (CEO) can bring unexpected outcomes to an organization, since the CEO's behavior and decision-making rationale can be purely driven by this self-serving personality trait (Finkelstein & Hambrick, 1996). Narcissism is a multifaceted personality trait that combines grandiosity, attention-seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others (American Psychiatric Association, 2013). Prior research shows that narcissists can not only become visionaries who excel at innovation (Deutschman, 2005; Galvin et al., 2010), but they are more likely to emerge as leaders (Grijalva et al., 2015) and inspire followers (Grijalva & Harms, 2014). The CEO's level of narcissism has been linked to increased acquisition size (Chatterjee & Hambrick, 2007), risk-taking, and relentless pursuit of self-goals (Maccoby, 2000; Paulhus & Williams, 2002; Rosenthal & Pittinsky, 2006). Yet narcissists also damage close relationships, demonstrate self-serving behavior (Grijalva et al., 2015), increase the costs of auditing (Judd et al., 2015), and cause performance volatility (Chatterjee & Hambrick, 2007).

Since the CEO holds the most influential position in the company, the CEO's characteristics, behavior, and decisions have a substantive impact throughout the organization and can determine long-term strategic consequences (Hambrick, 2007;

Hambrick & Mason, 1984). In particular, a CEO's personality is a major factor in determining behavior (Finkelstein & Hambrick, 1996). Indeed, there is growing evidence that the characteristics of top executives, especially CEOs, affect organizational decisions and behaviors (Chatterjee & Hambrick, 2007; Finkelstein & Hambrick, 1996; Hambrick, 2007; Hambrick & Mason, 1984; Sanders, 2001).

Psychologists have studied narcissism for over 100 years (Furnham et al., 2013; Levy et al., 2011; Raskin & Terry, 1988); however, management scholars have only started studying the relationship between narcissism and leadership within the past 25 years (Rosenthal & Pittinsky, 2006). Until Chatterjee and Hambrick (2007), the study of narcissism at the CEO level was largely descriptive (Chatterjee, 2009). The negative consequences associated with narcissism suggest boards may want to avoid hiring highly narcissistic CEOs. However, research suggests positive first impressions can influence a board's decision (Zhang & Rajagopalan, 2010), and because narcissists can come across as charismatic, confident, and visionary (Deutschman, 2005; Grijalva & Harms, 2014), they consistently do well during the interview processes (Paulhus, Westlake, Calvez, & Harms, 2013). Thus, it is understandable that boards would hire a highly narcissistic CEO. Nevertheless, limited research is available on how boards decide which characteristics, especially personality traits, are needed for the CEO role (Davidson et al., 2006; Karaevli, 2007; Karaevli & Zajac, 2013; Westphal & Fredrickson, 2001; Zhang, 2008).

If a highly narcissistic CEO is hired, the CEO's personality would subsequently impact important strategic decisions about identifying and developing the next CEO (i.e., the CEO successor; Hambrick & Mason, 1984; Finkelstein et al., 2009). Although some

evidence suggests that narcissists select followers who reinforce their self-esteem needs (Padilla et al., 2007), we still know little about how narcissists select their followers, particularly at the executive level. Yet how a narcissist selects their followers is an important question to address because CEO succession—the preparation for and implementation of a change in CEO—plays a crucial role in the future strategic direction of the company (Finkelstein et al., 2009; Giambatista et al., 2005; Kesner & Sebor, 1994). How the CEO's level of narcissism influences the process of selecting a successor is of particular interest because of the inherently personality-driven motives that may conflict with the firm's best interest and the “best practices” of CEO selection. Also, the shared responsibility with the board to develop and select successors (Friedman & Singh, 1989; Zajac, 1990; Zajac & Westphal, 1996) adds another level of complexity. In the context of CEO succession, the lack of research regarding both the CEO's narcissistic personality trait and the board's selection processes raises two interesting research questions. (1) What circumstances leads a board to select a CEO with higher levels of narcissism?; and (2), how does a CEO with higher levels of narcissism influence the CEO succession process? To begin the process of finding answers to these questions, I conduct a literature review of CEO succession and narcissism.

2.2 CEO Succession Literature Review

Since CEO succession is inevitable and poses a profound potential disruption to organizational performance, it has fascinated scholars since the 1950s (Dale, 1957; Grusky, 1960). Cragun, Nyberg, and Wright (2016) define CEO succession as both voluntary and involuntary turnover. They further clarify that “voluntary turnover refers to CEO departure due to promotion, resignation, or retirement. Involuntary turnover refers

to the departure of the CEO due to death, sickness, or dismissal. CEO succession is also used to describe the selection process” (Cragun et al., 2016: 6). Going forward, I will follow this definition. However, describing CEO succession as voluntary or involuntary can be misleading, as it is often difficult to determine whether a CEO’s resignation was voluntary or involuntary (Finkelstein et al., 2009; Giambatista et al., 2005).

Since its inception, the study of CEO succession has coalesced around addressing four main research questions: (1) Will CEO succession occur? (2) How will CEO succession occur (and by what process)? (3) Who will be selected CEO? Also, (4) What are the consequences of CEO succession? (Finkelstein et al., 2009). Despite high levels of interest from scholars, CEO succession remains a largely phenomenologically-driven research agenda and lacks a unifying theory (Cragun et al., 2016).

Over time, the following five major reviews and one meta-analysis have captured the progress of research on CEO succession: Kesner and Sebora (1994), which was the first review of CEO succession; Giambatista et al. (2005) and Finkelstein et al. (2009), which cover the time frames between Kesner and Sebora to their respective publication date, but do not comprehensively review the literature; Berns and Klarner (2017), which does not comprehensively cover the literature; Cragun et al. (2016), which comprehensively covers the 20 years (1994-2014) since Kesner and Sebora’s (1994) review; and the meta-analysis by Schepker et al. (2017a), which covers 1972-2013. The reviews cited leave a small but important gap from 2015 until today; thus, even one study can significantly move the field forward. In addition to summarizing the findings of studies up through 2014, I conducted a comprehensive search of the published studies from 2014 through 2018 and provide a review.

Kesner and Sebor (1994) noted the importance of CEO succession by articulating the following: (1) organizations often reflect their senior managers; (2) CEOs have the ultimate decision-making authority; (3) CEOs are often the most visible face to external constituents; and (4) every successful firm goes through the CEO succession process. The study of this important event can be grouped around the following four primary questions suggested by Finkelstein et al. (2009): will CEO succession occur; how will CEO succession occur; who will be selected CEO; and what are the consequences of CEO succession? Cragun et al. (2016) built upon the framework suggested by Finkelstein et al. (2009) and analyzed the CEO succession literature from 1994 to 2014. In addition to the four primary dimensions identified by Finkelstein et al. (2009), Cragun et al. (2016) identified ten secondary factors and thirty tertiary components. Approximately 30% of the new tertiary components were novel since 1994 (see APPENDIX A).

It is beyond the scope of this discussion to provide a comprehensive review of CEO succession. Instead, I highlight the major findings discovered over the past 20 years following the framework of Cragun et al. (2016) and then conduct a review following the method of Cragun et al. (2016) addressing the articles published from 2015 to 2018. For a comprehensive review of the CEO succession literature from 1994 to 2014, see Cragun et al. (2016).

2.2.1 Will CEO succession occur?

Determining whether CEO succession will occur involves: investigating *pre-succession firm factors*, such as performance, strategy, structure, and the firm lifecycle; investigating *pre-succession CEO factors*, such as CEO performance, the CEO's

knowledge, skills, abilities, and other characteristics, as well as the CEO's power, position, and compensation; and investigating *pre-succession stakeholder factors*, such as the board, investors, constituents, and the environmental context (see Appendix A). The most heavily-researched topic focuses on how poor performance leads to CEO succession (Osborn, Jauch, Martin, & Glueck, 1981). Finally, numerous moderators shape the impact of pre-succession firm performance.

Certain strategies, such as mergers, acquisitions, and divestitures, can lead to increased succession (Buchholtz, Ribbens, & Houle, 2003; Lehn & Zhao, 2006; Osborn et al., 1981). Structural components, such as diversification, COO and President positions separate from the CEO, and a state-owned status, reduce the likelihood of succession in times of poor performance (Berry, Bizjak, Lemmon, & Naveen, 2006; Kato & Long, 2006; Zhang, 2006). Business life cycle also affects CEO succession. New firms, especially founder firms, are less likely than larger firms to dismiss their CEO in times of poor performance (Wasserman, 2003); furthermore, the longer a CEO is in power, the more likely it is that they will lose their power and spur the succession process (Ocasio, 1994; Ocasio & Kim, 1999).

Even though it is difficult to differentiate the CEO's performance from the firm's performance, evidence shows that when the CEO does not meet the board's expectations, CEO dismissal is more likely. Also, boards rely on analysis forecasts to inform their performance expectations (Wiersema & Zhang, 2011; Wowak, Hambrick, & Henderson, 2011). A powerful CEO, or a CEO with connections to the board, results in a lower likelihood of CEO succession (Boeker, 1992; Ocasio & Kim, 1999). Investor activists and other stakeholders can pressure the board to dismiss the CEO (Helwege, Intintoli, &

Zhang, 2012; Wiersema & Zhang, 2011). The environment within which the business is operating affects CEO succession, the availability of more suitable candidates, country culture and business expectations, and new legislation, all of which can impact CEO succession (Arthaud-Day, Certo, Dalton, & Dalton, 2006; Mobbs & Raheja, 2012; Sakano & Lewin, 1999).

2.2.2 How will CEO succession occur (and by what process)?

Determining how CEO succession will occur is the least studied aspect of CEO succession. Since CEO succession is process-driven, the lack of available data on how succession occurs is surprising. For example, selecting a CEO follows a staffing process flow. After the need for a new CEO is identified, the requirements must be identified, a candidate pool identified, a CEO selected, an offer extended and accepted, until finally, onboarding occurs. Each of these steps has potentially long-term effects. For instance, making the offer sets the stage for the number of incentives the CEO receives, which is central to CEO behavior after the CEO has taken office.

How CEO succession occurs is determined by *who makes the decision*, the board or the CEO, and *the reason for the decision*. How succession occurs is also determined by *the type of process* used and *how the process is implemented* (see Appendix A). When the CEO makes the CEO succession decision, it is usually in times of good performance or as part of a planned transition. When the board makes the CEO succession decision, it is usually in times of poor performance that causes the dismissal of a CEO, or due to other unexpected circumstances, such as death or illness (Friedman & Singh, 1989; Zajac, 1990; Zajac & Westphal, 1996).

Research on the type of process is limited to three very high-level categories: a horse race, a relay race, or a marathon race. A horse race is a competition of equal competitors, a relay race is the process of designating one heir apparent, and a marathon race is the process of using an interim CEO while the CEO search process takes place (Ballinger & Marcel, 2010; Intintoli, 2013; Kesner & Sebor, 1994). Unfortunately, there is little comparison as to why a method is selected or what the varying effects between methods are (Cragun et al., 2016; Zajac, 1990).

The scant research that exists on the implementation of CEO succession processes focuses on the announcement itself and suggests that the market reacts to the announcement, while firms mask the announcement in order to improve the reaction to the announcement (Graffin, Carpenter, & Boivie, 2011). One final key to how the CEO succession process occurs involves third-party consultants, which can provide a variety of services, from candidate identification to candidate screening. Unfortunately, there is no empirical evidence on the involvement of third parties in the CEO succession process. It has been suggested that third parties can bias the CEO succession process by encouraging clients to hire more charismatic candidates (Zhang & Rajagopalan, 2010). If so, it is possible the use of third-party services would increase the likelihood of selecting a highly narcissistic CEO, as narcissists are often very charismatic (Brunell et al., 2008). On the other hand, third-party services could use screening tools that screen out more narcissistic candidates. Therefore, an understanding of how third-party services could affect CEO succession would be valuable.

2.2.3 Who will be selected CEO?

Determining which candidate will be selected CEO is an important part of CEO succession, but it is also understudied. Factors that impact which candidate is selected CEO are centered around the *candidate's characteristics*, including the candidate pool, their KSAOs, their *power and position*, and the *candidate's fit* with the board and the firm (see Appendix A). The candidate pool does, indeed, affect which candidate is selected CEO; therefore, a better internal or external candidate pool can predict the hiring of an insider or outsider CEO (Mobbs & Raheja, 2012; Parrino, 1997; Pissaris, Weinstein, & Stephan, 2010). Unfortunately, there is little research on the antecedents to candidate pools (Cragun et al., 2016). Under positive performance, boards hire CEOs that have similar characteristics to themselves (Zhang, 2008).

In contrast, during periods of poor performance or environmental uncertainty, boards hire CEOs with different characteristics than the previous CEO, or they hire outsiders to shift strategy or improve performance (Karaevli, 2007; Karaevli & Zajac, 2012; Zhang, 2008). The vast majority of CEO characteristics examined include tenure and functional background or industry experience (Bigley & Wiersema, 2002; Chen & Hambrick, 2012; Martinson, 2012; Zhang & Rajagopalan, 2004). With this in mind, it can be seen that personality, a key component of leadership style, has been understudied. The lack of research on this component is of particular concern when it comes to narcissism. Since narcissists make positive first impressions (Back, Schmukle, & Egloff, 2010) and often cause performance volatility (Chatterjee & Hambrick, 2007), it is possible a board could inadvertently hire a narcissist, only to discover that the narcissist CEO creates instability.

2.2.4 What are the consequences of CEO succession?

The *consequences of CEO succession* are studied widely, creating a research base second only to *what causes CEO succession*. The consequences of CEO succession are studied in the context of how the *characteristics of the CEO*, the *succession process*, and *environmental factors* affect *post-succession performance*, *analyst coverage*, *board changes*, and *the incoming and departing CEO* (see Appendix A).

Markets react more positively to unanticipated CEO succession announcements than anticipated announcements (Rhim, Peluchette, & Song, 2006). Following CEO dismissal, new CEOs increase investments in research, development, and advertising (Du & Lin, 2011), and they relay succession leads to better post-succession performance (Zhang & Rajagopalan, 2004).

When a new CEO takes office, they receive an influx of power (Miller, 1993). This new power allows the CEO to take independent action and results in numerous changes, though outsiders are associated with more change than insiders (Barron, Chulkov, & Waddell, 2011; Lant, Milliken, & Batra, 1992). Changes upon new CEO arrival include: strategic reorientation (Lant et al., 1992), executive turnover (Barron et al., 2011), general turnover (Khaliq, Thompson, & Walston, 2006), climate changes (Friedman & Saul, 1991), accounting changes (Geiger & North, 2011), divestitures (Weisbach, 1995), discontinued operations (Barron et al., 2011), internationalization (Liang, Liu, Wu, & Zhang, 2012), and investment allocation changes (Du & Lin, 2011). The more varied the new CEO's background, the greater the likelihood of the firm changing strategy (Crossland, Zyung, Hiller, & Hambrick, 2014). Few studies are available on the long-term impact of CEO succession (Denis & Denis, 1995). Rather,

most studies examine short-term performance changes in profitability (Fong, Misangyi, & Tosi, 2010), return on assets, return on equity (Ang, Lauterbach, & Vu, 2003), cost efficiency, revenue efficiency (He & Sommer, 2011), the achievement of firm goals (Khaliq et al., 2006), growth (Jalal & Prezas, 2012), and firm market valuation (Adams & Mansi, 2009).

New CEOs can also make changes to the board, including personnel changes, new committee assignments, compensation changes, and changes in the percentage of insider versus outsider board members (Cragun et al., 2016; Marcel, Cowen, & Ballinger, 2013). Cragun et al. (2016) found no research on how a new CEO changes or administers the CEO succession process after taking office. The lack of CEO succession process research is of particular concern when it comes to highly narcissistic CEOs, because narcissists require constant admiration from their followers (Campbell & Foster, 2007). Due to a CEO's need for constant admiration, the CEO could become biased in the selection of successor candidates, which could, in turn, have a detrimental long-term impact on the organization.

2.2.5 Debates in CEO succession

The primary debate in the CEO succession literature revolves around the impact of an outsider versus insider CEO on post-succession outcomes (Karaevli, 2007; Karaevli & Zajac, 2013). Scholars agree that organizations that want strategic change bring in outsiders (e.g., Bailey & Helfat, 2003; Boeker, 1997a; Boeker & Goodstein, 1993; Datta & Guthrie, 1994; Helmich & Brown, 1972; Kosnik, 1987; Tushman, Virany, & Romanelli, 1985; Zhang & Rajagopalan, 2010). However, the results of bringing in an outsider are not always clear (Karaevli, 2007; Zhang, 2008). Further, the definition used

for an outsider is not consistent across studies. An outsider may be defined as someone newly hired from the outside, hired from the outside less than three years ago, or someone hired from a completely different industry (Karaevli, 2007). Ultimately, the study of outsidership misses a major factor that impacts executive decision-making: the CEO's personality.

Although upper echelons theory (Hambrick & Mason, 1984) suggests personality as a major filter for how executive decisions are made, very few studies have acquired the direct psychometric data required to validate any statistical hypothesis. Even if a clear definition of insider versus outsider could be established, the approach still misses the point. Outsider designation is a proxy for the construct of outsidership, which refers to the extent to which individuals have varying thinking patterns and behaviors, when compared to the patterns and behaviors of the individuals currently in office. Therefore, if individual psychometric data on personality (e.g., narcissism) were gathered, it would be superior at distinguishing differences between CEOs.

2.2.6 Theoretical basis of CEO succession

Primarily, CEO succession research has followed the tradition of the upper echelons theory (Finkelstein et al., 2009). However, there has recently been an increasing proliferation of relevant research from additional academic disciplines, such as finance (e.g., Parrino, Sias, & Starks, 2003) and accounting (e.g., Laux, 2008). This research has broadened the scope of the theory and empirical evidence. A handful of theories that focus solely on CEO succession exist, but these theories are isolated to a small set of articles and are not used across CEO succession research. For example, the scapegoat theory suggests that the CEO is dismissed in times of poor performance, even if they are

not directly responsible for the poor performance (Boeker, 1992). Another example is the circulation of power theory that posits a CEO's rise to power and eventual fall follows a natural cycle over time (Ocasio, 1994).

The two directions that make the most sense for future theoretical research are 1) expanding outward for a more strategic perspective (going macro), and 2) taking a closer look at the actual CEO (going micro). The Macro approach could move toward the stakeholder theory, which theory pushes the research to consider examining the effect of CEO succession on a wider swath of outcomes, rather than focusing almost exclusively on firm performance. On the other hand, the Micro approach would examine the CEO as a human capital resource (Ployhart, Nyberg, Reilly, & Maltarich, 2014) and would focus on the agency and individual decision-making of the CEO (Jensen & Meckling, 1976). Personality attributes have been shown to affect both decision-making and agency-related constructs, such as risk-taking. Therefore, examining CEO succession through an agency perspective provides an entry point to better integrate how personality affects succession decisions (at least when driven by the CEO).

2.2.7 CEO succession literature 2014 to present

The last major review of the CEO succession literature was that of Cragun et al. (2016) and covered all the literature from 1994 to 2014. This leaves a small gap of research from 2014 to the present. To investigate the literature in this small window, I followed the search protocol of Cragun et al. (2016). I searched "Google Scholar" using the terms CEO and turnover*, CEO and succession*, CEO and dismissal*. To ensure comprehensiveness, I also searched the terms *heir apparent**, *CEO and turnover**, *CEO and succession**, *CEO and dismissal**. To ensure comprehensiveness, I also searched the

terms *CEO and appointment**, *CEO and replacement**, *CEO and labor market**, *CEO and selection**. Using these parameters, I also queried specifically for articles in the following publications: *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Journal of Applied Psychology*, *Organizational Science*, and *Strategic Management Journal*. The results of the search identified 161 peer-reviewed articles, conference papers, and unpublished articles. After eliminating conference papers and unpublished articles, I was left with 74 published articles. A review of the 74 published articles provides insights in the following eight areas: compensation; performance as antecedent; performance or change as consequence; international; candidate pool and labor market; ethics, misconduct, or SOX; process; and individual differences.

2.2.7.1 Compensation

CEO compensation is an emerging trend in CEO succession research (17 of 74 articles). In addition to the association of CEO dismissal with poor performance, decreased tenure has affected the structure of CEO pay (Homroy, 2015). Also, CEOs with high levels of stock options are more likely to be terminated for poor performance than those with low levels of stock options, unless the CEO is influential or the firm has poor governance (Chakraborty & Sheikh, 2015). Also, overpaid CEOs are more likely to be dismissed in periods of poor performance (He & Fang, 2016).

New CEOs have less stock than their predecessors; therefore, the new CEO takes more risks because they have less to lose, and boards are limited in the amount of control they have over this risk-taking behavior (Alderson, Bansal, & Betker, 2014). Similarly, Graefe-Anderson (2014: 1) found that “(1) incoming CEOs are paid as much as or more

than those they replace, (2) outsider replacements are paid more than their predecessors, even after controlling for education and skills, and (3) CEOs who are forced out are not paid differently from those who replace them, while CEOs who leave voluntarily are paid significantly less than their replacements.” This analysis is important, because Graefe-Anderson’s (2014) study revealed that proxies for managerial power, including CEO tenure, CEO centrality, founder status, and high CEO ownership, could not explain their results. Overall, these findings are difficult to reconcile with the view that managerial power is the primary determinant of CEO compensation.

Interestingly, separation pay remains highly variable and is on average 242% as much as the CEO’s annual salary. CEOs who leave voluntarily and under weak governance structures receive higher severance pay than those who are forced out (Goldman & Huang, 2014). Perhaps one of the more interesting theoretical articles links CEO succession to non-top management team compensation, and suggests long-term incentives are essential to CEO succession, in order to entice executives to stay during such an ambiguous time (Reda & Kyle, 2015).

2.2.7.2 Performance as an antecedent

Pre-succession performance continues to be a widely-studied antecedent to CEO succession (33 of 74 articles). The vast majority of the literature continues to confirm that poor performance leads to turnover, with several moderators, such as CEO power and celebrity (e.g., Park, Kim, & Sung, 2014), culture (Fiordelisi & Ricci, 2014), functioning internal governance (Burkart & Raff, 2014), and performance sensitivity (e.g., Conyon & He, 2014; Dah, Frye, & Hurst, 2014). Several studies advance our understanding of the performance to CEO turnover relationship by extending our knowledge of its

generalizability in the international context (Conyon & He, 2014; He & Fang, 2016; He, Wan, & Zhou, 2014). Interestingly, there is some new evidence that points to CEOs being held responsible for performance even when the circumstances are out of the CEO's control. For example, a decline in industry performance from the 90th to the 10th percentile doubles the probability of a forced CEO turnover (Jenter & Kanaan, 2015).

2.2.7.3 Performance/change as a consequence of CEO succession

The consequences of CEO succession continue to be of major interest to scholars researching CEO succession (32 of 74 articles). Perhaps the most notable of this work is recent evidence that the impact of the CEO on performance has increased over time (i.e., the CEO effect; Hambrick & Quigley, 2014; Quigley & Hambrick, 2015).

2.2.7.4 International

The diversity of international sampling is slowly increasing to capture the generalizability of the vast majority of what we know about CEO succession (for a notable exception between the way US and Japanese firms approach CEO succession, see Sakano & Lewin, 1999). Since the Cragun et al. (2016) analysis up to 2014, the overall percentage of articles with international samples has increased. However, the countries represented continue to be primarily from Asia, with the majority represented coming from China. The countries represented since 2010 include China (n=8), continental Europe (n=1), South Korea (n=2), and the United Kingdom (n=2). This sampling leaves large areas of the world understudied. Therefore, while the overall percentage of published articles with international samples has increased since the Cragun et al. (2016) review, there is still a need for more international samples.

2.2.7.5 Candidate pool and labor market

With only 4 of 74 published articles focusing on the candidate pool and the labor market, this is a small but critical toehold into the impact of the candidate pool on processes. Through 2014, the only articles in this area were theoretical (e.g., Pissaris et al., 2010). Since 2014, some empirical evidence has emerged to show that larger internal talent pools result in greater levels of CEO turnover. Presumably, the reason for greater levels of CEO turnover is because organizations have more high-quality successors (Gao, Harford, & Li, 2017), and the larger the CEO's network with other directors, the higher the likelihood of the CEO taking a new CEO position (Liu, 2014). The findings on a CEO's network position are interesting, because they provide some evidence that the opposite is also true: the larger the network of board members, the larger the pool of potential CEOs they can attract.

2.2.7.6 Ethics or misconduct including legislation like SOX

With 10 of 74 published articles focused on ethics, misconduct, or the passing of legislation, there seems to be a small interest in the ethical components of CEO succession and a recognition that the pre- and post-SOX environments are distinctly different. For example, new legislation can encourage insider directors to stop supporting unethical CEOs. Such was the case after SOX (Gomulya & Boeker, 2014), providing evidence that SOX had its desired effect. Echoing the effects of SOX for firms that decreased director independence, CEO turnover-performance sensitivity significantly decreased following SOX (Dah et al., 2014). Finally, performance can decrease when the CEO is dismissed as a scapegoat following a breach of ethics (Gangloff, Connelly, & Shook, 2014).

2.2.7.7 CEO succession process

With 15 of 74 published articles focused on the CEO succession process, there seems to be a growing interest in the actual process. This increase in research is perhaps the most interesting of recent research, as it is one of the most under-researched areas of CEO succession. The recent research identified that there is an increase in the use of interim CEOs, presumably because boards are being more careful about CEO succession decisions (Mooney, Semadeni, & Kesner, 2014). Laux (2014) recognizes the difficulty of assessing CEO performance and created an analytical model that examines several governance mechanisms (e.g., long-term incentive pay and severance pay). With regards to the type of succession (horse, relay, or outside hire), in the family firm context, there is initial evidence that situational factors determine whether a family firm will use a relay race, a horse race, or hire externally (Minichilli, Nordqvist, Corbetta, & Amore, 2014). For example, if there are multiple strong candidates available, the firm will likely use a horse race rather than a relay race.

Perhaps the most promising research in regards to the CEO succession process was performed by Schepker, Nyberg, Ulrich, and Wright (2017b). In their article, Schepker et al. (2017b) use a combination of board member interviews and survey work to build and test a theoretical model that focuses on the decision-making and information flow within the CEO succession process. They find that procedural rationality is related to formal processes meant to collect information about CEO succession candidates, and that these formal processes lead to larger quantity and quality of CEO succession candidates.

2.2.7.8 Individual differences

With 8 of 74 published articles focused on CEO characteristics, there is small but continued interest in how the individual characteristics of the CEO impact CEO succession. A review of these articles indicates that the individual characteristics examined include charisma, overconfidence, and gender. One study of outside succession found that outside succession resulted in higher performance when the new CEO resembled the socio-demographics of the previous CEO (Georgakakis & Ruigrok, 2017). In addition, recent studies show that the appointment of an overconfident CEO results in lower performance (Yilmaz & Mazzeo, 2014), and a CEO change that results in a gender change, either male to female or female to male, amplifies the disruption effect of the change (Zhang & Qu, 2015). Despite these advances, there is still little research on personality and leadership style, leaving these characteristics elusive variables yet to be studied.

2.2.8 CEO succession summary

Despite 55 years of research in CEO succession since Grusky (1960), some very important questions remain unanswered. From Cragun et al. (2016) and my gap review from 2014 to present, we know that the vast majority of available CEO succession research focuses on the antecedents and consequences of the succession process; in other words, what causes CEO succession and what are the consequences of CEO succession.

The succession process is valuable to investigate because the current level of analysis regarding insider and outsider status does not provide sufficient consistent evidence about the impact of CEOs on CEO succession outcomes. Also, to fully predict who will be selected, we need to know the process of how a CEO is selected. Although

we know that CEO characteristics do influence who is selected (e.g., tenure, functional background, industry experience), we know little about a broader set of characteristics that drive selection and dismissal (i.e., personality). In particular, we know little about how personality affects CEO succession decisions.

We also know little about the CEO successor candidate pool. Pissaris et al. (2010) suggested that a larger candidate pool would lead to more effective CEO selection. However, we know little about how pools are formed, especially for outsider CEOs. One step in the candidate pool development process is the development of insider CEOs. Although there are several articles published suggesting how to develop talent (e.g., Cappelli & Keller, 2014), few studies explore how the CEO develops a successor or what process is followed (Crossland et al., 2014; Mobbs & Raheja, 2012; Zajac, 1990; Zhang, 2006). Finally, many theories explore CEO succession; however, there is neither one unifying theory, nor has the CEO succession research significantly advanced any particular theory.

2.3 Narcissism

In the next three sections, I cover the history and current construct of narcissism (section 2.3), narcissism as it relates to leadership (section 2.4), and narcissism research specifically targeted at the CEO (section 2.5). The construct of narcissism has evolved over time, and understanding narcissism's current conceptualization can provide needed clarity to the construct, as many researchers rely on outdated or summarized conceptualizations of narcissism. As research moves forward, the most current construct of narcissism should be followed. Moreover, the *extended agency model of narcissism*

(Campbell & Foster, 2007) provides a useful examination of narcissism through the lens of one overall model.

The study of narcissism and leadership together is a relatively recent effort. In general, we know that narcissists find leadership positions particularly attractive (Grijalva et al., 2015). Many similarities exist between narcissistic traits and positive leadership traits (e.g., innovation; Galvin et al., 2010); nevertheless, despite this positive overlap, narcissistic leaders have also been linked to numerous negative traits (e.g., selfishness; Emmons, 1987). This perpetuates the debate discussing whether narcissism is necessary and/or beneficial for successful leaders (Maccoby, 2003). I adopt the approach of Campbell and Foster (2007) and refrain from labeling narcissism as universally good or bad. Instead, I consider narcissism within the specific context of CEO selection and the CEO's leadership in the succession process.

The study of narcissism, specifically associated with reference to the CEO, has barely begun. With a new unobtrusive measure of the CEO's level of narcissism, Chatterjee and Hambrick (2007) initiated a growing wave of CEO narcissism research. This research links the CEO's level of narcissism to risk-taking (Chatterjee & Hambrick, 2011), performance volatility (Chatterjee & Hambrick, 2007), and fraud (Rijsenbilt & Commandeur, 2013). Since the unobtrusive measure of narcissism remains a proxy for self-report or third-party behavioral observation of a highly narcissistic CEO's behavior, there is a notable lack of self-report and direct third-party behavioral observations used as measures in studies of narcissistic CEO behavior. Also, the findings on the CEO's level of narcissism are focused on strategic outcomes. The findings neither consider the

antecedents to highly narcissistic CEO selection, nor do they consider any intermediary outcomes, such as CEO succession.

2.3.1 Narcissism construct

The construct of narcissism has undergone significant changes since its original conception in Greek mythology. The amount of change illustrates some fluidity. Although narcissism has gone through relatively fewer changes recently, it is important to understand what changed to ensure its appropriate use in this study. In this study, I follow the DSM-V (American Psychiatric Association, 2013) definition (provided below) and define narcissism as a multifaceted personality trait that combines grandiosity, attention-seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others.

Ellis (1898) introduced narcissism into the foundations of psychological inquiry and psychoanalysis by connecting the classical Greek myth of Narcissus to a clinical condition "whereby a person treats his or her body as a sexual object" (Raskin & Terry, 1988: 890). Ellis (1898) used the phrase, *Narcissus-like* to refer to "a tendency for the sexual emotions to be lost and almost entirely absorbed in self-admiration" (Raskin & Terry, 1980: 890).

Freud later developed narcissism from a solely sexual connotation to a distinct psychological process (1914). Later, Freud (1931) suggested a specific narcissistic personality type "characterized by outwardly unflappable strength, confidence, and sometimes arrogance" (Rosenthal & Pittinsky, 2006: 618). Horney (1939) further developed the construct by suggesting that narcissists exhibit unfounded self-inflation,

self-admiration, and the expectation of admiration from others based on qualities that the narcissist does not actually possess.

Kernberg (1967) and Kohut (1966) are considered the founders of the contemporary study of narcissism and established narcissism in modern psychology by arguing that narcissism is a personality disorder, and that the development of narcissistic tendencies has its own psychosexual development pathway. Kernberg (1967) also advanced the study of narcissism by assigning the term to patients who "presented an unusual degree of self-reference in their interactions, a seeming contradiction between an inflated self-concept and inordinate need for tribute from others, shallow emotional lives, lack of empathy, envy, vacillating extremes of idealization and devaluation of others, exploitativeness, and a charming and engaging presence that conceals an underlying coldness and ruthlessness, and a lack of empathy" (Rosenthal & Pittinsky, 2006: 618).

In 1980, the American Psychological Association (APA) adopted narcissism as a personality disorder, largely following the work of Kernberg (1967). Since its adoption, the APA's definition of narcissism was updated in both 2000 and in 2013. The reasons for these updates were to incorporate newly accumulated empirical evidence and clinical experience of experts. The current full APA definition is contained in the Diagnostic and Statistical Manual for Mental Disorders—the DSM-V (American Psychiatric Association, 2013).

According to the DSM-V (American Psychiatric Association, 2013), narcissistic personality disorder (NPD) is defined by symptoms that include: (A) significant impairments in personality functioning manifested by impairments in *self-functioning* and impairments in *interpersonal functioning*; (B) pathological personality traits in the

antagonism domain; (C) impairments in personality functioning and the individual's personality trait expression that are relatively stable across time and consistent across situations; (D) impairments in personality functioning and the individual's personality trait expression that are not better understood as normative for the individual's developmental stage or socio-cultural environment; and (E) impairments in personality functioning and the individual's personality trait expression which are not solely due to the direct physiological effects of a substance (e.g., a drug of abuse, medication) or a general medical condition (e.g., severe head trauma). Whereas *self-functioning* impairments can include *identity* impairment or *self-direction* impairment, *interpersonal functioning* impairments can include *empathy* impairment or *intimacy* impairment, and *antagonism* includes *grandiosity* and *attention-seeking*.

I will now further explain each of the self-functioning impairments. Firstly, *self-functioning* impairments can include either *identity* impairment or *self-direction* impairment. *Identity* impairment refers to excessive reference to others for self-definition and self-esteem regulation; exaggerated self-appraisal may be inflated or deflated or vacillate between extremes, and emotional regulation mirrors fluctuations in self-esteem. *Self-direction* impairment refers to when goal-setting is based on gaining approval from others; when personal standards are set unreasonably high in order to see oneself as exceptional, or when such standards are set too low, based on a sense of entitlement. In many cases, the individual is often unaware of her motivations.

Secondly, *interpersonal functioning* impairments include either *empathy* impairment or *intimacy* impairment. *Empathy* impairment refers to an impaired ability to recognize or identify with the feelings and needs of others; an excessive attunement to the

reactions of others, but only if perceived as relevant to self; or an over- or underestimation of their own effect on others. *Intimacy* impairment refers to relationships largely superficial and exists to serve self-esteem regulation; it includes mutuality constrained by little genuine interest in others' experiences and the predominance of a need for personal gain.

Finally, *antagonism* includes *grandiosity* and *attention-seeking*. *Grandiosity* refers to feelings of entitlement, either overt or covert, and self-centeredness. Further, grandiosity refers to firmly holding to the belief that one is better than others and thereby acting condescendingly toward them. *Attention-seeking* refers to excessive attempts to attract and retain the focus of the attention of others, as well as admiration-seeking.

Despite its clinical roots, the DSM-V's (American Psychiatric Association, 2013) definition of narcissism can also be used to describe much milder displays of narcissistic behavior (Judge, LePine, & Rich, 2006; Raskin & Terry, 1988; Rhodewalt & Peterson, 2009; Watson & Biderman, 1993) and is considered to be on a continuum (Foster & Campbell, 2007). Indeed, the difference between pathological and sub-clinical narcissism is the severity of the behavior (Rhodewalt & Peterson, 2009).

Presumably in response to the length of the DSM-V (American Psychiatric Association, 2013) definition and in an attempt to distinguish their definition of narcissism from the pathological definition of narcissism, many scholars have created abbreviated definitions, yet each of these lose some of the core specificity of the DSM-V. For example, Chatterjee and Hambrick (2007: 351) define narcissists as "those who have very inflated self-views and who are preoccupied with having those self-views continuously reinforced," and Ames, Rose, and Anderson define narcissism as a

"complex of personality traits and processes that involve[s] a grandiose, yet fragile sense of self as well as a preoccupation with success and demands for admiration" (2006: 441). One more complete definition used in the personality literature reads, "Narcissism is a quality of the self that has significant implications for thinking, feeling, and behaving. Individuals with narcissistic personality possess highly inflated, unrealistically positive views of the self. Oftentimes, this includes strong self-focus, feelings of entitlement, and lack of regard for others. Narcissists focus on what benefits them personally, with less regard for how their actions may benefit (or harm) others" (Campbell & Foster, 2007: 115). Therefore, across narcissism studies, the definition of narcissism used is neither consistent and current, nor is it complete (see Table 2.1).

The implication is that management scholars should not adopt previous definitions of narcissism provided by other scholars without considering the current definition of the APA and how it applies to their study and measurement. I follow the DSM-V (American Psychiatric Association, 2013) definition of narcissism and use the term narcissism to refer to a milder manifestation, rather than pathological narcissism. Following the DSM-V, I define narcissism as a multifaceted personality trait that combines grandiosity, attention-seeking, an unrealistic inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others.

2.3.2 Grandiose trait narcissism assumption

Narcissism is a specific personality trait which results in unique, observable behaviors (Paulhus, 2001). Trait theorists believe people are born with personality traits which result in foreseeable behaviors and motivations (Miller & Campbell, 2008). Trait

narcissism is the non-pathological view of narcissistic behaviors (Widiger, 2010).

Specifically, the focus of this paper is on the trait of *grandiose* narcissism (i.e., narcissism focused on grandiosity, aggression, and dominance), as opposed to *vulnerable* narcissism (a defensive and insecure grandiosity that obscures feelings of inadequacy, incompetence, and negative affect; Cain, Pincus, & Ansell, 2008).

2.3.3 Underlying theory of narcissistic behavior: The Extended Agency Model

The narcissist's need for maintaining a positive self-image, validation, and admiration, can be a strong motivational force (Pincus et al., 2009); narcissism is about looking or feeling good about oneself, and the narcissist acts and thinks in ways that keep these self-views viable. Several theories exist and describe why narcissists behave the way they do.

To help understand the motives of individuals with higher levels of narcissism, I adopt Campbell and Foster's (2007) extended agency model. The extended agency model is a composite model of the most accepted theoretical thinking and empirical evidence within the then-current narcissism literature (Campbell & Foster, 2007). The extended agency model posits that individuals with higher levels of narcissism have a strong need to maintain a positive self-image, and that the narcissist thinks and acts in ways to keep these self-views viable. Since agency theory assumes self-interested motives from the agent, including the extended agency model as the underlying explanation for the self-interested behavior of individuals with higher levels of narcissism explains specific motivations and behaviors from which we can examine and predict narcissistic behavior beyond merely the assumption of self-interest.

The extended agency model adopts the premise that behavior is motivated by a dynamic self-regulatory process (Campbell et al., 2006). Dynamic self-regulatory processing encompasses the efforts a person uses to construct, maintain, defend, and enhance their desired self-views (Morf & Rhodewalt, 2001; Vazire & Funder, 2006). In this context, the self is seen as a network of cognitive-affective processes that is in constant transaction with the social environment (Mischel & Morf, 2003; Morf & Horvath, 2007). The primary output of the dynamic self-regulatory processes is narcissistic esteem, or a sense of self-esteem linked primarily to dominance, rather than closeness or acceptance, and related to the emotion of pride (Campbell & Foster, 2007).

The dynamic self-regulatory process (see Figure 4.1) which feeds a narcissist's narcissistic esteem is comprised of four mutually-reinforcing elements, the fourth of which is comprised of five sub-elements. The first of the four mutually-reinforcing elements is a narcissist's *interpersonal skills* (e.g., social confidence, charm), which can be used to garner attention or influence. The second of the four mutually-reinforcing elements is a narcissist's *intrapyschic self-regulation strategies* (e.g., fantasies of power, self-serving bias), which can be used to justify self-serving behavior or outcomes. The third of the four mutually-reinforcing elements is a narcissist's *interpersonal strategies* (e.g., self-promotion, game-playing), which can be used to achieve goals or control others. The fourth of the four mutually-reinforcing elements is a narcissist's *fundamental qualities*, those qualities which describe a narcissist's underlying motivations (Campbell, Brunell, & Finkel, 2006; Campbell & Foster, 2007; Campbell & Green, 2008). These four elements work together to create a narcissist's self-regulatory system.

The fourth element of a narcissists self-regulation process, a narcissist's *fundamental qualities*, can be further broken down into five sub-elements. These sub-elements work independently or together to create behavioral outcomes (Campbell & Foster, 2007). The first of the five fundamental narcissistic quality sub-elements is an *emphasis on agentic over communal concerns*, which states that narcissists seek abnormally high levels of status, success, power, and dominance (Bradlee & Emmons, 1992); for example, narcissists place more value on getting ahead than getting along socially. As a result, one outcome of this sub-trait is that narcissists often rise to the highest levels of society (Deluga, 1997; Nevicka, Ten Velden, De Hoogh, & Van Vianen, 2011), including the position of CEO (Chatterjee & Hambrick, 2007).

The second of five fundamental narcissistic quality sub-elements is *approach versus avoidance orientation*, which means that an individual is motivated more by reward than punishment, or in other words, an orientation toward success (Elliot, 2008; Lewin, 1935; Rose & Campbell, 2004). Therefore, narcissists focus on the positives, rather than the negatives, of their own decisions because of a heightened sensitivity to rewards, coupled with a muted sensitivity to punishment (Foster & Trimm, 2008). It is suggested that narcissists seek out a public stage to showcase their capabilities (Wallace & Baumeister, 2002), and in that public setting, at least at first, they shine and are recognized by team members and experts as the best leaders (Back et al., 2010; Nevicka, Ten Velden, et al., 2011; Schnure, 2010). At the CEO level, this can manifest in strategic sensationalism (e.g., impulsive, attention-grabbing acquisitions) versus strategic conservatism (e.g., incremental improvements; Ouimet, 2010).

The third of the five fundamental narcissistic quality sub-elements is a *general desire for self-esteem*. A general desire for self-esteem results in the narcissist desiring to receive positive attention. When people meet narcissists, they often have very positive interactions. Upon first acquaintance, narcissists are agreeable, entertaining, and competent (Paulhus, 1998), as well as attractive and likeable (Oltmanns, Friedman, Fiedler, & Turkheimer, 2004). They are often well-dressed, and they tend to use charming facial expressions, self-confident body movement, and humor, all of which help the narcissist make a positive first impression (Back et al., 2010). Further, narcissists are usually seen in a positive light by their peers and superiors (Brunell et al., 2008; Judge et al., 2006). The positive attention they receive benefits the narcissist. Narcissism is linked to high self-esteem, greater happiness, and good psychological health (Rose, 2002; Sedikides, Rudich, Gregg, Kumashiro, & Rusbult, 2004). In fact, it has been suggested that it feels good to be a narcissist (Rose & Campbell, 2004).

The fourth of the five fundamental narcissistic quality sub-elements is a sense of *entitlement*. A sense of entitlement results in aggressive, exploitative, and superior behaviors (Reidy, Zeichner, Foster, & Martinez, 2008). That being said, aggressiveness can be perceived as assertiveness and is valued in leaders. Likewise, exploitativeness can be perceived as resourcefulness or cunning in strategic leaders (Reidy et al., 2008). Finally, superiority behaviors are linked to dominance behaviors, which can also be effective in a business environment. Each of these behaviors can lead to leadership emergence (Judge et al., 2006; Ouimet, 2010; Paunonen, Lönnqvist, Verkasalo, Leikas, & Nissinen, 2006). Kernberg (1979) was one of the first scholars to broach the topic of narcissism and leadership by theorizing that narcissists are more likely to seek and obtain

leadership positions. Since his studies, it has been observed that narcissists share a number of traits (e.g., self-confidence) with successful leaders (Hogan & Fico, 2011).

The fifth of the five fundamental narcissistic quality sub-elements is *an inflated self-view*. An inflated self-view can also result in leadership emergence (Ouimet, 2010). Smith and Foti (1998) conducted a study which found that the leadership attributes of dominance, self-efficacy, and general intelligence were associated with a general leadership impression. Narcissists tend to be dominant, have high self-efficacy, and can be extroverted (Ensari, Riggio, Christian, & Carlsaw, 2011; Judge, Bono, Ilies, & Gerhardt, 2002), which personality trait is often perceived by others as intelligent (Christopher & Schlenker, 2000; Roberts, 2002). Further, given the relationship of narcissism with dominance, self-efficacy, and extraversion, it is understandable that individuals or groups would perceive narcissists as leaders. Additionally, Maccoby (2003) lists visioning, risk-taking, passion, charisma, learning, perseverance, and a sense of humor as traits of narcissists that are consistent with positive attributes of leadership.

A narcissist draws on these five fundamental narcissistic quality sub-elements to build skills and develop strategies. If a narcissist has the skills and is using the right strategies for the social environment, he or she achieves a level of narcissistic esteem and feels good (Campbell & Foster, 2007; Morf & Rhodewalt, 2001; Vazire & Funder, 2006). Thus, the five narcissistic fundamental quality sub-elements drive narcissistic behaviors in order to achieve narcissistic esteem. These sub-elements are a narcissist's underlying motivational engine, and each sub-element can be a desirable CEO motivation.

2.3.4 Positive consequences of narcissism

Narcissism can, at least on the surface, result in what is considered positive behavior and individual characteristics. At the individual level, studies show that narcissism is linked to high self-esteem, greater happiness, and good psychological health (Rose, 2002; Sedikides et al., 2004). In fact, it has been suggested, it feels good to be a narcissist (Rose & Campbell, 2004). When people meet narcissists, they often have very positive interactions. Upon first acquaintance, narcissists are agreeable, entertaining, and competent (Paulhus, 1998), as well as attractive and likeable (Oltmanns et al., 2004). Being well-dressed, and using charming facial expressions, self-confident body movement, and humor all help the narcissist make a positive first impression (Back et al., 2010). Thus, all of these traits together can make the narcissist, at least on the surface, very attractive.

2.3.5 Negative consequences of narcissism

Narcissistic behavior can result in the inability to maintain relationships and often results in poor decision quality. At first, the positive impressions that narcissists create encourage others to accept the narcissist's self-perceived superiority. However, these favorable impressions disappear as one gets to know the narcissist. Sometimes, after a few personal encounters, the narcissist can be judged as arrogant, hostile, and identified as a braggart (Paulhus, 1998). From a supervisory perspective, once the supervisor gets to know the narcissist, they often describe the narcissist's behavior as counterproductive and deviant (Judge et al., 2006).

In the long run, the interpersonal deficits of narcissists make it hard for them to maintain relationships (Grijalva & Harms, 2014: 111). Kernberg stated that narcissists are

“clearly exploitative and sometimes parasitic. It is as if they feel they have the right to control and possess others and to exploit them without guilt feelings—and, behind a surface which very often is charming and engaging, one senses coldness and ruthlessness.” (1967: 227–228) Narcissists typically have low intimacy striving, are generally blind to others’ perspectives, and lack empathy (Carroll, 1987; Watson, Grisham, Trotter, & Biderman, 1984). Indeed, high levels of narcissism are negatively correlated with consideration for others (Resick, Whitman, Weingarden, & Hiller, 2009).

Narcissists can escalate from being obnoxious to aggressive if they feel threatened. In response to negative feedback, they will derogate others to help maintain their self-esteem and will respond to insults with “exceptionally high levels of aggression toward the source of the insult” (Bushman & Baumeister, 1998:219; Kernis & Sun, 1994; Morf & Rhodewalt, 1993). Narcissistic individuals are attuned to perceived threats and predisposed to interpret ambiguous stimuli as threatening (Bushman & Baumeister, 2002; Judge et al., 2006). Ultimately, the combination of lack of intimacy paired with aggression in the workplace results in counterproductive workplace behaviors (O’Boyle, Forsyth, Banks, & McDaniel, 2012; Penney & Spector, 2002).

Finally, narcissists are prone to making poor quality decisions. First, narcissists are impulsive because they are aggressive and lack the ability to delay gratification (Vazire & Funder, 2006). Second, narcissists often do not forgive others (Eaton, Struthers, & Santelli, 2006; Strelan, 2007) and can seek revenge (Brown, 2004). Third, narcissists have inflated self-views, tend to think they are better at making decisions than others, and do not learn from their mistakes (Campbell, Goodie, & Foster, 2004; Campbell, Reeder, Sedikides, & Elliot, 2000). Therefore, narcissists believe that they are

more capable of making the correct decisions. Finally, narcissists focus on the positives, rather than the negatives of decisions because they have a heightened sensitivity to rewards, coupled with a muted sensitivity to punishment (Foster & Trimm, 2008). Thus, the narcissist is often characterized as making risky decisions while focusing on the potential positive outcomes, without considering the possibility of a negative result.

2.3.6 Narcissism summary

The construct of narcissism has evolved over the last 100 years. The current conceptualization of narcissism is a synthesis of the best empirical research and clinical experience. We have learned that narcissists can be very charming and driven individuals, yet they are also manipulative and self-serving, often resulting in damaged relationships. The theoretical underpinnings of narcissism, built on the foundation of dynamic self-regulation, is a system that adjusts to maintain a level of self-esteem. I adopt the extended agency model (Campbell & Foster, 2007), which suggests narcissists use both intrapersonal and intrapsychic skills and strategies to get what they want. The notion that narcissists manipulate their own thinking and their relationships with others to get what they want has broad implications for leaders and CEOs; therefore, these drives have the potential to create a self-serving leader, which can cause damage to the people the leader leads. Potentially, a highly narcissistic CEO could do significant damage to a company, due to the power of the CEO's position.

2.4 Narcissism and Leadership

Narcissists share a number of traits (e.g., self-confidence) with successful leaders (Hogan & Fico, 2011). Kernberg (1979), one of the first scholars to broach the topic of narcissism and leadership, theorized that narcissists are more likely to seek and obtain

leadership positions. Then Kets de Vries (1985), in what is considered the seminal work on leadership and narcissism, theorized that there are three types of narcissistic leaders: *reactive*, *self-deceptive*, and *constructive*. In addition, “narcissists are attracted to leadership roles and tend to emerge as leaders” (Grijalva & Harms, 2014: 116). With such a close association between narcissism and leadership, the topic raises the question of whether narcissism is a prerequisite for an individual to rise to the highest ranks of an organization (Maccoby, 2003). Since Kets de Vries (1985), there are now over 50 articles available on the topic of leadership and narcissism. Also, several major reviews and books are available on the topic, as well as one meta-analysis (e.g., Grijalva et al., 2015; Hogan & Fico, 2011; Maccoby, 2000, 2003; Rosenthal & Pittinsky, 2006). The study of narcissism and leadership is particularly important because of the impact a narcissistic executive can have on the stakeholders of a company (Finkelstein et al., 2009).

2.4.1 Attributes of narcissism are aligned with leadership

Maccoby (2003) lists visioning, risk-taking, passion, charisma, learning, perseverance, and a sense of humor as traits of narcissists that are consistent with positive attributes of leadership. Smith and Foti (1998) conducted a study which also found that the leadership attributes of dominance, self-efficacy, and general intelligence were associated with a general leadership impression. Narcissists tend to be dominant, have high self-efficacy, and can be extroverted (Ensari et al., 2011; Judge et al., 2002), and extroverts are often perceived as intelligent (Christopher & Schlenker, 2000; Roberts, 2002). Further, given the relationship of narcissism with dominance, self-efficacy, and extraversion, it is understandable that individuals or groups would perceive narcissists as leaders. Finally, narcissism is also positively correlated with implementing change,

managing performance, presentation skills, and work skills, all traits associated with leadership (Hogan & Fico, 2011).

2.4.2 Narcissists want to be leaders and are often selected as leaders

Narcissists seek out leadership positions; therefore, narcissism is related to leadership emergence (Grijalva et al., 2015). The cycle begins with narcissists' internal drive for status and power (Carroll, 1987; Raskin & Novacek, 1991). To obtain status and power, they will self-nominate for available leadership positions more often than non-narcissists (Hogan, Raskin, & Fazzini, 1990). It is also suggested that narcissists seek out a public stage to showcase their capabilities (Wallace & Baumeister, 2002). In the public setting, at least at first, they shine and are recognized by team members and experts as the best leaders (Nevicka, Ten Velden, et al., 2011).

Narcissists do well in the job interview process because they appear to be good leaders. They often create a positive first impression because they are usually well-dressed, have charming facial expressions, express self-confidence, and use verbal humor (Back et al., 2010). They are also good at marketing their ideas (Goncalo, Flynn, & Kim, 2010). Narcissists come across as enthusiastic and personable, overstate their performance, and when pressed for details, defend their answers and assertions confidently (Back et al., 2010; Brunell et al., 2008; Nevicka, Ten Velden, et al., 2011; Paulhus et al., 2013). Thus, they are often selected as leaders.

2.4.3 Outcomes of narcissistic leadership

Narcissism is linked to both positive and negative leadership outcomes. On the one hand, narcissists can be seen as a positive leadership trait because narcissistic leaders can have a positive impact (Kets de Vries, 1994; Lubit, 2002). Narcissists can be bold

visionaries, which often makes them excel at innovation (Deutschman, 2005; Galvin et al., 2010). Narcissists also take bold risks and are relentless in pursuit of their goals (Maccoby, 2000; Penney & Spector, 2002; Rosenthal & Pittinsky, 2006). Non-pathological narcissism is related to higher levels of self-esteem (Judge et al., 2006; Sedikides et al., 2004). Judge et al. (2006) found a significant positive relationship between narcissism and supervisor-related effectiveness. However, the results were not consistent with a second sample which found negative, albeit not statistically significant, results. In line with this second sample, narcissists can manipulate followers and damage relationships over time, thereby contributing to a poor working environment and unethical behavior.

Evidence suggests three patterns of narcissists' interactions with others, particularly with those who follow them. A link exists between narcissism and a propensity for aggression toward others when being critiqued (Barry, Pickard, & Ansel, 2009; Reidy et al., 2008), and narcissists are likely to meet their own needs before they meet the needs of others. In other words, narcissists think of themselves first, without concern for the well-being of their followers. Additionally, narcissists are hypersensitive to criticism; therefore, they tend to intellectually inhibit their subordinates (Glad, 2002; Rosenthal & Pittinsky, 2006). Finally, the attitude of narcissistic leaders toward those in their entourage is one of simulated consideration, which takes the form of manipulation and exploitation of employees (Glad, 2002).

Narcissistic leaders have difficulty maintaining relationships over time (Campbell et al., 2006; Campbell & Foster, 2002; Paulhus, 1998). A narcissist's interpersonal relationship problems interfere with leader-member exchange (Graen & Uhl-Bien, 1995)

and relationship theory (Uhl-Bien, 2006). These interpersonal and selfish behaviors impact how subordinates view a narcissist's leadership style. Peterson et al. (2012) found that narcissism is negatively related to servant leadership. Servant leadership is a form of leadership that focuses on followers' needs and personal integrity (van Dierendonck, 2011). Overall, narcissistic leaders receive poor ratings from subordinates with respect to both interpersonal performance and integrity (Blair, Hoffman, & Helland, 2008), as well as dealing with feedback (Campbell & Campbell, 2009).

Several studies found evidence to suggest that narcissism negatively affects the working climate in several ways, including the following: infliction of damage on others through bullying, coercion and damage to the psychological well-being of subordinates (Aasland, Skogstad, Notelaers, Nielsen, & Einarsen, 2010), destruction of subordinates' trust and degradation of organizational effectiveness (Benson & Hogan, 2008), and creation of a toxic work atmosphere, due to a lack of empathy and coldness toward colleagues and staff (Goldman, 2006). Consequently, the workplace lacks the climate necessary to achieve sustainable performance (Higgs, 2009).

Narcissism is a central concept in understanding unethical and counterproductive work behaviors, since narcissism is associated with selfish and exploitative behaviors (Campbell, 2005; Emmons, 1987; Raskin & Terry, 1988). Narcissists are rated as having negative interpersonal and ethical components of leadership (Blair et al., 2008). Additionally, narcissism is associated with cheating, lack of workplace integrity, and white-collar crime (Blair et al., 2008; Blickle, Schlegel, Fassbender, & Klein, 2006; Brunell, Staats, Barden, & Hupp, 2011; Ouimet, 2010).

2.4.4 Optimal conditions for a narcissistic leader

Some have suggested that there are times when narcissistic leaders can be very effective (Glad & Whitmore, 1991; Robins & Paulhus, 2001). In times of crisis and instability, displays of self-confidence and reassuring rhetoric can calm anxious organizational members and create a path for the emergence of a narcissistic leader. The narcissistic leader feeds off the uncertainty, drawing followers with the promise of deliverance from a crisis (Padilla et al., 2007; Rosenthal & Pittinsky, 2006). Some authors have gone so far as to suggest that in times of extreme crisis, given no better alternative, any leadership that can provide motivation and direction for the organization (society) can be more beneficial than the potential harm caused by a narcissist. These profound times of crisis include war, national unity crises, and economic depression. Narcissists can provide a key unit-building and hope-building role (Maccoby, 2007; Post & George, 2004). Unfortunately, the situational advantages that give rise to the narcissist leader can fade quickly, both during and after the crisis, potentially leaving the narcissist incapable of handling the situation (King III, 2007). At the root of the narcissist's downfall is the motivation to meet their own egotistical needs for power and admiration (Kets de Vries & Miller, 1985). In the process, they seek to make the world the way they desire it to be (Glad, 2002), rather than trying to meet the needs of their constituents (Conger, 1999).

Similarly, narcissists may emerge and flourish when new order needs to be established. When new order needs to be established, narcissists are more likely to assert their opinions in group discussions and are confident in their ability to acquire and exercise power (Brunell et al., 2008). They are also quick to make decisions, are willing

to take risks, have a vision, care little about negative consequences, and have a desire to be in charge (Maccoby, 2000). However, narcissists may be unable to maintain the necessary stability once the organization establishes new order. While narcissistic leaders may thrive in chaotic times, they may also seem out of place during more tranquil times (Maccoby, 2000).

Narcissists are likely to be better leaders when their personal goals are aligned with their followers' goals and the organization's goals (Hogan & Fico, 2011). When goals converge, the efforts of the narcissist and the organization are likely to converge in productive combinations of tasks, effort, and objectives. However, when the goals of the narcissist need to be achieved at the expense of those around them, it will cause discontent, lack of trust, and likely damage long-term relationships.

It has also been suggested that narcissists are more successful when they are young (Rosenthal & Pittinsky, 2006). As narcissistic leaders fail to make their visions come true over time, the realities of human weakness and their failings may become more apparent. At this point, they begin to recede into submission and despair. In desperation, they then use their social power to fend off the negative emotions, becoming more grandiose and tyrannical over time (McIntyre, 1983; Post, 1993).

2.4.4 Narcissism and leadership summary

Narcissists are attracted to leadership positions and are often selected as leaders because they make good first impressions and are seen as visionary (Deutschman, 2005; Grijalva et al., 2015; Hogan & Fico, 2011). That being said, narcissism can interfere with leader-member exchange and result in risky decision-making. Thus, despite their initial appeal, narcissists often cause unintended negative consequences. Additionally,

narcissists have little incentive to change, since narcissism feels good (Campbell & Foster, 2007). Whom a narcissist selects as followers is an important contributor to maintaining narcissistic esteem (Grijalva & Harms, 2014). This is an important implication for CEO selection and CEO succession planning, since the strong first impressions narcissists make are likely to affect the selection process. Also, the need for narcissistic esteem is likely to affect how the CEO gets involved with CEO succession. Ultimately, a board who selects a CEO with higher levels of narcissism may realize it too late to prevent it.

2.5 CEO Narcissism

Narcissists rise to the highest levels of society (Deluga, 1997; Nevicka, de Hoogh, Van Vianen, Beersma, & McIlwain, 2011), including the position of CEO (Chatterjee & Hambrick, 2007). Research suggests that when an individual is placed in a job that aligns with their personality traits, the person performs better (Hogan & Holland, 2003). For example, extraversion is more strongly related to job performance in sales and managerial jobs (Barrick & Mount, 1991; Mount, Barrick, & Stewart, 1998). At the CEO level, if charisma, extraversion, self-absorption, or self-importance are important traits to possess, narcissists may thrive (Robins & Paulhus, 2001). Therefore, it is important to understand the relationship between narcissism and the CEO in order to identify whether narcissism helps or hinders the CEO's performance. Although the study of narcissism in leadership has been studied since Ketz de Vries (1985), the empirical study of narcissistic CEOs has increased since Chatterjee and Hambrick (2007) introduced an unobtrusive measure of the CEO's level of narcissism. I found 14 published studies on the CEO's level of narcissism and now review the empirical evidence.

2.5.1 Positive impact of narcissistic CEO behaviors

So far, there is only a small amount evidence that narcissists create positive outcomes. Some evidence suggests that the highly narcissistic CEO would be valuable to entrepreneurial endeavors or companies that require innovation (Galvin et al., 2010). Additionally, some studies provide evidence that highly narcissistic CEOs have larger entrepreneurial orientations and are more likely to have and relentlessly pursue a bold vision (Galvin et al., 2010). At a personal level, narcissists enjoy higher levels of compensation (O'Reilly, Doerr, & Chatman, 2017), and at a societal level, although motivated by impression management, narcissists spend more on corporate social responsibility (Petrenko et al., 2015).

2.5.2 CEO narcissism and financial performance

The investigation into the impact of the CEO's level of narcissism on performance is just beginning. A key article that has received little attention links CEOs with higher levels of narcissism to increased earnings per share (Olsen et al., 2014). However, the article that receives the most attention with regards to performance is Chatterjee and Hambrick's (2007) study. According to Chatterjee and Hambrick (2007), narcissism predicts not only the size of acquisitions, but also the volatility of return on assets and total shareholder returns. While no direct evidence of a positive or negative relationship with performance was found, volatility can still be considered undesirable (Amit & Wernerfelt, 1990). Volatility in a firm's income over time is sometimes referred to as income stream uncertainty (Miller & Bromiley, 1990) or organizational risk (Palmer & Wiseman, 1999). Volatility can decrease earnings predictability and firm value (Imhoff Jr, 1992). It can also increase the stock's risk premium, which can result in decreased

share price (Barth, Landsman, & Wahlen, 1995; Kanagaretnam, Lobo, & Mathieu, 2004). Thus, the result of volatility is greater income stream uncertainty, which makes it more difficult for the firm to satisfy the needs of stakeholders (Bowman, 1980; Fiegenbaum & Thomas, 1988; Miller & Chen, 2004). However, these assertions could be misleading because of the relationship between CEO narcissism and earnings per share found by Olsen et al. (2014).

At the CEO level, narcissism has been linked to risky and unilateral decision-making. “Narcissistic CEOs will always favor strategic sensationalism (such as the impulsive acquisition of companies which are grandiose and guaranteed attention-getters) over strategic conservatism (such as incremental improvements of product quality that relegate the CEO to total obscurity)” (Ouimet, 2010: 716). See Table 2.2 for a summary of findings on studies that look at CEOs with higher levels of narcissism

2.6 Summary

The study of narcissism has a long history, dating back to the turn of the 20th century. Our understanding of narcissism has greatly increased in that time. We have learned about both the positive traits (e.g., self-esteem, confidence) and negative traits (e.g., selfishness, entitlement) of narcissists. In the last 25 years, we have also learned that narcissists are attracted to leadership positions. Although research has shown that narcissistic leaders can be innovative and visionary, they may also take excessive risks and can be manipulative. The research on the CEO's level of narcissism tells us that the CEO's level of narcissism is related to positive outcomes, such as earnings per share (Olsen et al., 2014), as well as negative outcomes, such as performance volatility (Chatterjee & Hambrick, 2007), increased fraud (Rijsenbilt & Commandeur, 2013), and

increased risk-taking behavior (Chatterjee & Hambrick, 2011). What the literature does not tell us is what leads to highly narcissistic CEO selection or what a highly narcissistic CEO will do within the CEO selection process. Due to the importance of CEO selection (Karaevli, 2007), there are broad implications for both the inadvertent selection of highly narcissistic CEOs and how the CEO fills the leadership pipeline after taking office.

TABLE 2.1
Summary of Narcissism Definitions Used in CEO Narcissism Research

Citation	Narcissism Definition
Chatterjee & Hambrick (2007; 2011); Gerstner, Konig, Enders, & Hambrick (2013)	Narcissism is the degree to which an individual has an inflated sense of self and is preoccupied by having that self-view continually reinforced (Campbell, Goodie, & Foster, 2004; Morf & Rhodewalt, 2001).
Engelen, Neumann, & Schmidt (2013)	Narcissism is a multifaceted personality trait that is reflected in Emmons's (1987) four factors, which together describe the personality trait of narcissism: exploitativeness/entitlement, leadership/authority, superiority/arrogance, and self-absorption/self-admiration. Emmons (1987) and others point out that these factors cohere as a unitary personality construct (Campbell, Hoffman, Campbell, & Marchisio, 2011); superiority, entitlement, and the constant need for attention and admiration have been reported as major manifestations of narcissism (Chatterjee & Hambrick, 2011).
O'Reilly, Doerr, Caldwell, & Chatman (2014)	Research has suggested that narcissistic leaders—typically characterized by dominance, self-confidence, a sense of entitlement, grandiosity, and low empathy—can both positively and negatively influence organizations.
Olsen & Stekelberg (2015)	Narcissism is a stable, multifaceted personality trait consisting of grandiosity, self-importance, and inflated self-views (Campbell, 2005; Campbell et al., 2011).
Olsen, Dworkis, & Young (2014)	The subclinical, personality construct of narcissism is a unitary personality construct with multiple dimensions (Emmons, 1987; Raskin & Terry, 1988; Foster and Campbell, 2007). This form of narcissism is combination of personality traits such as a grandiose sense of self-importance and uniqueness, authority, entitlement, self-absorption, self-admiration, superiority, arrogance, exhibitionism, exploitativeness, self-sufficiency, and vanity (American Psychiatric Association, 2013; Emmons, 1987; Resick, Whitman, Weingarden, & Hiller, 2009).
Patel & Cooper (2013)	Narcissism is a multidimensional, multifaceted, and multi-contextual concept that is sometimes identified as a personality disorder in psychiatry, but is examined as a personality characteristic that varies across individuals in much of the social psychology and organizational behavior literature (Campbell et al., 2011). Narcissists possess an extreme need for self-enhancement, which manifests in grandiose self-promotion, unrealistic optimism, and self-entitlement (Tamborski, Brown, & Chowning, 2012).
Petrenko, Aime, Ridge, & Hill (2015)	Narcissistic CEOs — defined as CEOs who have inflated views of themselves and who seek to have those positive self-views continuously reinforced (Campbell, Goodie, & Foster, 2004; Chatterjee & Hambrick, 2007).

TABLE 2.1 CONTINUED
Summary of Narcissism Definitions Used in CEO Narcissism Research

Citation	Narcissism Definition
Reina, Zhang, & Peterson (2014)	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).
Resick, Whitman, Weingarden, & Hiller (2009)	Narcissism is one dark-side personality characteristic that is particularly germane to the study of CEO leadership (Chatterjee & Hambrick, 2007; Judge, LePine, & Rich, 2006; Kets de Vries & Miller, 1997; Lubit, 2002; Maccoby, 2003). The roots of narcissism can be traced to the Greek mythological tale of Narcissus (a man who fell in love with his own reflection) and to Freud's (1914/1957) description of narcissism as a personality disorder. Individuals with a narcissistic personality disorder demonstrate a "pervasive pattern of grandiosity" coupled with a "need for admiration and lack of empathy" (American Psychological Association, 2000: 717). Narcissism has also been viewed as a set of traits associated with "normal" personality (e.g., Lasch, 1991; R. Raskin & Hall, 1981). Narcissists have an inflated self-concept that is enacted through a desire for recognition and a high degree of self-reference when interacting with others (Kernberg, 1989). Patterns of behavior that have been associated with narcissistic personality traits involve a grandiose sense of self-importance, a tendency to exaggerate achievements, a preoccupation with fantasies of power and success, excessive self-admiration, hostility toward criticism, and intolerance toward compromise (Deluga, 1997; Judge et al., 2006; Lubit, 2002; Raskin & Hall, 1981). Arrogance is a core disposition of narcissists and the characteristic that is usually most apparent to others (American Psychological Association, 2000; Rosenthal & Pittinsky, 2006).
Wales, Patel, & Lumpkin (2013)	Narcissism is broadly defined as an exaggerated, yet fragile self-concept of one's importance and influence (Resick et al., 2009).
Zhu & Chen (2014)	Narcissism—the degree to which an individual has an inflated self-view and craves affirmation of that self-view (Raskin & Terry, 1988; Campbell, 1999)

TABLE 2.2
Summary of CEO Narcissism Findings

Citation	Findings	Measure Root
Chatterjee & Hambrick (2011)	Social praise increases narcissistic CEO risk-taking. Objective performance has little effect on narcissistic CEO risk-taking.	Chatterjee & Hambrick (2007)
Chatterjee & Hambrick (2007)	CEO narcissism predicts the size of acquisitions and the volatility of performance.	Chatterjee & Hambrick (2007)
Engelen, Neumann, & Schmidt (2013)	Narcissistic CEOs weaken the CEO-performance relationship, except in highly concentrated and dynamic markets.	Chatterjee & Hambrick (2007)
Gerstner, Konig, Enders, & Hambrick (2013)	Narcissistic CEOs are aggressive in adopting technological discontinuities. Perceptions of how provocative the technological discontinuity is moderates the CEO narcissism to organizational outcome relationship.	Modified Chatterjee & Hambrick (2007)
O'Reilly, Doerr, Caldwell, & Chatman (2014)	Narcissistic CEO tenure is related to higher levels of compensation and greater differences from the next highest paid executive.	Modified Resick et al. (2009)
Olsen & Stekelberg (2015)	CEO narcissism increases the likelihood that the CEO's firm engages in corporate tax shelters.	Olsen et al. (2014)
Olsen, Dworkis, & Young (2014)	CEO narcissism is related to higher earnings-per-share and share price. Narcissistic CEOs increase reported earnings per share through real and operational activities rather than accrual-based manipulations.	Chatterjee & Hambrick (2007)
Patel & Cooper (2014)	Narcissistic CEOs increase firm performance in the post crisis period.	Chatterjee & Hambrick (2007)
Petrenko, Aime, Ridge, & Hill (2016)	Narcissistic CEOs spend more on corporate social responsibility. CEO narcissism reduces the effect of corporate social responsibility on performance.	Histometric (video) NPI
Reina, Zhang, & Peterson (2014)	Organizational identification modifies both the CEO narcissism to TMT behavioral integration and CEO narcissism to Performance relationship.	Histometric (written) NPI-16
Resick, Whitman, Weingarden, & Hiller (2009)	Dark-side personality characteristics (narcissism) of CEOs are negatively related to contingent reward leadership.	Histometric (written) based on 8 narcissistic adjectives
Rijsenbilt & Commandeur (2013)	CEO narcissism is related to fraud.	Composite of nine measures
Wales, Patel, & Lumpkin (2013)	Narcissism is positively associated with entrepreneurial orientation. Entrepreneurial orientation mediates the relationship between narcissism and performance.	NPI-16
Zhu & Chen (2014)	Narcissistic CEOs prefer directors who have worked with narcissistic CEOs.	Chatterjee & Hambrick (2007)

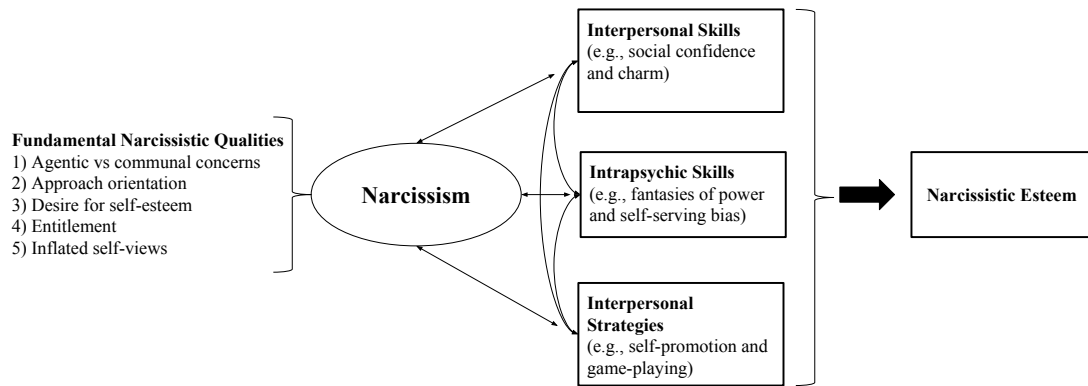


FIGURE 2.1
Extended Agency Model
 Recreated from Campbell and Foster (2007)

CHAPTER 3

ANTECEDENTS TO THE SELECTION OF CEOs WITH HIGHER LEVELS OF NARCISSISM

3.1 Introduction

The selection of the CEO is the board's most important responsibility because the CEO's personality, behavior, and decisions have a substantive impact throughout the firm and can determine long-term strategic consequences (Finkelstein & Hambrick, 1996; Hambrick, 2007; Hambrick & Mason, 1984). Recently, narcissism—a multifaceted personality trait that combines grandiosity, attention-seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others (American Psychiatric Association, 2013)—has been of increasing interest to scholars and the public at large (e.g., Chamorro-Premuzic, 2016; Chatterjee & Pollock, 2017). Much of this interest stems from the fact that this self-serving personality trait has been associated with several high-profile CEOs (e.g., Steve Jobs, Kenneth Lay) and has been linked to both positive organizational outcomes, such as increased earnings per share, and negative organizational outcomes, such as performance volatility (Chatterjee & Hambrick, 2007; Drucker, 1994; Foster & Brennan, 2011; Isaacson, 2013; Olsen et al., 2014). Due to these contrasting outcomes, some have hailed narcissism as an essential part of executive leadership and innovation (Maccoby, 2000; 2003), while others have labeled narcissism as an evil to be avoided (Ronson, 2011). Yet there is no research to help us understand which circumstances result in a board's selection of a CEO with higher levels of narcissism.

Understanding what leads to the selection of a CEO with higher levels of narcissism would help us understand when and if the selection of a CEO with higher levels of narcissism leads to desirable organizational outcomes, given that boards strive to select CEOs that meet their strategic needs (Guthrie & Datta, 1997). Current firm performance, the level of turbulence and uncertainty in the market (i.e., dynamism; Dess & Beard, 1984), and the scarcity or abundance of resources in the environment (i.e., environmental munificence; Castrogiovanni, 1991) are of primary consideration when determining CEO trait requirements (e.g., Jenter & Kanaan, 2015). Nevertheless, despite effective identification of strategic needs, selected CEOs can operate in a self-serving manner, thereby undermining the desires of the board (Dalton et al., 2007). One method of avoiding this is by selecting CEOs whose interests are aligned with the strategic intent of the board (Jensen & Meckling, 1976), thus reducing the probability of opportunism. Therefore, I investigate the firm performance and environmental conditions that precede the selection of a CEO with higher levels of narcissism.

To do this, I build a theoretical framework that connects firm performance, environmental munificence, and environmental dynamism to the selection of CEOs with higher levels of narcissism. I develop the underlying arguments by considering the extant theoretical and empirical outcomes of research on attributes of CEOs with higher levels of narcissism (e.g., bold vision, innovation, performance volatility; Deutschman, 2005; Galvin et al., 2010; Olsen et al., 2014), together with how firm performance, environmental munificence, and environmental dynamism influence CEO selection. Further, I predict that low firm performance will result in boards selecting CEOs with

higher levels of narcissism, and that this relationship will be attenuated when either environmental dynamism or environmental munificence is low.

Prior research on CEOs with higher levels of narcissism focuses on the consequences of CEOs with higher levels of narcissism, neglecting its antecedents. The CEO selection literature primarily examines insider status, education, or functional background to describe a CEO's characteristics, without considering a CEO's level of narcissism. Further, limited research is available regarding how boards decide which characteristics, especially personality traits, are needed for the CEO role (Davidson et al., 2006; Goel & Thakor, 2008; Karaevli & Zajac, 2013; Westphal & Fredrickson, 2001; Zhang, 2008). Investigating narcissism in CEO selection goes beyond focusing on insider status, education, or functional background and brings into focus the CEO's personality traits as a selection criteria. Thus, the primary contribution of this study is to provide a theoretical framework that identifies the circumstances which determine board selection of CEOs with higher levels of narcissism. This extends the research on CEOs with higher levels of narcissism and CEO selection literatures by studying the relationships between firm performance, the environment, and the level of narcissism of CEO candidates as antecedents to CEO selection.

This contribution has both theoretical and practical implications. A deeper understanding of the circumstances that result in the selection of a CEO with higher levels of narcissism will help us understand a board's decision and when the selection of a CEO with higher levels of narcissism results in the optimal outcome. Also, as our understanding of how higher levels of narcissism affect firm performance outcomes increases due to this growing body of research, understanding the factors associated with

the selection of a CEO with higher levels of narcissism could identify ways in which boards can mitigate the negative consequences of higher levels of narcissism while capitalizing on the positives outcomes.

3.2 Theoretical Background

3.2.1 Agency Theory

Agency theory is a foundational theory through which to consider CEO selection because the CEO is selected by a board that represents the principals, a contract is put in place, and monitoring costs are real. Agency theory arises from the observation that separation of ownership from control is a central part of modern corporations. It is concerned with the delegation of decision authority from principals (e.g., owners) to agents (e.g., managers). Agency theory posits the circumstances when it will be most effective to use subjective evaluations (i.e., monitoring) to motivate and reward individual performance, versus formula-driven evaluations based on pre-specified financial or operational targets. The separation of principal and agent allows the principal more time to pursue other activities; however, it removes the principal from knowledge of day-to-day firm operations (Eisenhardt, 1989; Jensen & Meckling, 1976).

Key assumptions of agency theory are that agents are bounded rationally, self-interested, opportunistic, and risk-averse. Additional assumptions include goal incongruence, the efficiency criterion (i.e., that principals and agents will choose the most efficient contract), and asymmetric information between principals and agents. These assumptions result in tension between the agent's motivations and behavior versus how the principal desires the agent to behave. There are three sources of principal-agent problems. The first is *moral hazard*, where the agent does not do what is desired by the

principal. The second is *adverse selection*, or the misrepresentation of the agent's abilities. The third is *asymmetric information*, where the agent has more information than the principal (Eisenhardt, 1989).

One method of mitigating moral hazard, adverse selection, and information asymmetry is selecting individuals that have predictable behavior that matches the behavior desired for the position (Beckert, 1996). Moral hazard is reduced because when behavior is predictable, principals are not caught unaware by the agent's behaviors and can therefore act to prevent undesired behavior before it happens. Adverse selection is reduced because when an agent's behavior is predictable, it is more difficult for the agent to misrepresent their abilities and motives. The implications of asymmetric information are also reduced, particularly in times of uncertainty. To be unexpected, self-serving behavior requires asymmetric information; however, in times of uncertainty, there is an equal lack of information. Therefore, as clarified by Beckert (1996: 827), "The notion of habitual behavior can be seen as one of the most central concepts for the explanation of actor behavior in complex situations." Indeed, predictability of behavior has been a foundational perspective of understanding behavior under uncertainty (Camic, 1986). Individuals with higher levels of narcissism behave predictably, particularly once their underlying motivations are understood (Morf, Horvath, & Torchetti, 2011; Morf & Rhodewalt, 2001), and therefore may be a good fit to address agency issues in times of uncertainty. Finally, when the board selects a CEO with higher levels of narcissism, they can predict and therefore become more aware of the CEO's expected behaviors.

3.2.2 Narcissistic motivations

To help understand the motives of individuals with higher levels of narcissism, I adopt Campbell and Foster's (2007) extended agency model. The extended agency model is a composite model composed from the most accepted theoretical thinking and empirical evidence within the narcissism literature (Campbell & Foster, 2007). The extended agency model advocates that individuals with higher levels of narcissism have a strong need to maintain a positive self-image, so the narcissist thinks and acts in ways that keep these self-views viable. Since agency theory assumes self-interested motives from the agent, using the extended agency model as the underlying theoretical rationale of individuals with higher levels of narcissism provides a specific set of motivations and behaviors which explain narcissistic behavior beyond merely the assumption of self-interest.

The extended agency model adopts the premise that behavior is motivated through a dynamic self-regulatory process (Campbell et al., 2006). Dynamic self-regulatory processing encompasses the efforts a person uses to construct, maintain, defend, and enhance their desired self-views (Morf & Rhodewalt, 2001; Vazire & Funder, 2006). In this context, the self is seen as a network of cognitive-affective processes that is in constant transaction with the social environment (Mischel & Morf, 2003; Morf & Horvath, 2007). In other words, the individual receives information from the social environment, processes that information through a self-regulatory process and thereby adjusts their behavior. The resulting behavior has an effect on the social environment. These changes in the social environment become new information for the individual, thus creating a cycle of information between the social environment and the

self-regulation and behavior of the individual. The primary internal output of the dynamic self-regulatory processes is narcissistic esteem. Narcissistic esteem is a sense of self-esteem that is linked primarily to dominance, rather than closeness or acceptance, and is related to the emotion of pride (Campbell & Foster, 2007).

The dynamic self-regulating system (see Figure 3.1) which feeds a narcissist's narcissistic esteem is comprised of four mutually-reinforcing elements, wherein the fourth element is comprised of five sub-elements. The first of the four mutually-reinforcing elements is a narcissist's *interpersonal skills* (e.g., social confidence, charm), which can be used to garner attention or influence. The second of the four mutually-reinforcing elements is a narcissist's *intrapsychic self-regulation strategies* (e.g., fantasies of power, self-serving bias), which can be used to justify self-serving behavior or outcomes. The third of the four mutually-reinforcing elements is a narcissist's *interpersonal strategies* (e.g., self-promotion, game-playing), which can be used to achieve goals or control others. The fourth of the four mutually-reinforcing elements are a narcissist's *fundamental qualities*, which describe a narcissist's underlying motivations (Campbell et al., 2006; Campbell & Foster, 2007; Campbell & Green, 2008). These four elements work together to create a narcissist's self-regulatory system.

The fourth element of a narcissist's self-regulation process, a narcissist's *fundamental qualities*, can be further broken down into five sub-elements. These sub-elements work independently or together to create behavioral outcomes (Campbell & Foster, 2007). The first of the five fundamental narcissistic quality sub-elements is an *emphasis on agentic over communal concerns*, which states that narcissists seek abnormally high levels of status, success, power, and dominance (Bradlee & Emmons,

1992); for example, narcissists place more value on getting ahead than getting along socially. One outcome of this sub-trait is that narcissists often rise to the highest levels of society (Deluga, 1997; Nevicka, Ten Velden, et al., 2011), including the position of CEO (Chatterjee & Hambrick, 2007).

The second of the five fundamental narcissistic quality sub-elements is *approach versus avoidance orientation*, or being motivated more strongly by reward than punishment or an orientation toward success (Elliot, 2008; Lewin, 1935; Rose & Campbell, 2004). Therefore, narcissists focus on the positives, rather than the negatives of their own decisions, because they have a heightened sensitivity to rewards, coupled with a muted sensitivity to punishment (Foster & Trimm, 2008). It is suggested that narcissists seek out a public stage to showcase their capabilities (Wallace & Baumeister, 2002), and in that public setting, at least at first, they shine and are recognized by team members and experts as the best leaders (Back et al., 2010; Nevicka, Ten Velden, et al., 2011; Schnure, 2010). At the CEO level, this sub-element can manifest in strategic sensationalism (e.g., impulsive, attention-grabbing acquisitions) versus strategic conservatism (i.e., incremental improvements; Ouimet, 2010).

The third of the five fundamental narcissistic quality sub-elements is a *general desire for self-esteem*. A general desire for self-esteem results in the narcissist desiring to receive positive attention. When people meet narcissists, they often have very positive interactions. Upon first acquaintance, narcissists are agreeable, entertaining, and competent (Paulhus, 1998), as well as attractive and likeable (Oltmanns et al., 2004). Dressing well and using charming facial expressions, self-confident body movement, and humor all help the narcissist make a positive first impression (Back et al., 2010). Further,

narcissists are usually seen in a positive light by their peers and superiors (Brunell et al., 2008; Judge et al., 2006). They are good at marketing their ideas (Goncalo et al., 2010). For these reasons, narcissism is linked to high self-esteem, greater happiness, and good psychological health (Rose, 2002; Sedikides et al., 2004). In fact, it has been suggested that it feels good to be a narcissist (Rose & Campbell, 2004).

The fourth of the five fundamental narcissistic quality sub-elements is a sense of *entitlement*. A sense of entitlement results in aggressive, exploitative, and superiority behaviors; aggressiveness, however, can be perceived as assertiveness and is valued in leaders (Reidy et al., 2008). Exploitativeness can be perceived as resourcefulness or cunning in strategic leaders. Finally, superiority behaviors are linked to dominance behaviors. Any one of these behaviors can lead to leadership emergence (Judge et al., 2006; Ouimet, 2010; Paunonen et al., 2006). Kernberg (1979), one of the first scholars to broach the topic of narcissism and leadership, theorized that narcissists are more likely to seek and obtain leadership positions. Since his studies, it has been observed that narcissists share a number of traits with successful leaders (Hogan & Fico, 2011).

The fifth of the five fundamental narcissistic quality sub-elements is *an inflated self-view*. An inflated self-view can also result in leadership emergence (Ouimet, 2010). As has been discussed, narcissists share a number of traits (e.g., self-confidence) with successful leaders (Hogan & Fico, 2011). In addition, Smith and Foti (1998) conducted a study which found that the leadership attributes of dominance, self-efficacy, and general intelligence were associated with a general leadership impression. Narcissists tend to be dominant, have high self-efficacy, and can be extroverted (Ensari et al., 2011; Judge et al., 2002). Extroverts are often perceived as intelligent (Christopher & Schlenker, 2000;

Roberts, 2002). Further, given the relationship of narcissism with dominance, self-efficacy, and extraversion, it is understandable that individuals or groups would perceive narcissists as leaders. Additionally, Maccoby (2003) lists visioning, risk-taking, passion, charisma, learning, perseverance, and a sense of humor as traits of narcissists that are consistent with positive attributes of leadership.

A narcissist draws on the motivations of these five fundamental narcissistic quality sub-elements to build skills and develop strategies. If the narcissist has the necessary skills and uses the right strategies for the social environment, he or she achieves a level of narcissistic esteem and feels good (Campbell & Foster, 2007; Morf & Rhodewalt, 2001; Vazire & Funder, 2006). Thus, the five narcissistic fundamental quality sub-elements drive narcissistic behaviors to achieve narcissistic esteem and act as a narcissist's underlying motivational engine. Each of the five narcissistic fundamental quality sub-elements can also be a desirable CEO motivation.

Thus, certain firm performance, environmental conditions, or a combination of firm performance and environmental conditions could result in the board selecting a strategy which is best addressed with a CEO who behaves in a highly narcissistic manner. Research suggests that when an individual is placed in a job that aligns with their personality traits, the person performs better (Hogan & Holland, 2003). For example, extraversion is more strongly related to individual job performance in sales and managerial jobs (Barrick & Mount, 1991; Mount et al., 1998). At the CEO level, where charisma, extraversion, self-absorption, or self-importance may be desirable characteristics, individuals with higher levels of narcissism may thrive (Robins & Paulhus, 2001). Further, individuals with higher levels of narcissism are likely to be

better leaders when their personal goals are aligned with their followers' goals, as well as the goals of the organization. When these goals converge, the efforts of the individual with higher levels of narcissism and the organization are likely to converge productively when it comes to tasks, effort, and objectives (Hogan & Fico, 2011).

This has led scholars to suggest that there are times when individuals with higher levels of narcissism can be effective leaders (Glad & Whitmore, 1991; Robins & Paulhus, 2001). For example, in times of crisis and instability, displays of self-confidence and reassuring rhetoric can calm anxious stakeholders and create a path for the emergence of a leader with higher levels of narcissism. The leader with a higher level of narcissism feeds off the uncertainty and draws followers to the promise of being delivered from a crisis (Padilla et al., 2007; Rosenthal & Pittinsky, 2006). Some scholars have gone so far as to suggest that in extreme times of crisis, leadership that provides motivation and direction for the organization can be more beneficial than the potential harm caused by a leader with higher levels of narcissism. These profound times of crisis include war, crises of national unity, and economic depression. Therefore, in the business context, individuals with higher levels of narcissism can provide a key unit-building and hope-building role (Maccoby, 2007; Post & George, 2004).

Similarly, individuals with higher levels of narcissism may emerge and flourish when new order needs to be established. Individuals with higher levels of narcissism are more likely to assert their opinions in group discussions and are confident in their ability to acquire and exercise power (Brunell et al., 2008). They are also quick to make decisions, are willing to take risks, have a vision, care little about negative consequences, and have a desire to be in charge (Maccoby, 2000). However, individuals with higher

levels of narcissism may also be unable to maintain the necessary stability once the organization establishes new order. While leaders with higher levels of narcissism may thrive in chaotic times, they may seem out of place during more tranquil times (Maccoby, 2000). Thus, a temporary or short-term need may be better suited for a leader with higher levels of narcissism.

3.3 Hypothesis Development

3.3.1 Firm performance

3.3.1.1 Poor firm performance requires a turnaround

Firm financial performance is often measured in terms of profits, return on assets, return on investment, and total shareholder return, as well as product market performance, including sales and market share (Richard, Devinney, Yip, & Johnson, 2009). Low firm performance typically calls for some type of change (Hannan & Freeman, 1984). Indeed, low firm performance has been linked to subsequent organizational change (Haveman, 1992), including strategic re-orientation (Tushman & Rosenkopf, 1996) and CEO succession (Friedman & Singh, 1989). To improve firm performance, boards may seek to hire a CEO that brings a different set of knowledge, skills, abilities, and other characteristics to the firm (Friedman & Singh, 1989) and to provide the new CEO with a mandate for change.

When the board gives a new CEO a mandate to change the organization, the CEO is motivated to achieve said mandate, particularly at the start of his or her tenure (Fukutomi, 1991). CEOs can be very confident, and at times, somewhat overconfident (Goel & Thakor, 2008). When a confident CEO takes office, they have the belief that the changes they make will take effect and make a difference on performance (Judge et al.,

2006). Also, when financial incentives are aligned with strategic objectives, CEOs behave in a manner which helps achieve financial objectives, thereby resulting in increased performance (Hou, Priem, & Goranova, 2014; Nyberg, Fulmer, Gerhart, & Carpenter, 2010). Even if the CEO acts in self-interest, if the CEO's preferences and actions are aligned with the board's, the net result will be actions that are consistent with both the CEO's and the board's desires (Nyberg et al., 2010). Tools the new CEO can use to create change include strategic reorientation (Tushman & Rosenkopf, 1996), change in the top management team (Barron et al., 2011), innovation (Christensen, 2016), and risk-taking (Sharpe, 1964; Wright, Kroll, Krug, & Pettus, 2007).

Individuals with higher levels of narcissism exhibit several characteristics that could lead boards to believe hiring a CEO with higher levels of narcissism would improve firm performance. The evidence suggests that CEOs with higher levels of narcissism would be valuable to entrepreneurial endeavors or companies that need innovation, as individuals with higher levels of narcissism possess larger entrepreneurial orientations and are more likely to pursue a bold vision (Galvin et al., 2010; Wales, Patel, & Lumpkin, 2013). Recent evidence also suggests that CEOs with higher levels of narcissism have a positive effect on stock price and earnings per share (Olsen et al., 2014). In addition, CEOs with higher levels of narcissism spend more money on corporate social responsibility (Petrenko et al., 2015), and CEOs with higher levels of narcissism have been linked to strategic sensationalism (Ouimet, 2010). Additionally, the attributes of hope, optimism, and resilience have been linked to individual performance and are also linked to narcissism (Peterson, Walumbwa, Byron, & Myrowitz, 2008).

With this list of potential positive outcomes, a CEO with higher levels of narcissism may be believed to have the ability to improve firm performance through change innovation, risk-taking, and sending positive market signals. Yet narcissism is also associated with negative outcomes, such as performance volatility, increased accounting and audit fees, and damaged personal relationships (Chatterjee & Hambrick, 2007; Grijalva & Harms, 2014; Judd, Olsen, & Stekelberg, 2015). However, when the benefits outweigh the costs, a board may still select a narcissist. I will discuss the tradeoffs with the potential negative outcomes of narcissism in hypotheses four and five. I now explore change, innovation, risk-taking, and sending positive market signals in detail.

3.3.1.2 Change

A board may select a CEO with higher levels of narcissism when the board believes change is necessary. Creating change requires a leader who can be persuasive (Beyer & Browning, 1999). The narcissistic traits of dominance, high-self efficacy, extroversion, self-confidence, and an ability to make quick decisions can create a strong change leadership persona (Conger, 1999). Such a persona can be especially desirable when the change required is more important than any potential damage to personal relationships, such as when a top management team needs reconfiguration (Barron et al., 2011). From an agency theory perspective, the CEO with higher levels of narcissism becomes the proxy for change within the firm because the principal cannot see within the day-to-day operations of the firm. Indeed, there is evidence narcissism is also positively correlated with implementing change, managing individual performance, better presentation skills, and more effective work skills, all traits associated with leadership

(Hogan & Fico, 2011). The visionary and charismatic nature of highly narcissistic leaders makes them more adept at motivating an organization to change (Galvin et al., 2010; Grijalva & Harms, 2014). Together with a competitive nature and a desire to look good (Campbell, 1999; Raskin & Hall, 1979), a narcissistic leader with a mandate for change will make changes to the organizational strategy and operations.

3.3.1.3 Innovation

One benefit of a CEO with higher levels of narcissism which can have positive effects both short-term and long-term is innovation. In the case of innovation, the board may hire a CEO with higher levels of narcissism because the board is willing to take a risk in order to hire someone who might know how to innovate. Such a tactic is seen when boards hire outsiders to create strategic reorientation (Lant et al., 1992). This may also be the case with innovation. The board may not know how to innovate or convey innovation throughout the organization, and CEOs with higher levels of narcissism can be good at innovation. CEOs with higher levels of narcissism can have a bold vision, which vision is linked to innovation through transformational leadership (Galvin et al., 2010). Similarly, CEOs with higher levels of narcissism are overconfident, and overconfidence has been linked to increased research and development spending; such increased research and development spending can also result in innovation (Galasso & Simcoe, 2011). Finally, Miller, Kets de Vries, and Toulouse (1982) linked locus of control to innovation, and individuals with higher levels of narcissism have been linked to high self-efficacy (Brookes, 2015).

3.3.1.4 Risk-taking

When boards desire an agent to take risks, hiring a CEO with higher levels of narcissism can meet those requirements. A key tension in the principal-agent relationship is that of risk-taking. In order to achieve growth, some level of risk must be taken (Sharpe, 1964; Wright et al., 2007). Following the agency theory assumption that the agent is self-interested and motivated to keep their job, the agent traditionally wants to minimize risk. In order to increase the likelihood that the agent will seek higher risk opportunities, the principal can either increase the rewards associated with risk-taking (e.g., stock options) or increase the amount of monitoring and corrective feedback provided to the agent. However, monitoring can be problematic because of its costs and difficulty (Eisenhardt, 1989; Jensen & Meckling, 1976). Therefore, if a board desires riskier strategies, it needs to either motivate an agent to take risks or identify an agent that naturally wants to take risks.

Individuals with higher levels of narcissism are inclined toward greater risk-taking and are more responsive than others when it comes to risk-taking incentives (Krenn, 2013). The overconfidence of such an individual encourages them to take on risky challenges and pursue the end result vigorously, particularly if the end result is lucrative (Dworkis, 2013; Macenczak, Campbell, Henley, & Campbell, 2016). Indeed, individuals with higher levels of narcissism take bold risks and are relentless in pursuit of their goals (Maccoby, 2000; Paulhus & Williams, 2002; Rosenthal & Pittinsky, 2006). In certain circumstances, individuals with higher levels of narcissism may even be willing to bend rules to get what they want (Behary, 2013). In this way, individuals with higher levels of narcissism challenge the traditional view of agents as more risk-averse than their

principals. When a board needs a risky decision within a short time frame, a CEO candidate with higher levels of narcissism may be a good fit.

Hiring a CEO with higher levels of narcissism also mitigates board liability in the event that the CEO fails to achieve the desired results. In a risk-taking situation, the board can be held accountable for poor firm performance. For example, when there is disclosure fraud, investors can sue directors directly (Brochet & Srinivasan, 2014). If financial performance is low, board members could be voted off the board or replaced by activist investors. Therefore, it is in the board's best interest to defer blame upon failure and create a scapegoat (Boeker, 1992)—in essence, shifting accountability to the agent. In this way, if the agent fails, the board can dismiss the agent. In the case of a CEO with higher levels of narcissism, his or her narcissistic behaviors become visible reasons the board can use to publicly justify shifting blame to the scapegoat. This allows the board to take a short-term risk with the possibility of deflecting accountability in the face of failure.

3.3.1.5 Sending positive signals to the market

A CEO with higher levels of narcissism could fulfill the board's needs in situations where charisma, extraversion, self-absorption, or self-importance are important (Robins & Paulhus, 2001). This situation could apply when the firm needs to send positive messages to the market through the CEO's public image. Public image of the CEO has been linked to firm performance in several ways (Cragun et al., 2016); thus, the characteristics of CEO candidates make a difference in CEO selection. For example, factors as seemingly inconsequential as hair color, as well as those more substantial items such as the perceived ability to bring change (i.e., outsider status), have affected boards'

selection decisions (Karaevli & Zajac, 2012; Takeda, Helms, & Romanova, 2006). Individuals with higher levels of narcissism are good at marketing their ideas (Goncalo et al., 2010) and appear more likeable quickly (Oltmanns et al., 2004). Such individuals also like to look and feel good (Rose & Campbell, 2004). Thus, the individual with higher levels of narcissism who is self-motivated to look good and is in the public eye is motivated to bring about a positive public image and portray positive signals to the market. In summary, higher levels of narcissism have been linked to change, innovation, risk-taking, and portraying confidence to the market. Therefore, CEOs with higher levels of narcissism could be attractive to boards which are currently experiencing poor firm performance and are implementing a turnaround strategy.

***Hypothesis 1:** Firm performance is negatively related to the level of narcissism of the selected CEO, such that lower levels of firm performance are related to higher levels of narcissism in the selected CEO.*

3.3.2 Environmental dynamism

While there have been several links between positive firm outcomes of narcissism (Galvin et al., 2010; Olsen et al., 2014; Olsen & Stekelberg, 2016), there have also been several links identified between narcissism and negative outcomes, such as interpersonal relationships with low trust and high conflict and firm performance instability (Chatterjee & Hambrick, 2007; Watson et al., 1984). The links between narcissism and poor interpersonal relationships and performance volatility focus on long-term evaluations. Narcissists can be very likeable in the short run (Oltmanns et al., 2004), and there is evidence emerging of positive financial performance associated with narcissism (Olsen et al., 2014). Thus, the environment and time frame within which a board desires to enjoy

the benefits of a CEO with narcissistic tendencies matters, particularly in circumstances when short and quick decisions are required.

3.3.2.1 Firm performance instability

Chatterjee and Hambrick (2007) found that a CEO's level of narcissism predicts the size of acquisitions and the volatility of return on assets and total shareholder returns. While they found no direct evidence of a positive or negative relationship with firm performance, volatility can be considered undesirable (Amit & Wernerfelt, 1990). One potential reason for this volatility stems from the idea that individuals with higher levels of narcissism are impulsive because they are both aggressive and lack the ability to delay gratification (Vazire & Funder, 2006). Individuals with higher levels of narcissism have inflated self-views and tend to think they are better at making decisions than others. Thus, they rarely learn from their mistakes (Campbell et al., 2004, 2000). Although individuals with higher levels of narcissism come across as enthusiastic and personable, they also overstate their individual performance, and when pressed for details, they defend their answers and assertions aggressively (Back et al., 2010; Brunell et al., 2008; Nevicka, de Hoogh, et al., 2011).

3.3.2.2 Short-term perspective

A short-term perspective can be more advantageous to a firm than a long-term strategic perspective if long-term relationships are not needed or short-term strategic needs outweigh the ability to wait for potential long-term payoffs (Barney, Ketchen, & Wright, 2011; Helfat & Martin, 2015; Peteraf & Barney, 2003). For example, Fudenberg, Holmstrom, & Milgrom (1990) found that long-term relationships are only necessary

when information is asymmetrical and there are no delayed financial incentives. Also, leadership can be focused on the short-term if it is transitional (Farquhar, 1995).

Narcissism has been linked to a decreased ability to maintain relationships (Grijalva & Harms, 2014). Individuals with higher levels of narcissism typically have low intimacy striving, are generally blind to others' perspectives, and lack empathy (Carroll, 1987; Watson et al., 1984), which results in a general lack of consideration for others (Resick et al., 2009). Also, individuals with higher levels of narcissism rarely forgive others (Eaton et al., 2006; Strelan, 2007) and can seek revenge (Brown, 2004). Further, since individuals with higher levels of narcissism can be hypersensitive to criticism (Barry et al., 2009; Reidy et al., 2008), they tend to intellectually inhibit their subordinates (Glad, 2002; Rosenthal & Pittinsky, 2006). This pattern of difficulty maintaining relationships interferes with positive interactions between the individual with higher levels of narcissism as a leader and his or her subordinates (Graen & Uhl-Bien, 1995).

However, the tendency of individuals with higher levels of narcissism to have poor relationships may matter less at the top of an organization (Galvin et al., 2010; Waldman & Ramírez, 2001), resulting in a debate as to whether narcissism always results in poor perceptions of the supervisor. For example, Judge et al. (2006) found a significant positive relationship between narcissism and supervisor-related effectiveness. Perhaps at varying levels of the organization, perceptions are different. At the top of an organization, there may be less need for direct interaction between the CEO and the top management team, or the CEO and the lower levels in the organization, when compared to the need for direct interaction between leaders and their subordinates at lower levels in an

organization. This debate aligns with the thinking of Kets de Vries et al. (1985) in what is considered the seminal work on leadership and narcissism, in which they theorized that leaders with higher levels of narcissism can be self-deceptive but can also be constructive.

From a strategic perspective, a short-term perspective may be more advantageous when the performance time frame is either short-term or part of a tournament situation wherein winning the tournament will knock competitors out of the competition (Connelly, Tihanyi, Crook, & Gangloff, 2013; Garrett & Gopalakrishna, 2010). In such cases, the need for short-term performance could be fulfilled by an individual with higher levels of narcissism. Such an individual's drive for status and power, coupled with his or her need to control without feeling guilty (Bradlee & Emmons, 1992), creates a strong motivation for short-term results without worrying about long-term consequences.

The traditional theoretical strategic perspective maintains that extended firm performance is due to strategies that focus on long-term goals, rather than short-term gains (Barney, 1991; Poujol & Tanner, 2010). However, there is a growing perspective that short-term advantages can lead to long-term firm performance (Barney et al., 2011; Peteraf & Barney, 2003), particularly if the firm is able to adapt rapidly to environmental conditions (Helfat & Martin, 2015). Indeed, from this alternate perspective, strategy is merely a series of short-term decisions (Mitchell, 1991; Narasimhan & Zhang, 2000; Robinson, Fornell, & Sullivan, 1992). Therefore, when the environment rewards the first mover/entrant, short-term strategic thinking can be advantageous. A dynamic environment may have the conditions necessary to reward quicker short-term decisions.

3.3.2.3 *Environmental dynamism*

Environmental dynamism (i.e., uncertainty and turbulence in the market) creates ambiguity and increases risk (Dess & Beard, 1984). Simerly and Li (2000: 38) state, “as environmental dynamism increases, it will result in actors’ increased inability to assess accurately both the present and the future state of the environment.” Such ambiguity in the state of the environment limits the ability of market actors to determine the potential impact of decision-making on current and future business activities and limits viable alternatives which managers can pursue (Milliken, 1987). Thus, high environmental dynamism creates a situation wherein a firm needs a CEO that can effectively lead and make decisions in adverse situations.

To remedy the difficulty of high environmental dynamism, boards can select CEOs who have a vision, are innovative, make decisions quickly, and are risk-tolerant. Vision can help an organization transcend turbulence by providing strategic direction and helping the organization adapt to change (Fitzgerald, 1987; Tushman & O’Reilly III, 1996). Managers must be able to develop creative and innovative strategies to deal with unforeseen challenges (D’Aveni, 1994; Thompson, 1967). Further, when contextual change is fundamental and discontinuous, reorientations that make significant organizational or strategic changes or that require entirely novel solutions to beat out competitors’ operations and strategies often prove more beneficial for a firm’s competitive advantage than local adaptations from within the current set of available actions (Levinthal, 2000, 1997; Sørensen & Stuart, 2000). Also, firms can create additional barriers to imitation by creating more competitive uncertainty through the use of novel and creative strategies (Grimm & Smith, 1997; Hamel & Prahalad, 1996, 1998).

Thus, innovation is not only a way to survive the uncertainty and turbulence, but it is also a formidable tool for destabilizing the competition.

Market unpredictability results in few market signals that managers can reliably interpret, and therefore requires that managers make quick decisions on future business with limited information (Mason, 2007; Milliken, 1987). Agency theory supports the notion that a board would select a CEO that is risk-tolerant in such a dynamic environment. As boards pursue riskier strategies, they need agents who are willing to take on more risk (Jensen & Meckling, 1976). Taking on more risk is something a CEO with higher levels of narcissism would be capable of doing, as highly narcissistic individuals have higher self-efficacy and self-esteem (Rose & Campbell, 2004). These traits are associated with locus of control and neuroticism (Judge, Locke, Durham, & Kluger, 1998), and CEOs with a high internal locus of control are more likely to take on riskier strategies (Miller et al., 1982). Thus, a turbulent environment warrants the selection of a CEO who can set direction and take decisive action (see Halebian & Finkelstein, 1993 for an exception), and a board of directors is more likely to select an individual with the personality attributes associated with narcissism when the firm is in a dynamic environment (see Figure 3.1).

***Hypothesis 2:** Environmental dynamism is positively related to the level of narcissism of the selected CEO, such that in environments with higher levels of dynamism, CEOs are selected with higher levels of narcissism.*

3.3.3 Environmental munificence

Environmental munificence is “the scarcity or abundance of critical resources needed by (one or more) firms operating within an environment” (Castrogiovanni, 1991,

p. 542). Environments high in munificence have more resources to utilize; thus, environments with high versus low munificence can be substantially different (Rajagopalan, Rasheed, & Datta, 1993). In particular, environments low in munificence place increased importance on effective resource management, as resources may not be accessible when needed. Therefore, skills in selecting and/or developing resources are increasingly important to firm success in a low munificent environment. However, in environments with more resources to utilize (high munificence), there is reduced risk with regard to poor decision-making. The increased level of resources allows for resources to be diverted in order to overcome or mitigate a poor decision, and because more resources are available for future investment, the consequences of a failed decision are diminished. Since environments vary in their degree of munificence, and because these conditions affect the potential value of a firm's resources and capabilities, value creation based on resource management is contingent (at least partially) on a firm's external environment (e.g., Castrogiovanni, 1991).

In addition, environmental munificence is positively related to new strategy implementation (Brittain et al., 1981; Lieberman & Connor, 2017; Tushman & Anderson, 1986). When resources are abundant, it is easier for firms to survive, and therefore, firms become able to extend effort to obtain goals other than mere survival (Castrogiovanni, 1991). For example, Brittain and Freeman (1981) found that with increased munificence, organizational diversity also increased. They postulated this was possible because survival was achievable under alternative goals, strategies, and/or organizational structures. Therefore, munificence increases the diversity of organizations, as well as the likelihood of achieving grandiose goals (Brittain et al., 1981). With higher munificence, a

CEO with higher levels of narcissism has more resources to accomplish their grandiose goals and innovative ideas; therefore, the CEO candidate with higher levels of narcissism would be a more attractive candidate to the board. In order to lead a firm in such a resource-rich environment, the board needs a leader who is innovative, willing to be competitive (even at the risk of alienating other industry members), and willing to challenge or bypass traditional norms. Such traits allow for rapid development of new market opportunities.

On the other hand, there are various reasons a board might prefer a less narcissistic CEO during times of high munificence. Less narcissistic leaders may be less charismatic and less innovative, resulting in a more pragmatic and potentially systematic approach to growth (Ren, Xie, & Krabbendam, 2009). In times of high munificence, while non-traditional strategies and products will be more successful, boards also understand the importance of strategic focus, and they may want the CEO to focus more resources on a core strategy. In addition, even though medium risk efforts could be successful, when the environment changes from high munificence to low munificence, those gains could be lost (Erickson & Jacoby, 2003). It is also more likely for traditional leaders in a high munificence environment to take more risks situationally (Klein, 1990).

However, in situations of abundance, if the market contracts, firms that have not taken aggressive actions may lose crucial opportunities. In essence, endeavors that do not achieve grandiose objectives will only achieve competitive parity, and in the face of growth, firms are judged relative to their competitors. Therefore, those that perform better are rewarded at a faster rate, while those that have grown fast, but not as fast as their competitors, will fall behind the competition, despite the speed of their initial

growth. Therefore, boards who make more aggressive moves will be rewarded with more long-term financial and performance gains (Klein, 1990).

***Hypothesis 3:** Environmental munificence is positively related to the level of narcissism of the selected CEO, such that environments with high levels of munificence are related to the selection of CEOs with higher levels of narcissism.*

3.3.4 Interactions of environmental dynamism and munificence with firm performance

In Hypothesis 1, I predict that firm performance is negatively related to the selection of CEOs with higher levels of narcissism. In Hypothesis 2, I predict that market dynamism increases the likelihood of a more narcissistic CEO selection. Additionally, good firm performance is associated with less change (Boeker, 1997b), less CEO turnover (Osborn et al., 1981), and insider succession (Brady & Helmich, 1984; Friedman & Saul, 1991). Insider succession is also associated with less change (Barron et al., 2011; Lant et al., 1992). This suggests that firms that are performing well believe they possess the leadership *recipe* for success, meaning their current CEO or an internally developed CEO will have the best characteristics for the job. Therefore, even in a dynamic time, companies that are performing well would still be more likely to believe they have the strategy, leadership, resources, and capability to execute the strategy to succeed (i.e., the *recipe* for continued success).

Another perspective to consider is the time order of events. When considering the time order of events of CEO selection, it must be recognized that a firm has ongoing operations and performance outcomes, even when a CEO exit occurs. A CEO exit can be voluntary or involuntary. An involuntary exit is usually associated with CEO dismissal for poor performance (Cragun et al., 2016). At the point the CEO decides he or she will

leave voluntarily or the board decides to forcefully remove the CEO, a CEO selection process begins. With the exception of the use of interim CEOs, the successor CEO takes office within days of the former CEO's exit. Although the formal announcement of the departure of the exiting CEO and the entrance of the new CEO may happen within a short time frame, much planning and decision-making is conducted by the board. Such planning can happen many months before exit and selection. Therefore, from a time order of events perspective, the performance situation is considered before the CEO successor selection and many times before the sitting CEO exits. One exception to this situation may be when the previous CEO initiated too much change. In this situation, the board may not provide the CEO with a mandate for change (Bowman, 1980; Fiegenbaum & Thomas, 1988).

Consider two differing CEO succession scenarios from a time order of events perspective: one with poor firm performance and one without. Poor firm performance is associated with CEO dismissal and outsider CEO selection, indicating a desire for a strategic shift (Boeker, 1992; Dalton & Kesner, 1985). Therefore, a board that desires strategic shift would be more likely to consider someone with different or extreme personality traits because they are looking for someone who thinks differently and will challenge the status quo. When one applies the environmental situation (e.g., environmental dynamism) to the decision-making criteria, the board may further examine which traits are best suited to address the environmental conditions. In the case of environmental dynamism, higher levels of dynamism suggest the hiring of a CEO with higher levels of narcissism. Thus, the combination of poor firm performance and dynamism increases the likelihood of selecting a CEO with higher levels of narcissism.

On the other hand, if a firm is performing well, succession is more closely linked with retirement or unexpected succession, such as the CEO being recruited to a different firm, death or illness. In the good firm performance scenario, the board would not consider a CEO with a differing or extreme set of behaviors because they are already satisfied with their current firm performance. The next step would be to consider the environment. However, when firm performance is strong, the likelihood of selecting a CEO who will create change decreases, thus decreasing the likelihood of selecting an individual with higher levels of narcissism. Therefore, because firm performance precedes consideration of environmental circumstances, good firm performance would attenuate the weight of any environmental factors considerations.

***Hypothesis 4:** Environmental dynamism attenuates the negative relationship between firm performance and the level of narcissism of the selected CEO, such that when environmental dynamism is low and firm performance is low, there is a weaker negative relationship between firm performance and the selection of a CEO with higher levels of narcissism.*

In Hypothesis 1, I predict firm performance is negatively related to the level of narcissism of the selected CEO. In Hypothesis 3, I predict that market munificence increases the likelihood of selecting a CEO with higher levels of narcissism. As discussed in Hypothesis 4, following a temporal perspective, when a firm is performing well, there is a reduced need for change. They already feel they have a recipe for success, thus decreasing the need for change.

***Hypothesis 5:** Environmental munificence attenuates the negative relationship between firm performance and the level of narcissism of the selected CEO, such*

that when environmental munificence is low and firm performance is low, there is a weaker negative relationship between firm performance and the selection of a CEO with higher levels of narcissism.

3.3.5 Level of narcissism of the newly selected CEO model

These five hypotheses build the following model for predicting the level of narcissism of newly-selected CEOs: firm performance is negatively associated with the level of narcissism of newly-selected CEOs; environmental dynamism and munificence are positively associated with the level of narcissism of newly-selected CEOs; and, in the presence of either environmental dynamism or munificence, the negative relationship between firm performance and the level of narcissism of a newly-selected CEO is attenuated (see Figure 3.2).

3.4 Methods

3.4.1 Sample

The data used in this study were obtained from multiple sources. Publicly available data was gathered from Compustat, GMI, Execucomp, EDGAR, and Factiva. This includes proxy statements, annual reports, press releases, and *Wall Street Journal* articles. This study also uses data gathered through the 2016 Annual Survey of Chief Human Resource Officers conducted by the University of South Carolina's Center for Executive Succession. The survey was administered in the 2nd quarter of 2016. Invitations to participate in the survey were emailed to individuals who held the most senior HR role in their firms (e.g., Chief Human Resource Officers) in 773 companies. All of the 2016 Fortune 500 companies were included, as well as members of the Human Resource

Professional Association. A total of 148 usable responses were received (a 19% response rate).

To be included in the analysis, each firm had to be publicly traded and headquartered in the United States. In addition, each firm was required to provide at least 5 years of data prior to the CEO ascension. I used five years in order to capture a longer term perspective on the company's performance and the potential industry effect on CEO dismissal (Jenter & Kanaan, 2015), since CEO succession is less sensitive to short-term performance (one or two years) than to long-term performance (Boeker, 1992; Fredrickson, Hambrick, & Baumrin, 1988; Gao et al., 2017). In addition, the CEO had to have at least two years of tenure and could not be the first CEO of the firm. Two years of tenure were required to make sure that the annual reports used in the measure of narcissism included only results within the tenure of the CEO being studied. Private companies do not disclose sufficient data to calculate firm performance. CEOs of corporations registered in the US which are subsidiaries of non-US companies do not fit the definition of the CEO we are studying. It is also insufficient to merely have the title of CEO; the CEO must also be the highest-ranking employee in the organization. CEOs who report to a higher-level authority other than the board of directors do not fit this definition. Therefore, the final sample consisted of 73 usable observations.

3.4.2 Measures

3.4.2.1 CEO narcissism

The CEOs' level of narcissism was measured in 2 ways: subjectively (observed-narcissism), through a modified version of the narcissistic personality inventory (NPI) scale (Raskin & Hall, 1979; Raskin & Terry, 1988), and unobtrusively (unobtrusive-

narcissism), through a measure created by Chatterjee and Hambrick (2007), which includes a set of four unobtrusive measures. The intent of the study was to create a composite measure of narcissism using both methods. However, due to reliability issues, it was not possible to combine the measures, and I rely solely on observed narcissism. I now explain each measure and how I came to this decision.

3.4.2.2 Observed-narcissism

The NPI is the most-widely used measure of narcissism (Ames, Rose, & Anderson, 2006). Raskin and Hall (1979) developed the NPI to measure individual differences in narcissism in non-clinical populations. They began with 220 items and ultimately reduced the survey to 80 items (The NPI-80). Raskin and Hall (1981) performed a construct validity study of the 80 items and further reduced them to 54 items, later reducing the number even further to 40 (i.e., the NPI-40). In addition to the NPI-40, a 21 item (NPI-21), a 16 item (NPI-16), and a 13 item (NPI-13) survey have been developed and validated (Gentile et al., 2013; Svindseth, Nøttestad, Wallin, Roaldset, & Dahl, 2008). The NPI has been validated for forced choice pair and Likert style responses and has been validated for both self-report and third-party reporting (Boldero, Bell, & Davies, 2015). I use a seven-point Likert scale, following Resick et al. (2009). In this study, I use the NPI-13 (Gentile et al., 2013) and drop three of the questions. The three items that I dropped were “I like to look at my body,” “I like to display my body,” and “I like to look at myself in the mirror.” The reason these three items were dropped is that these questions stood out as disrespectful and inappropriate to ask seasoned executives, and I was unable to generate alternative wording which was more appropriate.

One of the challenges in studying narcissism at the executive level is the reluctance of executives to be honest when completing self-report questionnaires. One way to improve results is to use direct third-party observation. Third-party ratings have been shown to provide higher operational validities of personality traits when compared to self-reports (Oh, Wang, & Mount, 2011) and have less inflation of responses than self-reports (Van Iddekinge, Raymark, & Roth, 2005) because third-party observers can have unfiltered perspectives on the target's personality traits (Connelly & Hülshager, 2012). Hence, because the most senior HR individual answered the questions about the CEO in the survey, the items were reworded to be observer-based, rather than self-report (see Appendix B for the full list of questions). To create observed-narcissism, I created an average of the 10 sub-items.

3.4.2.3 Unobtrusive-narcissism

Chatterjee and Hambrick (2007) spurred a new wave of narcissism research in the strategic management literature by introducing a new unobtrusive measure of narcissism. I call this measure unobtrusive-narcissism. Chatterjee and Hambrick (2007) created the measure to overcome the difficulty associated with convincing executives to fill out self-report measures (Cycyota & Harrison, 2006). Their original measure had five items.

The first item was the prominence of the CEO's photograph in the firm's annual report. It was scored based on the amount of space dedicated to the photograph as compared to the page size, along with whether or not the CEO was pictured alone. The amount of space represents the CEO's desire to be the center of attention, admire him or herself, and represents his or her sense of grandiosity. The picture was scored four if the CEO's picture was larger than half of the page vertically or horizontally and was pictured

alone. The picture was scored three if the CEO's picture was smaller than half of the page vertically or horizontally and was pictured alone. The picture was scored two if the CEO was pictured with others, regardless of size. The picture was scored one if there was no picture in the annual report. The picture was scored zero if there was no annual report. For example, this would occur when the company solely had a 10-k.

The second item was the CEO's prominence in the firm's press releases. The third item was the CEO's use of first-person singular pronouns in interviews with the *Wall Street Journal*. The fourth item was the CEO's cash compensation divided by that of the second-highest paid executive in the firm. The fifth item was the CEO's non-cash compensation divided by that of the second-highest-paid executive in the firm.

In 2011, Chatterjee and Hambrick modified their measure and dropped the measure of personal pronoun use during interviews, due to lack of reliability in their sample. Additionally, the text analysis of personal pronoun use by the CEO during interviews as a measure of narcissism has been challenged as unreliable (Carey et al., 2015). Therefore, I do not use the measure of personal pronoun use. To create the unobtrusive measure of narcissism, I used the average z-score of each sub-item.

3.4.2.4 Reliability of the subjective and unobtrusive measures of narcissism

The Cronbach's Alpha of the 10 items from the subjective measure of narcissism was 0.81, which is above the recommended 0.70 for demonstrating adequate reliability (Cronbach, 1951). The reliability of the four measures of unobtrusive narcissism was .28, below the level of recommended reliability (Cronbach, 1951). This was not unexpected after reviewing the pairwise Pearson correlations (Table 3.1), which range from .04 to .13, with the exception of the correlation between base and bonus pay differential, which

was .46. Additionally, the correlations of the four unobtrusive measures of narcissism were not in line with the results of Chatterjee and Hambrick (2007; 2011). Therefore, due to reliability issues, I solely use the subjective measure of narcissism.

3.4.2.5 Firm performance

Firm performance is operationalized as the average Tobin's Q value of the five years prior to the CEO succession (Iyengar & Zampelli, 2009). Tobin's Q represents the ratio of the market value of the firm's assets to the replacement costs of its assets. I selected Tobin's Q because it is widely used in the strategy literature and is a market-based performance measure that emphasizes financial performance of firms which have differing levels of resources available to them (Wernerfelt & Montgomery, 1988). From WRDS I used the following data to calculate Tobin's Q $[(csho * prcc_f) + (pstkl) + (lctact + dlct)] / at$ — which is, $[(\text{Common Shares Outstanding} * \text{'Price Close - Annual - Fiscal'}) + (\text{Preferred Stock Liquidating Value}) + (\text{'Current Liabilities - Total'} - \text{'Current Assets - Total'} + \text{Debt Long Term Total})] / \text{Assets Total}$. To allow a robustness check, I also measured the five-year average of the firm's return on assets adjusted by the industry median value, following the procedures laid out by Wiersema and Zhang (2011).

3.4.2.6 Environmental dynamism

Environmental dynamism is operationalized by regressing the average revenue for each two digit SIC industry code over the five years prior to succession and then dividing the standard error by the average revenue for each two digit SIC code, following Keats and Hitt (1988). Clarke (1989) provides support for the use of two-digit industry analysis. His findings suggest that three-digit or four-digit SIC groupings do not capture firm similarity any better than the two-digit identification with respect to sales changes, profit

margins, or stock returns. This method of calculating dynamism assures that the indicator does not primarily reflect steady growth or predictable cyclicity and instead focuses on volatility and discontinuities (Aldrich, 1979; Dess & Beard, 1984; Keats & Hitt, 1988).

3.4.2.7 *Environmental munificence*

Environmental munificence is operationalized by regressing the average revenue for each two-digit SIC industry code over the five years prior to succession and then dividing the beta coefficient by the average revenue for each two-digit SIC code, following Keats and Hitt (1988). This method of calculating munificence assures that it reflects growth and accounts for the environmental resources which support it (Aldrich, 1979; Dess & Beard, 1984; Keats & Hitt, 1988).

3.4.2.8 *Control variables*

I gathered from publicly available data sources and include control variables that previous literature identifies as related to or influencing CEO selection outcomes, CEO succession outcomes, or measures of narcissism (Chatterjee & Hambrick, 2007; Intintoli, Zhang, & Davidson, 2014; Petrenko et al., 2015).

First, *board tenure* is operationalized as the average years of experience of the board at the time of the successor CEO's ascension. Boards with differing levels of experience can be more skilled at selecting a CEO (Shen & Cannella, 2002). Therefore, boards with longer tenures may be more adept at identifying and selecting a CEO with higher levels of narcissism. Also, a board with more experience may be better at identifying the strategic needs of the firm (Kosnik, 1987) and likely ideal characteristics for a CEO successor.

Second, *total directorships held by board* is operationalized as the number of different board director positions held by the board in the last five years. Total directorships represent both the experience level of the board and power of the board as compared to the CEO (Ferris & Jagannathan, 2001). A board with more members has greater access to a wide variety of board member experiences. Additionally, the more board directorships the board has, the more ties the board members have with other companies, and when those other companies influence the focal company, the board has more power (Westphal & Fredrickson, 2001). Weak boards have less ability to select the CEO they desire (Boeker, 1992; Zajac & Westphal, 1996), thus affecting the ability of the board to select a CEO with more or fewer narcissistic behaviors.

Third, *CEO age at ascension* is operationalized as the age of the CEO at the time of the CEO's ascension into office. Younger boards are attracted to younger CEOs, and age is associated with innovation (Davidson et al., 2006). Therefore, a board could be biased in selecting a younger CEO, due to the CEO's assumed innovation capabilities or merely because the makeup of the board is of a younger age itself. Since innovation is associated with narcissism (Galvin et al., 2010), age may affect the board's decision.

Fourth, *CEO origin* is operationalized as a dummy code of zero if the CEO came from inside the firm and as one if the CEO came from outside the firm. CEO origin is associated with the manner in which the CEO thinks (Lant et al., 1992). Outsider CEOs are associated with a new way of thinking (Karaevli, 2007). Therefore, boards that are looking for innovation may be biased in selecting outsider CEOs. Since innovation is associated with narcissism (Galvin et al., 2010), CEO origin may affect the board's decision.

Fifth, whether the CEO was the heir apparent (*CEO was heir*) is operationalized as a dummy code of one if the CEO's titles were president or COO prior to ascending to CEO and if the CEO were at least five years younger than their predecessor. Otherwise, it was coded as a zero (Cannella & Shen, 2001). Heir apparent status is associated with CEO power and the ability to affect change in the organization post-ascension (Bigley & Wiersema, 2002). CEOs who were the heir apparent have more power and are more able to affect change post-ascension than those CEOs who were not the heir apparent. Therefore, boards may be biased in selecting heir apparent CEOs when attempting to affect change and innovation.

Sixth, *board size* is operationalized as the total number of sitting board members at the time of CEO ascension. Larger boards can hamper innovation (Raheja, 2005). Therefore, a larger board may be less supportive of the strategic need to hire a CEO that improves innovation, and subsequently may negatively influence the selection of a CEO with higher levels of narcissism.

Seventh, *company size* is operationalized as the total number of employees at the time of CEO ascension. Companies which are of larger size have been shown to have greater inertia and resistance to change (Tushman & Rosenkopf, 1996). Therefore, boards of larger companies may be less inclined than boards of smaller companies to select a CEO with higher levels of narcissism, due to a desire to maintain the status quo. In addition, company size is associated with greater CEO pay, and narcissism is associated with higher pay (O'Reilly, Doerr, Caldwell, & Chatman, 2014). In essence, narcissists may be attracted to larger companies in order to increase their pay.

3.4.3 Analysis

In this study, I use ordinary least squares multiple regression to examine the relationship between variables and to find a model of best fit. Researchers modeling CEO succession/selection have used ordinary least squares regression (e.g., Zajac & Westphal, 1996). In post-hoc analysis, I use logistic regression (in addition to ordinary least squares regression) to predict the selection of a CEO with higher levels of narcissism (Iacobucci, Posavac, Kardes, Schneider, & Popovich, 2015).

3.5 Results

Table 3.2 presents the means, standard deviations, and correlations. Many of the correlations for main effects are small and statistically insignificant. The correlation between narcissism and environmental dynamism is .04 and not statistically significant. The correlation between narcissism and environmental munificence is -0.08 and is not statistically significant. The correlation between Tobin's Q and narcissism is 0.09 and is not statistically significant. Also, the correlation between industry adjusted return on assets is 0.00. These correlations suggest an inconclusive linear relationship between any one variable and narcissism.

Table 3.3 reports the results of the multivariate tests. Model 1 contains only the control variables. None of the control variables except for predecessor tenure were statistically significant, which suggests there is little variance explained of narcissism by the control variables. In Hypothesis 1, I predict firm performance is negatively related to the level of narcissism of the selected CEO. In regards to my prediction in Hypothesis 1, I find no statistical evidence to support the prediction (see Model 2). In Hypothesis 2, I predict environmental dynamism is positively related to the level of narcissism of the

selected CEO. In regards to my prediction in Hypothesis 2, I find no statistical evidence to support the prediction (see Model 3). In Hypothesis 3, I predict environmental munificence is positively related to the level of narcissism of the selected CEO. In regards to my prediction in Hypothesis 3, I find no statistical evidence to support the prediction (see Model 4). In Hypothesis 4, I predict environmental dynamism attenuates the negative relationship between firm performance and the level of narcissism of the selected CEO. In regards to my prediction in Hypothesis 4, I find no statistical evidence to support the prediction (see Model 5). In Hypothesis 5, I predict environmental munificence attenuates the negative relationship between firm performance and the level of narcissism of the selected CEO. In regards to my prediction in Hypothesis 5, I find no statistical evidence to support the prediction (see Model 6).

3.6 Post-hoc Analysis

Post-hoc analysis was conducted using logistic regression but did not yield any meaningful results. Narcissism was measured on a continuum. However, narcissism is more noticeable when the behavior is more pronounced (Raskin & Hall, 1981, 1979), and therefore, I am most interested in the extremes of narcissism. When the extremes of a variable are being investigated, it can be appropriate to examine the variable from a dichotomous perspective (Iacobucci et al., 2015). I dichotomize narcissism by splitting the variable at 4 to capture two groups: a group that was 4 and above and a second group that was 4 and below. The first group (n = 61; scores of 1-3.9) represents extremely low narcissism up through low levels of narcissism, creating a low narcissism group. The second group (n = 12; scores of 4-7) represents *neither high nor low narcissism* through

extremely high narcissism, creating the high narcissism group. After dichotomizing narcissism, I then use a logit regression to attempt to predict high or low narcissism.

The results (see Table 3.4) indicate a statistically significant relationship between two variables and narcissism. The first variable is firm performance as measured by Tobin's Q. The relationship is positive and significant. This is contrary to Hypothesis 1, which predicts a negative relationship between firm performance and the level of the CEO's narcissism. As a measure of robustness, I also included industry adjusted return on assets. The correlation between industry adjusted return on assets and Tobin's Q is .60 (see Table 3.2). This correlation of .60 indicates that we should see a similar result between both Tobin's Q and the level of the CEO's narcissism and industry adjusted return on assets and the level of the CEO's narcissism. However, the relationship between industry adjusted return on assets is statistically significant and negative.

Although the results of the relationship between industry adjusted return on assets the level of the CEO's narcissism is in line with the prediction of Hypothesis 1—a negative relationship between performance and the level of the CEO's narcissism—it is in the opposite direction of the results of the Tobin's Q relationship. Therefore, in the logit regression, the two measures of firm performance indicate different directions between the relationship with the CEO's level of narcissism. Since I have no theoretical reason for why the two measures of performance would have a differing relationship with the CEO's level of narcissism, I cannot interpret the contradictory findings. One possible explanation is simple spuriousness. Between the ex-ante and post-hoc analysis, I built and analyzed over 60 models. Therefore, with a p value of .95, we would expect to see around

one in every twenty predictions statistically significant, or approximately 3 of the models (Liu, 2013). Therefore, the significance may simply be spurious.

A median and mean split was considered, but splitting at mean (3.08) or median (3) on a 7-point scale means that the dichotomized grouping of high narcissism would actually include scores rated as low narcissism. Therefore, a mean or median split is not justified. Another method of splitting the data involves looking at the tails of the distribution (Preacher, MacCallum, Rucker, & Nicewander, 2005); therefore, I split the data and only looked at responses in the top and bottom quartile of the data. Such examination also yielded non-significant statistical results.

Although I found insufficient reliability to justify the use of the unobtrusive measure of narcissism, in post-hoc analysis, I also ran the same series of ordinary least squares regression and still used the unobtrusive measure of narcissism because of its common use in the strategy literature. This method also failed to return statistically significant results for any of my hypotheses (see Table 3.5).

3.7 Discussion

I find no evidence that boards select CEOs with higher levels of narcissism during times of low performance, high environmental dynamism, high environmental munificence, the interaction of performance and environmental dynamism, or the interaction of performance and environmental munificence. This study raises as many questions and implications as it resolves on the issue of the selection of CEOs with higher levels of narcissism. I now address this study's implications for theory, methods, practice, limitations, and future research.

3.7.1 Implications for theory

Although not supported with empirical evidence, from the lens of agency theory, this study advances the notion that there are situations when a board may select a CEO candidate with higher levels of narcissism to reduce agency costs. The traditional assumption in this theory is to assume that the agent is more risk-averse than the principal. However, in the case of narcissism, since narcissists are more risk-tolerant than the general population (Campbell et al., 2004), it is possible that a narcissist may not only be more risk-tolerant than the principal, but he or she may also have predictable behavior. By linking the environmental conditions of dynamism and munificence to the selection of a more risk-tolerant CEO, this study attempts to challenge the assumption that boards choose CEOs who are more risk-averse than the board. It's possible, as in the case of narcissism, that certain behavioral traits of CEOs affect the assumed risk appetites of the principal and agent in the principal-agent relationship.

Many scholars have suggested there are optimal conditions for an individual with higher levels of narcissism (Glad & Whitmore, 1991; Robins & Paulhus, 2001). King (2007), in a business context, suggests that in times of crisis, such as lawsuits, layoffs, bankruptcy, or violence, a leader with higher levels of narcissism can be very effective because of their authoritarian style, charisma, and willingness to make decisions. Post and George (2004) suggest that within political context crises such as war, a national unity crisis, and/or economic depression, individuals with higher levels of narcissism can play a key hope-building role. However, no conditions have been tested or evidence generated that suggest certain conditions (e.g., times of crisis) are optimal for a leader with higher levels of narcissism. Aligning with previous suggestions, this study examines

firm performance and the environmental conditions that might lead to optimal conditions. Yet this study finds no evidence, and therefore leaves its questions unanswered, due to a lack of evidence to support its theoretical assertions.

3.7.2 Implications for methods

With an unobtrusive measure of the CEO's level of narcissism, Chatterjee and Hambrick (2007) initiated a growing wave of research on the level of a CEO's narcissism. Subsequent researchers have used the unobtrusive measure to link narcissism to increased audit fees, risk (Judd et al., 2015), and fraud (Rijsenbilt & Commandeur, 2013) among others. Despite growing use, this study suggests the unobtrusive measure of narcissism is not robust across varying samples and contexts. This study used both the unobtrusive measure as well as the NPI. The NPI has been a standard measure of narcissism for decades. After comparing this study's results of the NPI to the unobtrusive measure of narcissism, there was not a significant correlation (r of .11). If the unobtrusive measure measured narcissism accurately, we would expect to have a significant and meaningful correlation between the unobtrusive measure and the NPI.

The original validation of the unobtrusive measure involved a theoretical argument, a statistical argument using confirmatory factor analysis and Cronbach's alpha, and the results generated when five securities analysts rated 40 of the CEOs on narcissism (Chatterjee & Hambrick, 2007). However, this original measure was validated within a narrow industry context which looked only at computer software and hardware companies. Further, many scholars cite but do not follow the complete unobtrusive measure procedure. For instance, the use of personal pronouns as well as the count of CEO mentions in press releases is not often used by scholars when using the unobtrusive

measure (e.g.; Olsen et al., 2014). Therefore, only three of the original five measures (picture size, cash compensation, and non-cash compensation) are used in most studies citing the unobtrusive measure. Perhaps what is being measured is something close to but not quite narcissism, and therefore does not address the broad range of behaviors inherent in narcissism. For example, assuming that firm size is generally correlated with CEO wage differentials (Agarwal, 1981), the implication would be that the unobtrusive measure of narcissism might actually be measuring firm size, rather than narcissism.

3.7.3 Implications for practice

Defining narcissism as good or bad may limit our perceptions of it as a personality trait. Instead, it may be more informative to consider under which conditions an individual with higher levels of narcissism is valuable (Campbell & Foster, 2007). This study challenges the commonly-accepted notion that many executives are narcissistic (Adrian Furnham, 2017; Maccoby, 2000), and that the most successful CEOs exhibit narcissistic traits (e.g., Steve Jobs). While plausible that all executives have some level of narcissism, our sample indicates that only 5% could be considered highly narcissistic, with an additional 11% that could be considered as having mid-to-high levels of narcissism. This leaves 84% of the sample scoring below or at the midpoint of the NPI scale. This also challenges the notion that a public persona is the same as private behavior. In the case of narcissism, many judgments for and against those who may be narcissistic may be false. Nevertheless, despite the small percentage of those with high levels of narcissism, 5% is not trivial and warrants further study.

3.7.4 Limitations

This study only examined narcissism. As a result, no comparisons can be made to other attributes, such as Machiavellianism or subclinical psychopathy, which, along with narcissism, are often called the dark triad (Furnham et al., 2013). Also, no other positive characteristics were measured, such as extraversion or self-confidence. This makes it hard to distinguish which alternative traits provide the basis of selection by the board. Future studies could look at an array of characteristics to identify or rule out other contributing factors.

One major assumption of the study is that narcissism is a personality trait that does not change over time. Therefore, although the data on narcissism was gathered in 2016, it was applied to the CEO selection event of each participating CEO, some of whose selections occurred 10 to 20 years earlier. Therefore, it is possible that the circumstances and behaviors of recent CEO selections do not apply to those from over a decade ago. However, in our analysis, I did run a model that controlled for date of ascension and found it did not affect the results.

This study highlights the problems in accurately measuring narcissism. The design of this study was to use two measurements of narcissism: an observed measure of narcissism following the NPI-13 (Gentile et al., 2013) and an unobtrusive measure of narcissism (Chatterjee & Hambrick, 2007, 2011). The advantage of this approach would be a triangulation on the real construct of narcissism. However, despite its wide acceptance, the Chatterjee and Hambrick (2007; 2011) measure showed many weaknesses. First, there was no internal reliability. Second, there was no significant or meaningful correlation with the unobtrusive measure of narcissism. Third, the

correlations of the unobtrusive measure of narcissism were not in line with previously published correlations between the unobtrusive measure. There is not enough evidence to contradict the usage of the measure in other studies, but it does provide enough evidence to support an investigation and more robust investigation into the nature of the measure of these two common measures of narcissism. If they are both measuring the same construct of narcissism, there should be some level of agreement between the two measures.

Range restriction may have been an issue in this study. Range restriction refers to when the responses fall within a narrow band, thus reducing the correlation with other variables. With a mean of 3.085, median of 3.000, and a standard deviation of .99 on a seven-point scale, 84% of the responses fell in the low part of the range. There are two possibilities for why this data was range restricted. Perhaps the Chief Human Resource Officers who filled out the NPI survey were reluctant to fully identify the level of narcissism of the CEO, resulting in halo bias. A second possibility is that the Chief Human Resource Officers who filled out the survey may have been considering the CEO as compared to other CEOs, rather than all people. From that perspective, using the scale would not result in a fair comparison. It is possible that executives overall have a higher level of narcissism. However, when comparing the levels of narcissism between CEOs, the CHROs may have compared them with only the most narcissistic CEOs.

The sample size of this study may be an issue (Maxwell, 2004). A study that is underpowered has difficulty detecting small effect sizes because underpowered studies become more susceptible to sampling error (Schmidt, 1996) or misinterpretation of non-significant tests (Schmidt, 1992; 1996). According to post-hoc power and sample size

calculations, with a sample size of 87 and detecting correlations of .15, the power of the study is 29%. Getting the power to a level of 80% at the .15 level would require a sample size of 350. Chatterjee and Hambrick (2007) found significant effects as low as .11 on a sample size of 105 firms. However, other literature has significant effect sizes between .8 and .15 (e.g., Olsen et al., 2014). Thus, if the sample were in line with Chatterjee and Hambrick, it could have identified significant effects.

It is also possible that executives, including CEOs, are learning to manage their narcissistic tendencies and therefore are not identifiable through observational measurements. In a study of 138 leaders in a Fortune 100 company, Owens et al. (2015) found that narcissism and humility, although related, are not opposite sides of a linear spectrum. They described an interaction effect—when narcissistic leaders were also perceived as humble, they were rated as being more effective. The implications of these findings are that leaders who are narcissistic can mitigate the negative effects of narcissism by behaving in a humble manner. In the context of CEOs of major corporations, it is possible that many of them have had years of mentoring and seasoning to learn which behavior is most advantageous for leadership positions, including behaving in a humbler manner so as to avoid negative unintended consequences of narcissism.

3.8 Conclusion

I found no empirical evidence to suggest that in times of poor performance, high environmental dynamism, or high environmental munificence, boards are more likely to hire a CEO with higher levels of narcissism. Additionally, I found no evidence to suggest that when performance is high, it moderates the positive effects of environmental

dynamism and munificence on the selection of a CEO with higher levels of narcissism. The underlying logic supporting the case to test these hypotheses asserts that because CEOs with higher levels of narcissism can have a bold vision, take risks, drive change, and be innovative, they would be attractive to boards dealing with poor performance, environmental dynamism, or environmental munificence. However, if the firm is performing well, CEOs with higher levels of narcissism would be less appealing to the board, despite the environmental circumstances. However, using third-party behavioral observations from the NPI, I find no evidence (either in the original or post-hoc analysis) suggesting that firm performance, environmental dynamism, environmental munificence, or their interactions are associated with a board's selection of a CEO with higher levels of narcissism.

Therefore, the question of whether there are optimal conditions for a CEO with higher levels of narcissism remains unanswered. To gain insight into the answer to this question will require either a new, more accurate unobtrusive measure of narcissism or a more robust sample. Until more conclusive evidence is found, boards will need to be vigilant in understanding their strategic needs and what CEO personality traits will best fill those strategic needs. In particular, narcissism, like many other personality traits, is inherently camouflaged, thus requiring additional vigilance to identify and evaluate. However, as a result of this study, we are perhaps slightly more aware of the positive or negative effects of selection of a CEO with higher levels of narcissism or what causes boards to select CEOs with higher levels of narcissism.

TABLE 3.1
Narcissism Item Correlations

	n	Mean	SD	1	2	3	4
1 CEO picture code (size)	115	2.51	1.08				
2 CEO to next executive cash ratio	114	1.96	.57	.13			
3 CEO to next executive noncash ratio	114	2.50	.93	.07	.46*		
4 CEO name to words ratio	106	0.69	.60	.04	.11	.11	
5 Observed-narcissism	97	3.15	1.00	-.02	.14	.12	.01

*p<.05

TABLE 3.2
Correlation and Descriptive Statistics

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1 Observed-narcissism	3.09	.99											
2 Environmental dynamism	.12	.14	.04										
3 Environmental munificence	.04	.04	-.08	.22									
4 Firm performance	1.72	.76	.09	-.07	.17								
5 Industry adjusted return on assets	.04	.06	-.04	-.33*	-.21	.60*							
6 Board tenure	27.38	22.82	.18	.01	-.11	-.08	-.05						
7 Total directorships held by board	29.63	13.92	-.09	.00	.02	.05	.06	-.15					
8 CEO age at ascension	50.96	5.08	.15	.07	-.11	-.27*	.02	.22*	.09				
9 CEO origin	.21	.41	.26*	-.01	.04	.08	-.02	.13	.02	.15			
10 CEO was heir	.42	.50	-.19	.11	.02	.15	.01	-.16	-.09	-.35*	-.44*		
11 Board size	10.55	2.27	-.07	-.06	-.19	-.03	.20	.10	.63*	.07	-.05	.05	
12 Firm size	54.96	71.56	-.11	-.01	.11	.09	-.03	.02	.47*	.08	.00	.00	.38*

n = 73; *p<.05

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TABLE 3.3¹
Regression Main and Moderated Effects on Narcissistic CEO Selection

Variables	CEO Narcissism, Model 1		CEO Narcissism, Model 2		CEO Narcissism, Model 3		CEO Narcissism, Model 4		CEO Narcissism, Model 5		CEO Narcissism, Model 6	
Industry adjusted return on assets	-0.06	(.15)	-.30	(.19)	-.31	(.21)	-.39	(.22)	-.42	(.22)	-.38	(.23)
Board tenure	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)
Total directorships held by board	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)
CEO age at ascension	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)
CEO origin	.05	(.03)	.03	(.03)	.03	(.03)	.03	(.03)	.03	(.03)	.03	(.04)
CEO was heir	-.01	(.03)	-.02	(.03)	-.02	(.03)	-.02	(.03)	-.02	(.03)	-.01	(.03)
Board size	.00	(.01)	.00	(.01)	.00	(.01)	.00	(.01)	.00	(.01)	.00	(.01)
Firm size	-.00	(.00)	-.00	(.00)	-.00	(.00)	-.00	(.00)	-.00	(.00)	-.00	(.00)
Firm performance			.14	(.07)	.14	(.08)	.17*	(.08)	-.07	(.34)	-.25	(.44)
Environmental dynamism					-.01	(.03)	.00	(.03)	-.09	(.13)	-.11	(.13)
Environmental munificence							-.32	(.26)	-.34	(.27)	-.34	(1.10)
Environmental dynamism x Firm performance									-.13	(.18)	-.15	(.18)
Environmental munificence x Firm performance											.90	(1.40)
Constant	1.22*	(.13)	1.29*	(.14)	1.29*	(.15)	1.40*	(.17)	1.25*	(.27)	1.12*	(.33)
<i>R</i> ²	.12		.16		.16		.18		.19		.20	
Adjusted <i>R</i> ²	.00		.04		.03		.04		.03		.02	
Standard Error	.09		.09		.09		.09		.09		.09	
F Statistic	1.04		1.36		1.21		1.24		1.18		1.11	
Degrees of freedom	64		63		62		61		60		59	

n = 73; *p<.05

¹ Models 2, 3, 4, 5, and 6 were run without controls. None of them resulted in a significant relationship between the dependent and independent variable.

TABLE 3.4
Post-hoc Logistic Regression Predicting Narcissistic CEO Selection

Variables	CEO Observed-narcissism, Model 1		CEO Observed-narcissism, Model 2		CEO Observed-narcissism, Model 3		CEO Observed-narcissism, Model 4		CEO Observed-narcissism, Model 5		CEO Observed-Narcissism, Model 6	
Industry adjusted return on assets	-9.67	(5.76)	-17.49*	(7.86)	-16.55*	(7.83)	-12.87	(8.37)	-13.01	(8.60)	-13.15	(8.40)
Board tenure	.01	(.02)	.02	(.02)	.02	(.02)	.02	(.02)	.03	(.02)	.03	(.02)
Total directorships held by board	.03	(.04)	.04	(.04)	.04	(.04)	.04	(.04)	.05	(.04)	.05	(.04)
CEO age at ascension	.01	(.08)	.06	(.08)	.06	(.09)	.06	(.09)	.05	(.10)	.05	(.10)
CEO origin	1.56	(.86)	1.33	(.89)	1.33	(.90)	1.33	(.91)	1.38	(.97)	1.35	(.98)
CEO was heir	.45	(.94)	.27	(1.00)	.22	(1.01)	.22	(1.02)	.71	(1.06)	.71	(1.07)
Board size	-.19	(.22)	-.22	(.24)	-.21	(.25)	-.12	(.25)	-.22	(.28)	-.20	(.28)
Firm size	-.00	(.01)	-.00	(.01)	-.00	(.01)	-.01	(.01)	-.00	(.01)	-.00	(.01)
Firm performance			1.21*	(.60)	1.25*	(.62)	1.19	(.63)	1.83*	(.79)	2.08*	(.99)
Environmental dynamism					2.52	(2.15)	1.20	(2.45)	15.64	(11.02)	14.35	(11.38)
Environmental munificence							15.34	(12.96)	15.55	(14.00)	31.03	(38.24)
Environmental dynamism x Firm performance									-8.71	(6.82)	-7.88	(7.05)
Environmental munificence x Firm performance											-9.30	(20.96)
Constant	.22	(4.33)	-2.60	(5.10)	-3.40	(5.26)	-5.48	(5.46)	-5.61	(5.96)	-6.46	(6.31)
Log Likelihood	-28.75		-26.61		-25.95		-25.20		-23.93		-23.84	
Akaike Inf. Crit.	75.50		73.21		73.89		74.40		73.87		75.68	

n = 73; *p<.05

TABLE 3.5
Post-hoc Ordinary Least Squares Regression Predicting Narcissistic CEO Selection Using the Unobtrusive Measure of Narcissism

Variables	CEO Unobtrusive- narcissism, Model 1		CEO Unobtrusive- narcissism, Model 2		CEO Unobtrusive- narcissism, Model 3		CEO Unobtrusive- narcissism, Model 4		CEO Unobtrusive- narcissism, Model 5		CEO Unobtrusive- narcissism, Model 6	
Industry adjusted return on assets	1.96	-(1.35)	1.11	-(1.91)	.59	-(2.12)	.37	-(2.12)	.09	-(2.19)	-.08	-(2.22)
Board tenure	.01	(.00)	.01	(.00)	.01	(.00)	.01	(.00)	.01	(.00)	.01	(.00)
Total directorships held by board	.01	-(.01)	.01	-(.01)	.01	-(.01)	.01	-(.01)	.01	-(.01)	.01	-(.01)
CEO age at ascension	-.01	-(.02)	-.01	-(.02)	-.01	-(.02)	-.01	-(.02)	-.01	-(.02)	-.01	-(.02)
CEO origin	-.32	-(.23)	-.35	-(.24)	-.36	-(.24)	-.34	-(.24)	-.36	-(.24)	-.39	-(.25)
CEO was heir	-.20	-(.20)	-.21	-(.20)	-.20	-(.20)	-.21	-(.20)	-.19	-(.21)	-.21	-(.21)
Board size	-.09	-(.05)	-.08	-(.05)	-.08	-(.06)	-.10	-(.06)	-.10	-(.06)	-.10	-(.06)
Firm size	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)	.00	(.00)
Firm performance			.38	-(.61)	.45	-(.62)	.52	-(.62)	-1.12	-(2.68)	.24	-(3.55)
Environmental dynamism					-.16	-(.27)	-.12	-(.28)	-.72	-(.99)	-.58	-(1.02)
Environmental munificence							-2.30	-(2.13)	-2.56	-(2.18)	-7.48	-(8.60)
Environmental dynamism x Firm performance									-.88	-(1.40)	-.64	-(1.47)
Environmental munificence x Firm performance											-6.56	-(11.08)
Constant	.13	(2.38)	-.29	(2.36)	-.74	(2.36)	-.96	(2.36)	-2.98	(2.75)	2.15	(2.98)
R^2	.15		.16		.17		.19		.20		.20	
Adjusted R^2	-.00		-.02		-.03		-.03		-.03		-.03	
Standard Error	.60		.61		.61		.61		.61		.62	
F Statistic	.98		.91		.84		.87		.82		.77	
Degrees of freedom	44		43		42		41		40		39	

n = 53; *p<.05

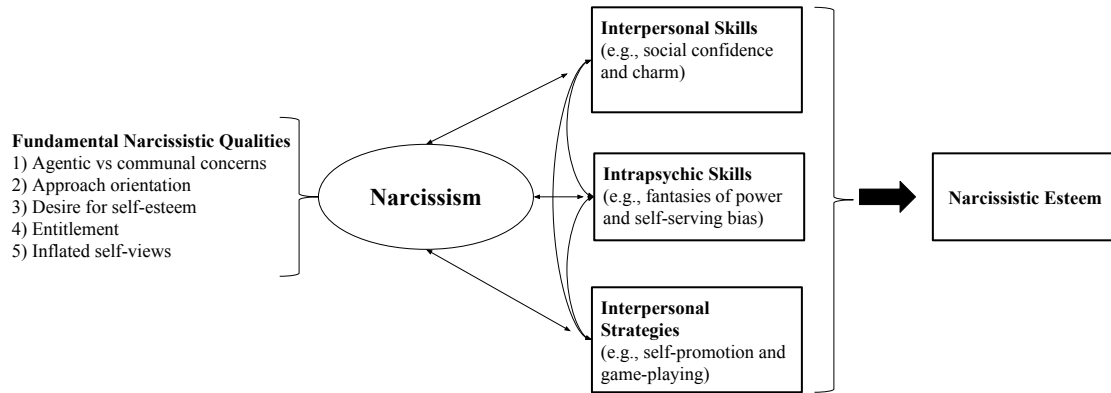


FIGURE 3.1
The Extended Agency Model
 Recreated from Campbell and Foster (2007)

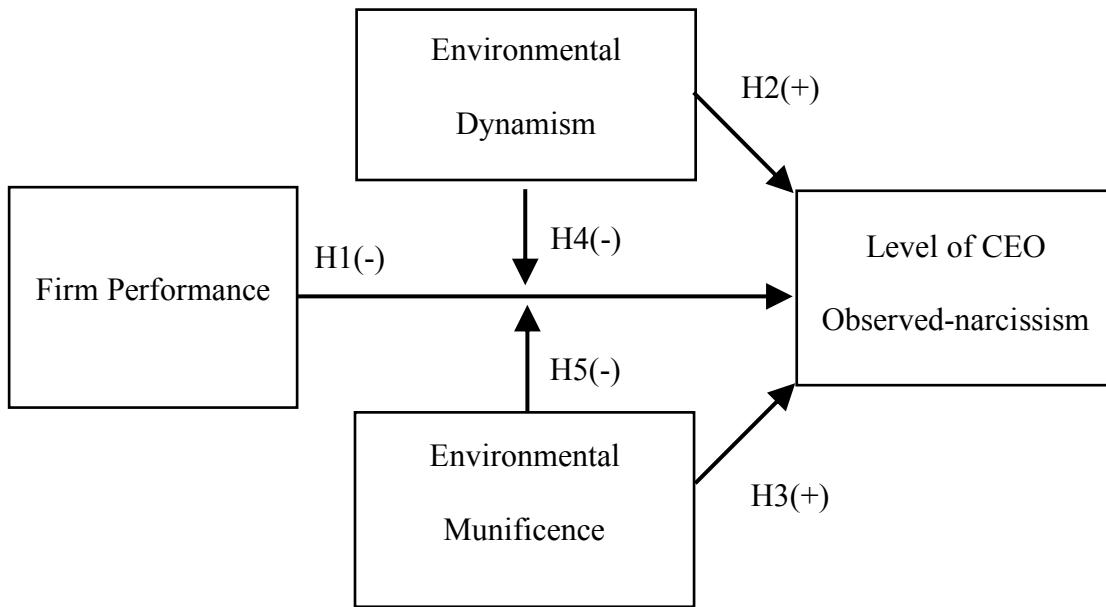


FIGURE 3.2
Level of Narcissism of the Newly-selected CEO Model

CHAPTER 4

HOW CEOs WITH HIGHER LEVELS OF NARCISSISM AFFECT THE CEO SUCCESSION PROCESS

4.1 Introduction

The development of a Chief Executive Officer (CEO) successor pool and management of the CEO succession process (i.e., preparation for and implementation of a change in CEO) is an important responsibility of the sitting CEO and the board of directors (board) because the successor CEO's personality, behavior, and decisions can determine long-term strategic consequences (Finkelstein & Hambrick, 1996; Hambrick, 2007; Hambrick & Mason, 1984). Recently, narcissism—a multifaceted personality trait that combines grandiosity, attention-seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others (American Psychiatric Association, 2013)—has been of increasing interest to scholars and the public at large (e.g., Chamorro-Premuzic, 2016; Chatterjee & Pollock, 2017). This self-serving personality trait has been associated with several high-profile CEOs (e.g., Steve Jobs, Kenneth Lay) and has been linked to both positive organizational outcomes, such as increased earnings per share, and negative organizational outcomes, such as performance volatility (Chatterjee & Hambrick, 2007; Drucker, 1994; Foster & Brennan, 2011; Isaacson, 2013; Olsen et al., 2014).

Due to these contrasting outcomes, while some have hailed narcissism as an essential part of executive leadership and innovation (Maccoby, 2000; 2003), others have

labeled it an evil to be avoided (Ronson, 2011). Still, I could find no empirical research that helps us understand how a CEO with higher levels of narcissism affects the development of the CEO succession candidate pool within the CEO succession process.

Understanding how a CEO with higher levels of narcissism affects the CEO succession candidate pool and CEO succession processes would help us understand when and if a CEO with higher levels of narcissism leads to desirable CEO succession outcomes. The careful management of the CEO succession process, the competitiveness of the CEO succession process, the identification of CEO successor candidates, and the level of board involvement can all affect the quality of the CEO succession pool and CEO succession process (Cragun et al., 2016). If a CEO behaves in a way driven primarily by narcissistic motives while leading the CEO succession process, the CEO could undermine the desires of the board (Dalton et al., 2007). Therefore, I investigate how CEOs with higher levels of narcissism behave while leading the CEO succession process, with the assumption that the sitting CEO plays a meaningful role in the development of the internal CEO successor pipeline and pool.

To do this investigation, I build a theoretical framework that connects narcissism with the amount of CEO involvement in the internal CEO successor development process, the competitiveness of the CEO succession process, the number of internal CEO successor candidates, and the level of board involvement in the development of the CEO successor pool and CEO succession process. I develop the underlying arguments by considering both the extant theoretical and empirical outcomes of research on CEOs with higher levels of narcissism (e.g., bold vision, innovation, performance volatility; Deutschman, 2005; Galvin et al., 2010; Olsen et al., 2014), together with how CEO

personality affects the CEO succession process. Further, I predict CEOs with higher levels of narcissism will be less involved in the CEO succession process, encourage a more competitive CEO succession process, be associated with fewer ready-now candidates, and be associated with more not-ready-now candidates. Finally, I predict that the board will be less involved in the CEO succession process when the CEO has higher levels of narcissism, due to either apathy from the board with regards to CEO succession or the CEO's manipulation of the board.

This study contributes to both the narcissism and CEO succession literatures in the following four ways. First, although some evidence suggests that narcissists select followers who reinforce their self-esteem needs (Padilla et al., 2007), we know little about how narcissists select their followers, particularly at the executive level. Because the CEO has influence on the internal succession process and the CEO succession pipeline, how a narcissist fills the succession pipeline is an important question to address, as CEO succession plays a crucial role in the future strategic direction of the company (Finkelstein et al., 2009; Giambatista et al., 2005; Kesner & Sebor, 1994). How a CEO with higher levels of narcissism influences the process of selecting and grooming a successor is of particular interest, due to the inherently personality-driven motives that may conflict with the firm's best interest and the *best practices* of CEO selection.

Second, my model offers theoretical insight into what influences the implementation or avoidance of certain succession practices within the CEO succession process. Most of what is known about the CEO succession process is a description of *best practices* (Finkelstein et al., 2009). What is not known is why some best practices are implemented, while others are not (Nyberg et al., 2017); an understanding of which best

practices are implemented would help us better understand the antecedents and outcomes of the CEO succession process.

Third, this study examines the consequences of how CEOs with higher levels of narcissism affect the CEO successor pool. Scholars have discussed how narcissists can inspire followers (e.g., Grijalva & Harms, 2014), but they have not examined how narcissists may directly influence their follower pool through succession planning. Influencing the makeup of the successor pool is one way for a CEO with higher levels of narcissism to control the CEO succession process in an effort to meet the CEO's underlying narcissistic needs. Finally, a deeper understanding of CEOs with higher levels of narcissism would help us learn how to capitalize on their strengths while mitigating their weaknesses.

4.2 Theoretical Background

4.2.1 CEO succession

How CEO succession will occur (i.e., the process through which CEO succession occurs) has received little research attention, especially when compared to other readily-researched questions, such as will CEO succession occur, who will be selected, and what are the consequences of CEO succession? (Cragun et al., 2016). Factors that impact which candidate is selected as CEO continually center around the *candidate's characteristics*, including the candidate pool, their KSAOs, their *power and position*, and the *candidate's fit* with the board and the firm (see Appendix A). The candidate pool does indeed affect which candidate is selected CEO; a better internal or external candidate pool can predict the hiring of an insider or outsider CEO (Mobbs & Raheja, 2012;

Parrino, 1997; Pissaris et al., 2010). Unfortunately, there is little additional research regarding the antecedents to candidate pools (Cragun et al., 2016).

4.2.2 The board's versus the CEO's succession responsibilities

While the board of directors has the ultimate responsibility of selecting a new CEO, the identification and development of potential CEO candidates can be led by the current CEO. There are several reasons for this. First, depending on the level of influence of the sitting CEO, the CEO's voice may be the dominant voice on the board of directors. This could occur when the CEO is also Chairman of the Board, has particularly long tenure, or owns large amounts of equity in the company. Second, the CEO is positioned as the most authoritative agent within the organizational structure and is tasked with running the business on a day-to-day basis. Therefore, the CEO has oversight of and insight within the organization in order to recognize and develop talent (Finkelstein et al., 2009). Because of this, the CEO may be even more involved in the development of young talent and supplemental talent than the board. Supplemental talent includes those employees not immediately under observation by the board but with the potential of becoming so in the future. For example, supplemental talent would include employee talent at lower levels in the organization or talent that is not currently in the CEO succession pipeline.

In the event that the board is very assertive and aggressive when it comes to developing internal CEO candidates, the board would need to work in conjunction with and through the sitting CEO to develop internal CEO successor candidates. Therefore, even in the case of an assertive board, the CEO would likely have influence on the process (Schepker et al., 2017b). Lastly, the board simply may not have time or interest

in developing a CEO successor. In this last example, the CEO would be responsible for all CEO succession activity by default.

CEO succession research has traditionally followed upper echelons theory (Finkelstein et al., 2009). However, there has been an increasing proliferation of relevant research from additional academic disciplines, including finance (e.g., Parrino et al., 2003) and accounting (e.g., Laux, 2008). This proliferation of research has broadened the scope of the theory and empirical evidence of CEO succession. A handful of theories that focus solely on CEO succession exist, but these theories are isolated to a small set of articles and are not used across CEO succession research. For example, scapegoat theory suggests that the CEO is dismissed in times of poor performance even if the CEO is not directly responsible for the poor performance (Boeker, 1992). The circulation of power theory posits that a CEO's rise to power and eventual fall follows a natural cycle over time (Ocasio, 1994). CEO succession research that focuses on the CEO succession process is only recently gaining attention and the theoretical underpinnings of how CEO succession occurs have shifted slightly to include decision-making (Schepker et al., 2017b) and a configurational perspective (Busenbark, Krause, Boivie, & Graffin, 2015).

CEO succession research has identified that sitting CEOs impact the CEO succession process in various ways. Sitting CEOs with more power have greater influence on the CEO succession process (Ocasio, 1994). Embeddedness (Allgood & Farrell, 2000), ownership (Pi & Lowe, 2011), being a founder (Allgood & Farrell, 2000), and holding additional positions and titles beyond CEO (Davidson et al., 2008) all provide the CEO with more power. Sitting CEOs favor individuals who are similar to themselves—for example, a potential successor who has a similar functional background

(Carpenter & Wade, 2002). Sitting CEOs tend to prefer successors who will extend their legacy (De Vries, 1988). We also know the CEO has large amounts of influence on who is on the TMT. If a candidate is the president or COO of the firm (heir apparent), there is a greater likelihood that they will be selected CEO (Mooney et al., 2014). By controlling who is on the TMT, the CEO can thereby influence the CEO successor pool. The number, quality, and availability of candidates also impacts who will be selected CEO, including the likelihood of whether or not a firm will select an insider or an outsider (Mobbs & Raheja, 2012; Parrino, 1997; Pissaris et al., 2010). Therefore, the sitting CEO has meaningful influence on the CEO succession candidate pool.

4.2.3 Candidate pool

Although there are several published studies which discuss how to develop talent (e.g., Cappelli & Keller, 2014), few studies explore how the CEO develops a successor and/or what process is followed (Crossland et al., 2014; Mobbs & Raheja, 2012; Zajac, 1990; Zhang, 2006). As of 2014, all such articles were theoretical (e.g., Pissaris et al., 2010). But since 2014, evidence has emerged which shows that larger internal talent pools result in greater levels of CEO turnover. Presumably, the reason for increased CEO turnover is because organizations have more quality successors (Gao et al., 2017). Given this relationship between a quality candidate pool and the likelihood of CEO succession, it is in the highly narcissistic CEO's best interests to create a less-qualified candidate pool.

4.2.4 Narcissism

The study of narcissism, specifically with reference to the CEO, has barely begun. With a new unobtrusive measure of the CEO's level of narcissism, Chatterjee and

Hambrick (2007) initiated a growing wave of research on executive narcissism. Recent CEO narcissism research links the CEO's level of narcissism to risk-taking (Chatterjee & Hambrick, 2011), performance volatility (Chatterjee & Hambrick, 2007), and fraud (Rijsenbilt & Commandeur, 2013). Despite its popularity, the Chatterjee and Hambrick (2007) measure of narcissism remains a proxy for self-report or third-party behavioral observation of a highly narcissistic CEO's behavior; resulting in a notable lack of self-report and direct third-party behavioral observation. Also, the extant literature's findings on the CEO's level of narcissism are focused on strategic outcomes (e.g., performance; Chatterjee & Hambrick, 2007; Olsen et al., 2014). The extant literature does not consider the antecedents to selection of a CEO with higher levels of narcissism, nor does it consider any intermediary outcomes, such as CEO succession.

4.2.5 Narcissistic motivations

To help understand the motives of individuals with higher levels of narcissism, I adopt Campbell and Foster's (2007) extended agency model. The extended agency model is a composite model of the most accepted theoretical thinking and empirical evidence within the then-current narcissism literature (Campbell & Foster, 2007). The extended agency model posits that individuals with higher levels of narcissism have a strong need to maintain a positive self-image, and that the narcissist thinks and acts in ways to keep these self-views viable. Since agency theory assumes self-interested motives from the agent, including the extended agency model as the underlying explanation for the self-interested behavior of individuals with higher levels of narcissism explains specific motivations and behaviors from which we can examine and predict narcissistic behavior beyond merely the assumption of self-interest.

The extended agency model adopts the premise that behavior is motivated by a dynamic self-regulatory process (Campbell et al., 2006). Dynamic self-regulatory processing encompasses the efforts a person uses to construct, maintain, defend, and enhance their desired self-views (Morf & Rhodewalt, 2001; Vazire & Funder, 2006). In this context, the self is seen as a network of cognitive-affective processes that is in constant transaction with the social environment (Mischel & Morf, 2003; Morf & Horvath, 2007). The primary output of the dynamic self-regulatory processes is narcissistic esteem, or a sense of self-esteem linked primarily to dominance, rather than closeness or acceptance, and related to the emotion of pride (Campbell & Foster, 2007).

The dynamic self-regulatory process (see Figure 4.1) which feeds a narcissist's narcissistic esteem is comprised of four mutually-reinforcing elements, the fourth of which is comprised of five sub-elements. The first of the four mutually-reinforcing elements is a narcissist's *interpersonal skills* (e.g., social confidence, charm), which can be used to garner attention or influence. The second of the four mutually-reinforcing elements is a narcissist's *intrapsychic self-regulation strategies* (e.g., fantasies of power, self-serving bias), which can be used to justify self-serving behavior or outcomes. The third of the four mutually-reinforcing elements is a narcissist's *interpersonal strategies* (e.g., self-promotion, game-playing), which can be used to achieve goals or control others. The fourth of the four mutually-reinforcing elements is a narcissist's *fundamental qualities*, those qualities which describe a narcissist's underlying motivations (Campbell et al., 2006; Campbell & Foster, 2007; Campbell & Green, 2008). These four elements work together to create a narcissist's self-regulatory system.

The fourth element of a narcissist's self-regulation process, a narcissist's *fundamental qualities*, can be further broken down into five sub-elements. These sub-elements work independently or together to create behavioral outcomes (Campbell & Foster, 2007). The first of the five fundamental narcissistic quality sub-elements is an *emphasis on agentic over communal concerns*, which states that narcissists seek abnormally high levels of status, success, power, and dominance (Bradlee & Emmons, 1992); for example, narcissists place more value on getting ahead than getting along socially. One outcome of this sub-trait is that narcissists often rise to the highest levels of society (Deluga, 1997; Nevicka, Ten Velden, et al., 2011), including the position of CEO (Chatterjee & Hambrick, 2007).

The second of the five fundamental narcissistic quality sub-elements is *approach versus avoidance orientation*, which means that an individual is motivated more by reward than punishment, or, in other words, an orientation toward success (Elliot, 2008; Lewin, 1935; Rose & Campbell, 2004). Therefore, narcissists tend to focus on the positives, rather than the negatives, of their own decisions because of a heightened sensitivity to rewards, coupled with a muted sensitivity to punishment (Foster & Trimm, 2008). It is suggested that narcissists seek out a public stage to showcase their capabilities (Wallace & Baumeister, 2002), and in that public setting, at least at first, they shine and are recognized by team members and experts as the best leaders (Back et al., 2010; Nevicka, Ten Velden, et al., 2011; Schnure, 2010). At the CEO level, this can manifest in strategic sensationalism (e.g., impulsive, attention-grabbing acquisitions) versus strategic conservatism (i.e., incremental improvements; Ouimet, 2010).

The third of the five fundamental narcissistic quality sub-elements is a *general desire for self-esteem*. A general desire for self-esteem results in the narcissist desiring to receive positive attention. When people meet narcissists, they often have very positive interactions. Upon first acquaintance, narcissists are agreeable, entertaining, and competent (Paulhus, 1998), as well as attractive and likeable (Oltmanns et al., 2004). They are often well-dressed, and they tend to use charming facial expressions, self-confident body movement, and humor, all of which help the narcissist make a positive first impression (Back et al., 2010). Further, narcissists are usually seen in a positive light by their peers and superiors (Brunell et al., 2008; Judge et al., 2006). The positive attention they receive benefits the narcissist. Narcissism is linked to high self-esteem, greater happiness, and good psychological health (Rose, 2002; Sedikides et al., 2004). In fact, it has been suggested that it feels good to be a narcissist (Rose & Campbell, 2004).

The fourth of the five fundamental narcissistic quality sub-elements is a sense of *entitlement*. A sense of entitlement results in aggressive, exploitative, and superiority behaviors (Reidy et al., 2008). That being said, aggressiveness can also be perceived as assertiveness, a trait which is valued in leaders. In addition, exploitativeness can be perceived as resourcefulness or cunning in strategic leaders (Reidy et al., 2008). Finally, superiority behaviors are linked to dominance behaviors, which can also be effective in a business environment. Each of these behaviors can lead to leadership emergence (Judge et al., 2006; Ouimet, 2010; Paunonen et al., 2006). Kernberg (1979) was one of the first scholars to broach the topic of narcissism and leadership by theorizing that narcissists are more likely to seek and obtain leadership positions. Since his studies, it has been

observed that narcissists share a number of traits (e.g., self-confidence) with successful leaders (Hogan & Fico, 2011).

The fifth of the five fundamental narcissistic quality sub-elements is *an inflated self-view*. An inflated self-view can also result in leadership emergence (Ouimet, 2010). Smith and Foti (1998) conducted a study which found that the leadership attributes of dominance, self-efficacy, and general intelligence were associated with the general leadership impression. Narcissists tend to be dominant, have high self-efficacy, and can be extroverted (Ensari et al., 2011; Judge et al., 2002). Extroverts are often perceived as intelligent (Christopher & Schlenker, 2000; Roberts, 2002). Further, given the relationship of narcissism with dominance, self-efficacy, and extraversion, it is understandable that individuals or groups would perceive narcissists as leaders. Additionally, Maccoby (2003) lists visioning, risk-taking, passion, charisma, learning, perseverance, and a sense of humor as traits of narcissists that are consistent with positive attributes of leadership.

A narcissist draws on these five fundamental narcissistic quality sub-elements to build skills and develop strategies. If a narcissist has the skills and is using the right strategies for the social environment, he or she achieves a level of narcissistic esteem and feels good (Campbell & Foster, 2007; Morf & Rhodewalt, 2001; Vazire & Funder, 2006). Thus, the five narcissistic fundamental quality sub-elements drive narcissistic behaviors in order to achieve narcissistic esteem. These sub-elements are a narcissist's underlying motivational engine, and each sub-element can be a desirable CEO motivation.

In regards to followership, the evidence suggests three patterns of narcissists' interactions with others, particularly with those who follow them. A link exists between

narcissism and a propensity for aggression toward others when being critiqued (Barry et al., 2009; Reidy et al., 2008), and narcissists are likely to meet their own needs before they meet the needs of others. In other words, narcissists think of themselves first, with little concern for the well-being of their followers. Additionally, narcissists are hypersensitive to criticism; therefore, they tend to intellectually inhibit their subordinates (Glad, 2002; Rosenthal & Pittinsky, 2006). Finally, the attitude of narcissistic leaders toward those in their entourage is often one of simulated consideration, which takes the form of manipulation and exploitation of employees (Glad, 2002).

As a result, I expect to see themes of narcissistic behavior as it pertains to the succession process in the following area. Overall, narcissists will seek to maintain a level of narcissistic esteem (Grijalva & Harms, 2014). They will construct their social world by dominating others and controlling decision-making. To do so, they will hire low-status, younger, and less-experienced top management team (TMT) members. They will also provide rewards and protection to loyal TMT members. Such a leadership strategy will result in TMT members with either short or long tenure (Chatterjee & Hambrick, 2007; Sedikides, Campbell, Reeder, Elliot, & Gregg, 2002; Zhu & Chen, 2015). These suggestions align with the notion that narcissists are not nurturing or developmental, lack empathy, and develop superficial relationships they will willingly discard if the person no longer serves their purpose (Bradlee & Emmons, 1992; Farwell & Wohlwend Lloyd, 1998; Watson et al., 1984).

4.3 Hypothesis Development

4.3.1 The involvement of CEOs with higher levels of narcissism in the CEO succession process

Narcissists are driven individuals who believe they know what is best and will manipulate a situation to get what they want (Morf & Rhodewalt, 2001; Wallace & Baumeister, 2002). In a corporation wherein the board selects a narcissistic CEO, the CEO may gain power over time through manipulation (Morf & Rhodewalt, 2001; Wallace & Baumeister, 2002). Once the CEO gains power, he or she can exert influence to manipulate the CEO succession process, thereby achieving his or her self-serving goals (Boeker, 1992; Zajac & Westphal, 1996).

CEO involvement in the CEO succession process can take a variety of forms. On the one hand, involvement may include activities which influence the candidate selection process, such as reviewing succession plans, meeting with candidates, and making development decisions. On the other hand, involvement may include activities that promote a fair and equitable process, such as following procedures, establishing metrics, and championing diversity. The underlying assumption for following a defined succession process is that a well-defined and repeated process increases objective decision-making and is more likely to bring about an optimal outcome (Schepker et al., 2017b).

The goals of the CEO with higher levels of narcissism may be very different than the goals achieved by following the steps/components of an accepted best practice CEO succession process. For example, a CEO with higher levels of narcissism may have the goal of selecting from a weak pool of CEO successors, whereas a robust CEO succession

process would be designed to select from a strong set of successors. In fact, a sitting CEO with higher levels of narcissism could purposefully fill the CEO successor pool with weak successors, thereby working in direct opposition to normal succession-planning objectives.

With regard to the succession planning process, one potential goal of a CEO with higher levels of narcissism would be to avoid following a formal process. The fundamental narcissistic motivation of an approach orientation is likely to lead the CEO to attempt to manage the CEO succession process in his or her own way, rather than following a prescribed process or a set of best practices. An approach orientation and mentality is consistent with the narcissistic idea that “rules are for other people to follow.” Indeed, narcissists often make exceptions to the rules and believe they are above them (Behary, 2013). Therefore, a CEO with higher levels of narcissism will have little regard for procedures and rules of fairness. If a narcissistic CEO gives the appearance of following the process, it is likely only on a superficial level, as a vehicle to meet the CEO’s narcissistic objectives.

A second goal of a CEO with higher levels of narcissism may be to pick favorite successor candidates, rather than implementing a formal fair, effective process. For example, the CEO may pick their favorite successor candidate and add them to the candidate pool without following a rigorous and objective process for making candidate pool decisions. The motivation for making such a decision is the narcissist’s inflated self-view and belief that they are better than others at making decisions (Campbell et al., 2004, 2000). That belief, along with the belief that narcissists think that talent is born, not

made (Emmons, 1987), would encourage the narcissist to make decisions about successors based on the CEO's intuition, rather than a defined process.

A third goal of a CEO with higher levels of narcissism could be to portray an image of championing talent without actually following the process. The fundamental narcissistic motivation of a desire for self-esteem (Campbell & Foster, 2007) is likely to lead the CEO with higher levels of narcissism to try to be the center of attention, thereby manipulating the CEO succession process into portraying an image of valuing and developing young talent, rather than developing a competent successor. This would benefit the CEO with higher levels of narcissism in the following ways: first, it would allow the CEO to be recognized for championing talent; second, it would effectively forestall selection of a strong successor who could challenge the CEO's position; and third, it would create a dependent relationship between the potential successors and the CEO.

Therefore, the narcissist motivated by the fundamental narcissistic qualities of approach orientation, a desire for self-esteem, and inflated self-views could use the strategies of not following a formal process, picking favorites, and championing young, yet incapable talent, in order to control the CEO succession process. Consequently, the highly narcissistic CEO will likely reject objective portions of the process which were created to inspire thoroughness, equality, and objectivity in favor of using the process for self-serving interests.

***Hypothesis 1:** A negative relationship exists between the CEO's level of narcissism and the involvement of the CEO in the succession process, such that*

when the CEO has a higher level of narcissism, the CEO is less involved in the CEO succession process.

4.3.2 CEOs with higher levels of narcissism and CEO succession process competitiveness

The CEO succession process can range from being competitive to being non-competitive (or developmental). On one end of the spectrum, a competitive CEO succession process is centered on pitting competitors (i.e., the potential CEO candidates) against each other to compete for the CEO position (Kesner & Sebor, 1994). Such a process becomes even more competitive when the participants in the resulting tournament know against whom they are competing (Connelly et al., 2013). On the other end, developmental processes focus on one individual (sometimes associated with an heir apparent) by prepping her over time to eventually take over the position (Zajac, 1990). Zajac (1990) highlights the effectiveness of using a developmental process because it increases retention and improves post succession performance.

A third alternative is a prolonged search, which usually involves an interim CEO and occurs when no candidate is readily available (Intintoli et al., 2014). Although the process may be competitive before an heir apparent is selected, once the heir apparent is selected, the process clearly shows who is favored, and that the heir apparent has gained the favor of the board (Vancil, 1987).

One method of ensuring a competitive process is by pitting candidates against each other. For example, in a tournament situation, transparency in the process will lead to a more competitive process (Connelly et al., 2013). Similarly, CEO successor candidates may have differing levels of awareness regarding their contention as a

candidate for the CEO position. Without direct knowledge that they are being considered for the CEO position, the only information on their candidacy and who else is being considered comes from situational awareness and understanding of the board's needs for the next CEO. However, the process would, of course, be clearer to each potential candidate if they were explicitly told of their candidacy and their strengths and weaknesses, as well as any others competing for the position. This level of communication is sometimes advocated as an effective talent development practice (Berger & Berger, 2010), particularly by those who advocate that tournaments bring higher levels of performance (Connelly et al., 2013). Thus, by avoiding the designation of an heir apparent and letting candidates know who is being considered as successor, the CEO succession process becomes more competitive.

One fundamental quality of a narcissist is agentic concern (Bradlee & Emmons, 1992). In order to get what the CEO wants out of the CEO succession process, a highly narcissistic CEO is likely to assert control over the process itself. A developmental CEO succession process would take control away from the CEO, for a developmental process is more transparent to the board, due to the fact that the successor candidates' performance is visible to them. An heir apparent is approved by the board or is at least visible to the board (Bigley & Wiersema, 2002; Zajac & Westphal, 1996). Even if a successor is not officially designated an heir apparent, a CEO can structure the organization to signal the capability and confidence the CEO has in the potential successor. For example, a CEO can structure the company by giving large amounts of responsibility to the individual they see as the best successor. This is often associated with giving the potential successor the position of Chief Operating Officer or President

(Vancil, 1987). Therefore, even if the Chief Operating Officer or President is not officially considered the heir apparent by the CEO and the board, holding either of these positions would send strong signals to the board regarding the qualifications of the individual when the time came to fill the role of CEO. Given the effect of structure on signaling heir apparent status, the CEO with higher levels of narcissism would avoid a structure that includes a Chief Operating Officer or President.

The fundamental narcissistic qualities of agentic concern and a desire for self-esteem compel a highly narcissistic CEO to be assertive in the CEO succession process and thereby make the process more competitive. By using competitive processes, the CEO retains more control over the process and can obfuscate any ready-now successors who could be seen by the board as a legitimate replacement for the CEO.

***Hypothesis 2:** A positive relationship exists between the CEO's level of narcissism and the implementation of a competitive CEO succession process, such that CEOs with higher narcissism are more likely to implement a competitive CEO succession process.*

4.3.3 CEOs with higher levels of narcissism and the readiness of the CEO candidate pool

The CEO succession process involves creating a pool of CEO successor candidates (Pissaris et al., 2010). Typically, this involves selecting and developing groups of successors at various states of readiness. Many companies attempt to build a pool of successors who are immediately ready to take the CEO's position, as well as a second or third tier of candidates for the future (Wright, Guest, & Paauwe, 2015). The desire for self-esteem, coupled with the inflated self-view of the narcissist (Campbell & Foster,

2007), will likely drive the highly narcissistic CEO to involve himself or herself in the successor selection in a self-serving way, by building a successor pool of candidates that feed the CEO's narcissistic esteem but do not threaten the CEO's position.

Studies suggest that narcissists believe leadership ability is an innate ability, rather than a result of education, experience, or other developmental factors (Emmons, 1984). In other words, narcissists believe leaders are "born, not made" (Emmons, 1987). Due to this view, CEOs with higher levels of narcissism are more likely to select successors based on social skills or personality, rather than leadership competence. This causes a highly narcissistic CEO to look past the existing senior leadership to the lower levels of an organization when looking for a successor, finally choosing someone with the social skills or personality the CEO values.

Narcissists often enter relationships in a superficial way (Carroll, 1987). Consider how narcissists form romantic relationships. Narcissists prefer partners that make the narcissist look and feel good (i.e., trophy partners; Campbell, 1999). One typical behavior of narcissists in romantic relationships is courting new partners while remaining involved with their current partners (Campbell & Foster, 2002). Following this same pattern of behavior, a CEO with higher levels of narcissism is likely to select CEO candidate pool members that reinforce the CEO's views and make him or her look good. Therefore, a less-experienced, physically attractive, high-achieving successor pool will make the CEO with higher levels of narcissism look and feel better than will an older group of more experienced, less physically attractive leaders. Moreover, the CEO with higher levels of narcissism will likely continue to search for new talent, rather than remaining loyal to the

existing successor pool. In this way, the CEO with higher levels of narcissism can portray an image of constantly seeking, upgrading, and championing talent.

Filling a successor pool with less-experienced candidates can reduce a CEO's chances of being challenged by a potential replacement. During times of poor performance, CEOs are particularly vulnerable to dismissal (Cragun et al., 2016). This is especially true when there are even more quality candidates available (Mobbs & Raheja, 2012; Parrino, 1997). Thus, driven by agentic concern, it is likely that the CEO with higher levels of narcissism will limit the number of ready-now successors in the successor pool. Indeed, it has been suggested that a similar behavior is demonstrated by the CEO with higher levels of narcissism when staffing the TMT. CEOs with higher levels of narcissism staff their TMT in such a way that it consists of either a very low-tenured or long-tenured TMT (Chatterjee & Pollock, 2017).

One fundamental trait of narcissists is their desire for self-esteem. Narcissists want followers who will admire them. Therefore, they surround themselves with individuals who will admire them and give them attention (Chatterjee & Pollock, 2017). Thus, a highly narcissistic CEO will likely pursue less-experienced candidates (e.g., lower-level leaders) who will admire the CEO without threatening his or her position, as less-experienced candidates are incapable of reaching higher-level positions until they have more experience. Also, selecting less-experienced candidates as their successors gives highly narcissistic CEOs the opportunity to groom the candidates in the way the CEO wants. Selecting and paying attention to less-experienced candidates also signals to more proximal candidates (e.g., senior executives who may be better prepared to become

CEO successors), that the CEO can subvert their candidacy or replace their job at any time with less-experienced candidates.

A highly narcissistic CEO will also want to control the succession process by remaining the center of attention (Emmons, 1987; Raskin, Novacek, & Hogan, 1991). One method a CEO can employ to remain at the center of attention is to steer the board to focus on much less experienced talent, talent that would not immediately threaten the current CEO. Such an approach can create an impression that the CEO is heavily invested in the succession process, but in reality, the CEO is not developing his or her closest successor. Focusing on less-experienced talent also allows the CEO to keep his or her legacy at center stage. The less experienced the talent that the CEO brings into the succession pipeline, the more likely they are to admire the CEO. Less experienced talent can then be labeled as the CEO's group of high potentials, as trophies rather than individuals. Therefore, focusing on less-experienced talent can put the CEO on a pedestal to both the board and the successor pool as someone who champions talent.

Hence, fundamental narcissistic qualities, including a desire for self-esteem and an inflated self-view, may compel a CEO with higher levels of narcissism to select successors based on personality, as well as successors that will perpetuate the CEO's image of caring about talent, while also minimizing the number of successors that could actually replace the CEO. The result is likely to be a decrease in the number of ready-now successor candidates and an increase in the number of not-ready-now candidates.

***Hypothesis 3:** A negative relationship exists between a CEO's level of narcissism and the number of ready-now successors, such that CEOs with higher levels of*

narcissism are related to candidate pools with fewer numbers of ready-now successors.

***Hypothesis 4:** A positive relationship exists between a CEO's level of narcissism and the number of successors that are not-ready-now, such that CEOs with higher levels of narcissism are related to CEO succession candidate pools with higher numbers of not-ready-now candidates.*

4.3.4 CEOs with higher levels of narcissism and board involvement in the CEO succession process

The board and the CEO both share responsibility for the development of CEO successor candidates and succession planning, and the degree to which they do share responsibility varies across firms. Conceptually, board involvement entails how much the board runs the CEO succession process when compared to the current CEO (Vancil, 1987). A board's desire to actively participate in CEO succession can range from active participation to apathy, even until the board is forced to confront a staffing decision because of an abrupt or unplanned-for succession (Intintoli et al., 2014). In the case of active participation, the board may value the process and/or see how it helps their strategic needs. In the case of apathy, the board may not value the process, believing they can either select a successor at the last minute or identify and recruit talent from outside the firm. This may be particularly true of boards with a higher percentage of narcissists that believe that leaders are born, not made (Emmons, 1987). In this situation, the board that hires a CEO with higher levels of narcissism might not care about having a robust CEO succession process.

Narcissists are agentic with a high desire for self-esteem (Campbell & Foster, 2007), and therefore, the CEO with higher levels of narcissism will likely want to control the CEO succession process and will desire minimal involvement of the board. From an agentic perspective, the CEO will want neither a candidate that will easily replace the CEO, nor a board that will challenge the CEO's preferences for the successor pool. The self-serving interest of a highly narcissistic CEO has the potential to interfere with the succession process to the point that even a strong board that desires to participate in the process could lose control over the CEO succession process. This could result in a situation in which the CEO with higher levels of narcissism uses the succession process as a means to feed narcissistic esteem, rather than as a tool to prepare the firm for succession. Indeed, CEOs with higher levels of narcissism are likely to attempt control of the CEO succession process to such an extent that they reduce the board's involvement in the CEO succession process.

Narcissists use game-playing interpersonal strategies in order to manipulate others into giving them what they want. They believe they do not have to follow the rules (Behary, 2013). The highly narcissistic CEO is likely to use a similar game-playing strategy to control the succession process by hiding the CEO's real motives and limiting the involvement of the board. By playing games with the board, the CEO can first, draw attention away from the importance of the process, second, limit information about the process, and third, keep the board from interacting with potential candidates. In this way, the CEO limits the board's ability to pick successors who can challenge his or her position.

In situations where a board is more inclined to actively participate in the succession process, there are several strategies a CEO may use to discourage active involvement. Indeed, narcissists can be master manipulators and develop strategies and schemes to control their social environment (Campbell & Foster, 2007). For example, a CEO may use the intrapersonal strategy of pacification and deceit. To do this, he or she might go through the motions with the board by talking about CEO succession, while exerting little meaningful or strategic effort into participation.

One manipulation strategy is to draw attention away from the CEO succession process and thereby diminish its importance. For example, a narcissistic CEO might draw the board's attention to operational issues. In this case, the CEO actively discourages the board from participating in the CEO succession process by convincing the board that other issues are of a higher priority.

A second manipulation strategy is to act as the gatekeeper of the process and thereby control the information the board receives. Another fundamental quality of a narcissist is agentic concern. The narcissist's need for self-promotion will drive the narcissist to control the process while carefully achieving the desired results. Part of controlling the process involves preventing the board from receiving meaningful information to which the CEO already has access. By doing so, the CEO controls the information flow, as well as the perceptions of how well, or how poorly, the process is going.

A third manipulation strategy is to control the process, thereby ensuring that the board cannot see any candidate capabilities that could potentially outshine those of the CEO. The highly narcissist CEO does not want the candidates to be able to challenge him

or her. Through game-playing, highly narcissistic CEOs can control the level of involvement the board has in the CEO succession process. Hence, a highly narcissistic CEO will control the perceptions of the CEO succession process, rather than champion its procedural components, in an effort to stay at the center of attention and develop a loyal set of followers. Hence, the fundamental narcissistic qualities of agentic concern and a desire for self-esteem will compel a highly narcissistic CEO to be assertive in the CEO succession process and thereby limit the board's involvement.

***Hypothesis 5:** A negative relationship exists between the CEO's level of narcissism and board involvement in the CEO succession process, such that when the CEO has a higher level of narcissism, there is less board involvement in the CEO succession processes.*

4.3.5 Theoretical model

Joining all of the hypotheses together creates the following theoretical model: (1) A negative relationship between the CEO's level of narcissism and CEO involvement in the CEO succession process; (2) A negative relationship between the CEO's level of narcissism and the competitiveness of the CEO succession process; (3) A negative relationship between the CEO's level of narcissism and the number of ready-now successors; (4) A positive relationship between the CEO's level of narcissism and the board's level of involvement in the CEO succession process (see Figure 4.2).

4.4 Methods

4.4.1 Data

The data used in this study was obtained from multiple sources. Publicly available data was gathered from Compustat, GMI, Execucomp, EDGAR, and Factiva. This

includes proxy statements, annual reports, press releases, and *Wall Street Journal* articles. This study also uses data gathered through the 2016 Annual Global Survey of Chief Human Resource Officers conducted by The University of South Carolina's Center for Executive Succession. The survey was administered in the 2nd quarter of 2016. Invitations to participate in this survey were emailed to individuals who held the most senior HR role in their firms (e.g., Chief Human Resource Officers) in 773 companies. This distribution list came from two sources. All of the 2016 Fortune 500 companies were included, as well as members of a Human Resource professional association. A total of 148 usable responses were received (a 19% response rate).

To be included in the analysis, each firm had to be publicly traded and headquartered in the United States. In addition, each firm was required to provide at least 5 years of data prior to the CEO ascension. I used five years in order to capture a longer term perspective on the company's performance and the potential industry effect on CEO dismissal (Jenter & Kanaan, 2015), since CEO succession is less sensitive to short-term performance (one or two years) than to long-term performance (Boeker, 1992; Fredrickson et al., 1988; Gao et al., 2017). In addition, the CEO had to have at least two years of tenure and could not be the first CEO of the firm. Two years of tenure were required to ensure that the annual reports used in the measure of narcissism represented activity solely during the CEO's tenure. Private companies do not disclose sufficient data to calculate firm performance. CEOs of corporations registered in the US which are subsidiaries of non-US companies do not fit the definition of the CEO we are studying. It is also insufficient to merely have the title of CEO; the CEO must also be the highest-ranking employee in the organization. CEOs who report to a higher-level authority other

than the board of directors do not fit this definition. Therefore, the final sample consisted of 73 usable observations.

4.4.2 Measures

4.4.2.1 Observed-narcissism

The CEO's level of narcissism was measured in 2 ways: subjectively (observed-narcissism), through a modified version of the narcissistic personality inventory (NPI) scale (Raskin & Hall, 1979; Raskin & Terry, 1988), and unobtrusively (unobtrusive-narcissism), through a measure created by Chatterjee and Hambrick (2007), which includes a set of four unobtrusive measures. The NPI is the most widely-used measure of narcissism (Ames et al., 2006). Raskin and Hall (1979) developed the NPI to measure individual differences in narcissism in non-clinical populations. They started with 220 items and then reduced the survey down to 80 items (The NPI-80). Raskin and Hall (1981) then performed a construct validity study of the 80 items and reduced them to 54 items, and then further reduced the number to 40 (i.e., the NPI-40). In addition to the NPI-40, a 21 item (NPI-21), a 16 item (NPI-16), and a 13 item (NPI-13) survey have been developed and validated (Gentile et al., 2013; Svindseth et al., 2008). The NPI has been validated for forced choice pair and Likert style responses and has been validated for both self-report and third-party reporting (Boldero et al., 2015). I use a seven-point Likert scale, following Resick et al. (2009). In this study, I use the NPI-13 (Gentile et al., 2013) and drop three of the questions to make the survey more appropriate for executives. The three items I dropped were "I like to look at my body," "I like to display my body," and "I like to look at myself in the mirror." These three items are not relevant

in the business environment, and I was unable to identify any business-relevant alternative wording.

One of the challenges in studying narcissism at the executive level is the reluctance of executives to be honest when completing self-report questionnaires. One way to improve results is to use direct third-party observation. Third-party ratings have been shown to provide higher operational validities of personality traits when compared to self-reports (Oh et al., 2011). Third-party reporting also has less inflation of responses than self-reports (Van Iddekinge et al., 2005) because third-party observers can have unfiltered perspectives on the target's personality traits (Connelly & Hülshager, 2012). Hence, because the most senior HR individual answered questions about the CEO in the survey, the items were reworded to be observer-based, rather than self-report (see Appendix B for the full list of questions).

4.4.2.2 Unobtrusive-narcissism

Chatterjee and Hambrick (2007) spurred a new wave of narcissism research in the strategic management literature by introducing a new unobtrusive measure of narcissism. I call this measure unobtrusive-narcissism. Chatterjee and Hambrick (2007) created the measure to overcome the difficulty associated with convincing executives to fill out self-report measures (Cycyota & Harrison, 2006). Their original measure had five items.

The first item was the prominence of the CEO's photograph in the firm's annual report. It was scored based on the amount of space dedicated to the photograph as compared to the page size, along with whether or not the CEO was pictured alone. The amount of space represents the CEO's desire to be the center of attention, admire him or herself, and represents his or her sense of grandiosity. The picture was scored four if the

CEO's picture was larger than half of the page vertically or horizontally and was pictured alone. The picture was scored three if the CEO's picture was smaller than half of the page vertically or horizontally and was pictured alone. The picture was scored two if the CEO was pictured with others, regardless of size. The picture was scored one if there was no picture in the annual report. The picture was scored zero if there was no annual report. For example, this would occur when the company solely had a 10-k.

The second item was the CEO's prominence in the firm's press releases. The third item was the CEO's use of first-person singular pronouns in interviews with the *Wall Street Journal*. The fourth item was the CEO's cash compensation divided by that of the second-highest paid executive in the firm. The fifth item was the CEO's non-cash compensation divided by that of the second-highest-paid executive in the firm.

In 2011, Chatterjee and Hambrick modified their measure and dropped the measure of personal pronoun use during interviews, due to lack of reliability in their sample. Additionally, the text analysis of personal pronoun use by the CEO during interviews as a measure of narcissism has been challenged as unreliable (Carey et al., 2015). Therefore, I do not use the measure of personal pronoun use. To create the unobtrusive measure of narcissism, I used the average z-score of each sub-item.

4.4.2.3 Reliability of observed-narcissism and unobtrusive-narcissism

The Cronbach's Alpha of the 10 items from observed-narcissism was 0.81, which is above the recommended 0.70 for demonstrating adequate reliability (Cronbach, 1951). The reliability for unobtrusive-narcissism was Alpha = .28, below the level of recommended reliability (Cronbach, 1951). This was not unexpected after reviewing the pairwise Pearson correlations (Table 4.1), which range from .04 to .13, with the exception

of the correlation between the base and bonus pay differential, which was .46.

Additionally, the correlations of the four components of unobtrusive-narcissism were not in line with the results of Chatterjee and Hambrick (2007; 2011). Therefore, due to reliability issues, I solely use observed-narcissism.

4.4.2.4 Succession process involvement

Succession process involvement is operationalized through a survey instrument. There are six components of CEO involvement in the succession process: making CEO succession a priority, taking ownership of the process, reviewing succession plans, meeting with candidates, maintaining objectivity in the CEO succession process, and promoting equal opportunity. All the items were obtained from the 2016 CES CHRO survey (see Appendix B, Q12), using a 5-point Likert scale and averaged into a composite scale. The reliability was 0.88, which is above the recommended 0.70 for demonstrating adequate reliability (Cronbach, 1951). An example question is “to what extent do you agree the CEO makes succession a priority?” Making CEO succession a priority would indicate the CEO is involved in the CEO succession process.

4.5.2.5 Succession process competitiveness

Process competitiveness is operationalized using the extent to which successor candidates know they are successor candidates (Q22 of the 2016 CES CHRO survey; 5-point Likert scale) and the extent to which successor candidates know who the other successor candidates are (Q22 of the 2016 CES CHRO survey; 5-point Likert scale). The items were averaged into a composite scale. The reliability of the scale was 0.82, which is above the recommended 0.70 for demonstrating adequate reliability (Cronbach, 1951).

4.4.2.6 Candidate pool readiness: ready-now vs. not-ready-now

CEO successor candidate pool readiness is operationalized using the number of ready-now and not-ready-now candidates. Ready-now successors are measured on the 2016 CES CHRO survey (see Q14) as the number of executives who are considered potential immediate successors to the CEO. Respondents were given the option of 1, 2-3, 4-6, 7-8, and 9 or more potential candidates. Ready-now candidates is treated as a continuous variable of 1 to 5, representing the size of the candidate pool ready to be CEO in 0 to 6 months. The value of 1 corresponds to 1 candidate. The value of 2 corresponds to 2-3 candidates. The value of 3 corresponds to 4-6 candidates. The value of 4 corresponds to 7-8 candidates. The value of 5 corresponds to 9 or more candidates.

Not-ready-now candidates are those considered not immediately able to succeed the CEO. Not-ready-now candidates is calculated as a continuous variable representing the size of the not-ready-now candidate pool. It is a sum of the three categories of not-ready-now candidates: six months to 12 months, 12 to 24 months, and greater than 24 months. The value of 1 corresponds to 1 candidate. The value of 2 corresponds to 2-3 candidates. The value of 3 corresponds to 4-6 candidates. The value of 4 corresponds to 7-8 candidates. The value of 5 corresponds to 9 or more candidates.

In post-hoc analysis, I consider two additional measures of candidate readiness. First, I consider the availability of ready-now candidates (*Replacement Confidence*), following question 19 (see Q19): “If your CEO were to step down or leave today, how confident are you that his/her permanent successor would immediately (i.e., within a few weeks) be an internal direct report (i.e., immediate promotion without an "interim" CEO)?” (see Appendix B). Then I consider the availability of candidates (*Permanent*

Successor) following question 20: “If your CEO were to step down or leave today, how long do you think it would take to have a permanent successor in place?” (see Appendix B).

4.4.2.7 Board involvement

Board involvement is operationalized through a survey instrument. There are six components of board involvement in the succession process: making CEO succession a priority, taking ownership of the process, reviewing succession plans, meeting with candidates, maintaining objectivity in the CEO succession process, and promoting equal opportunity. All the items were obtained from the 2016 CES CHRO survey (see Appendix B, Q13), using a 5-point Likert scale. The items were averaged into a composite scale. The reliability of the scale was 0.87, which is above the recommended 0.70 for demonstrating adequate reliability (Cronbach, 1951). An example question is “to what extent do you agree the board makes succession a priority?” Making CEO succession a priority would indicate the board is involved in the CEO succession process.

4.4.2.8 Control variables

From publicly available data sources and the CHRO 2016 survey, I gathered and included control variables that previous literature suggests might predict CEO succession outcomes (Chatterjee & Hambrick, 2007; Intintoli et al., 2014; Petrenko et al., 2015).

First, *CEO age* is operationalized as the age of the CEO in 2016. CEO age is associated with creativity and innovation (Davidson et al., 2006). Also, CEOs that are closer to retirement are more motivated to leave a legacy (De Vries, 1988). That legacy could be manifested in the CEO’s participation in the CEO succession process.

Therefore, the age of the CEO could impact the behavior of the CEO towards CEO succession.

Second, *CEO origin* is operationalized as a dummy code of zero if the CEO came from inside the firm and as a one if the CEO came from outside the firm. CEO origin is associated with the manner in which the CEO thinks (Lant et al., 1992). Outsider CEOs are associated with a new way of thinking (Karaevli, 2007). Therefore, the origin may determine the way the CEO thinks and subsequently impact how the CEO leads the CEO succession process. For example, a CEO from a different company may have a differing perspective regarding the importance of succession and development or the practices required for effectiveness.

Third, a CEO was considered heir apparent (*heir apparent*) if the CEO had been the heir apparent (*CEO was heir*). This is operationalized as a dummy code of one if the CEO's title was president or COO prior to ascending to CEO while at least five years younger than their predecessor; otherwise, it was coded as a zero (Cannella & Shen, 2001). Heir apparent status is associated with CEO power and the ability to affect change in the organization post ascension. CEOs who were the heir apparent have more power and are therefore more able to affect change post-ascension than those CEOs who were not the heir apparent (Bigley & Wiersema, 2002). Thus, heir apparent CEOs may have more influence on how they lead and change the CEO succession process than those who were not the heir apparent.

Fourth, *CEO tenure* is operationalized as the years the predecessor held the position of CEO. Predecessor tenure is also associated with CEO power (Nyberg et al., 2010) and

could therefore affect to what extent the CEO has control over the succession process when compared to board influence (Scheper et al., 2017b).

Fifth, *CEO duality* is operationalized as a dummy code of one if the predecessor CEO also held the title of Chairman of the Board. Duality is associated with increased power, therefore CEOs who also were chairman of the board may have a larger influence on the characteristics of the CEO succession process (Finkelstein, 1992). This may be particularly true if the CEO is also Chairman of the Board, as the board has ultimate responsibility for selecting the CEO.

Sixth, *board size* is operationalized as the total number of sitting board members at the time of CEO ascension. Larger boards can hamper innovation (Raheja, 2005) and have larger amounts of power (Kosnik, 1987). Therefore, a larger board may have a greater influence on CEO succession and provide less support for a CEO's attempts at changing the internal portions of the process. Further, a more experienced board may provide more guidance and thus control the CEO succession process (Shen & Cannella, 2002).

Seventh, *firm performance* is operationalized as the average Tobin's Q value over the last five years (Iyengar & Zampelli, 2009). Tobin's Q represents the ratio of the market value of the firm's assets to the replacement costs of its assets. I selected Tobin's Q, as it is widely used in the strategy literature and is a market-based performance measure that emphasizes financial performance of firms with differing levels of resources available to them (Wernerfelt & Montgomery, 1988). To allow for a robustness check, I also measured the five-year median industry adjusted return on assets, following the procedures laid out by Wiersema and Zhang (2011).

Eighth, *firm size* is operationalized as the total number of employees at time zero. Companies which are of larger size have been shown to experience more inertia and resistance to change (Tushman & Rosenkopf, 1996). Therefore, the inertia of larger companies may hinder CEO control of the CEO succession process.

4.5 Analytical Strategy

In this study, I use multiple regression, following Cohen et al. (2013), to examine the relationship between variables and to find a model of best fit. Researchers modeling CEO succession have used ordinary least squares multiple regression (e.g., Zajac & Westphal, 1996). Also, scholars researching the outcomes of the narcissistic personality trait on business outcomes have used ordinary least squares multiple regression (e.g., Zhang, Ou, Tsui, & Hui, 2017). I analyze the results by first regressing narcissism on only the control variables, then adding the independent variable in the regression and looking for evidence that the independent variable is statistically significant.

4.6 Results

Table 4.2 presents the means, standard deviations, and correlations. Many of the correlations for main effects are small and statistically insignificant. The correlation between the CEO's level of narcissism and the CEO's level of involvement in the succession process is -.46 and is statistically significant ($p < .05$). The correlation between the CEO's level of narcissism and the competitiveness of the CEO succession process is -.08 and is not statistically significant. The correlation between the CEO's level of narcissism and the number of ready-now successors is -.05 and is not statistically significant. The correlation between the CEO's level of narcissism and the number of not-ready-now successors is -.10 and is not statistically significant. The correlation

between the CEO's level of narcissism and the board's level of involvement in the CEO succession process is $-.27$ and is statistically significant ($p < .05$).

Table 4.3 reports the results of the baseline models and multivariate tests. Models 1, 3, 5, 7, and 9 contain only the control variables for Hypotheses 1, 2, 3, 4, and 5 respectively. Model 3 contains only the control variables for Hypothesis 2. None of the control variables are statistically significant in predicting succession process competitiveness. Model 5 contains only the control variables for Hypothesis 3. None of the control variables are statistically significant in predicting the number of ready-now successors. Model 7 contains only the control variables for Hypothesis 4. None of the control variables are statistically significant in predicting the number of not-ready-now candidates. Model 9 contains only the control variables for Hypothesis 5. None of the control variables are statistically significant in predicting board involvement in the CEO succession process.

In Model 1, none of the control variables are statistically significant in predicting succession process involvement. In Hypothesis 1, I predict a negative relationship exists between the CEO's level of narcissism and level of involvement in the succession process. In support of my prediction, I find narcissism (-7.01 , $p < .05$) has a negative and statistically significant relationship with succession process involvement (see Model 2). This indicates that higher levels of CEO narcissism are related to lower levels of involvement from the CEO in CEO succession planning. In Hypothesis 2, I predict a negative relationship exists between the CEO's level of narcissism and the competitiveness of the CEO succession process. Further, I find no statistical evidence to support the prediction (see Model 4), failing to support Hypothesis 2. In Hypothesis 3, I

predict a negative relationship exists between the CEO's level of narcissism and the number of ready-now successors. In regards to Hypothesis 3, I find no statistical evidence to support the prediction (see Model 6). In Hypothesis 4, I predict a positive relationship exists between the CEO's level of narcissism and the number of successors that are not ready-now. In regards to Hypothesis 4, I find no statistical evidence to support the prediction (see Model 8). In Hypothesis 5, I predict a negative relationship exists between the CEO's level of narcissism and the board's level of involvement in the CEO succession process. In support of my prediction, I find CEO narcissism (-4.42, $p < .05$) has a negative and statistically significant relationship with board involvement in the CEO selection process (see Model 10). This indicates that the board has less involvement in the CEO succession process in companies that have CEOs with higher levels of narcissism.

4.6.1 Post-hoc analysis

In post-hoc analysis, I investigate two other measures of candidate readiness which may be affected by the level of narcissism of the CEO. Specifically, I examine *Replacement Confidence* and *Permanent Successor*. *Replacement Confidence* represents the company's level of confidence that they can replace the CEO in a short period of time with an internal successor. *Replacement Confidence* is operationalized as the confidence percentage the survey respondent notes, regarding his or her belief that the CEO's *permanent successor* would immediately (i.e., within a few weeks) be promoted from within (see Q19 in Appendix B). The value of 0 represents 0% confidence. At the other end of the spectrum, the value of 10 represents 100% confidence.

Permanent successor represents the length of time it would take to find a permanent replacement for the CEO. *Permanent Successor* is operationalized as the amount of time the survey respondent believes it would take to put a permanent CEO successor in place (see Q20 in Appendix B). It is treated as a continuous variable. A value of 1 represents less than one week. A value of 2 represents one to two weeks. A value of 3 represents a value of one month. A value of 4 represents one to three months. A value of 5 represents a value of three to six months. A value of 6 represents a value of more than six months.

In alignment with Hypotheses 3 and 4, I expect that CEOs with higher levels of narcissism would fill their CEO succession pipeline with fewer ready-now candidates. Therefore, I expect a negative relationship between narcissism and both *Replacement Confidence* and *Permanent Successor*. Table 4.4 shows the results of the analysis. I use the same controls I used for Hypotheses 1 through 5. Model 1 contains just the control variables. Model 2 adds narcissism as a predictor variable of *Replacement Confidence*. Narcissism is not a statistically significant predictor of *Replacement Confidence*. Model 3 contains just the control variables. Model 4 adds narcissism as a predictor variable of *Permanent Successor*. Narcissism is not a statistically significant predictor of *Permanent Successor*. Thus, in post-hoc analysis with the additional variables of *Replacement Confidence* and *Permanent Successor*, I find no additional evidence to suggest that the level of the CEO's narcissism affects the readiness of the CEO succession candidate pool.

4.7 Discussion Section

This study investigates the impact of CEOs with higher levels of narcissism on the CEO succession process. Specifically, it investigates how the level of narcissism of the

CEO impacts the CEO's involvement in the CEO succession process, the competitiveness of the process, the availability of successors, and the participation from the board. The positive results of Hypotheses 1 and 5 provide evidence that CEOs with higher levels of narcissism are less involved in the CEO succession process and that the board is less involved in the CEO succession process when the CEO has higher levels of narcissism. However, the insignificant statistical results regarding the competitiveness of the process and the number of ready-now versus not-ready-now candidates raises the question of whether narcissism has any effect on these CEO succession process components.

Hypothesis 2 predicts a positive relationship between the CEO's level of narcissism and the implementation of a competitive CEO succession process, such that CEOs with higher narcissism are more likely to implement a competitive succession process, but analysis resulted in statistically insignificant results. Still, increased clarity regarding this hypothesis would be valuable, as it would link a specific personality trait to the effects of the CEO on the CEO succession process, and there is evidence that narcissists try to control their followers (Sedikides et al., 2002), including staffing the TMT in a specific way (Chatterjee & Pollock, 2017). However, these control mechanisms appear not to take root within the selection of future CEO candidates. Three things may address the gap between what we understand about how narcissists control their followers and the results of this study. First, the CEO may be hired into an organization with a board which routinely follows strong CEO succession practices (Schepker et al., 2017b). Second, the openness of whom is being considered as a CEO successor candidate and the extent to which the candidates are aware of each other may be a function of the stage of development of the candidates (Pissaris et al., 2010). For example, if the pool is well-

developed, mature individuals may be more aware of their candidacy than those within an undeveloped or small candidate pool. Third, the competitiveness of the process may simply not matter to a highly narcissistic CEO.

The lack of statistical evidence suggesting that the level of narcissism of the CEO affects either the number of ready-now candidates or the number of candidates not ready-now was unexpected. Research on followership states that leaders and followers can form a symbiotic relationship, within which followers select leaders who have an expected set of characteristics, and leaders prefer followers with a certain set of characteristics. Within this relationship, each meets the psychological needs of the other (Uhl-Bien, Riggio, Lowe, & Carsten, 2014). Additionally, current theory regarding the narcissist's world construct indicates that narcissists need followers to build their self-esteem (Chatterjee & Pollock, 2017).

Three things may address the reason there are no statistically significant results. First, narcissists may be inheriting a pipeline and pool of successors that they cannot fully control. For example, when a CEO takes office, he or she inherits all of the candidates in the pipeline and pool. To change the pool makeup takes effort and time, as individuals can only be changed one at a time (Schneider, 1987).

Second, highly narcissistic CEOs may not be able to fill the pipeline according to their succession desires. Several constraints, such as the job market and firm-specific knowledge required for the job, may limit the CEO's ability to change the makeup of the candidate pool without hurting performance. Since performance is also a motivator for CEOs with higher levels of narcissism (Bradlee & Emmons, 1992), the performance capability of the employee may weigh heavier in the CEO's staffing decisions than the

CEO's need to be admired. Further, the evidence that CEOs with higher levels of narcissism spend less time in the CEO succession process may indicate that CEOs with higher levels of narcissism pay little attention to their successor pool.

4.7.1 Theoretical implications

It has been lamented that there is no underlying theory of succession (Nyberg et al., 2017). However, progress is being made. For example, Schepker et al. (2017b) investigate the CEO succession process through an information-processing and decision-making lens in order to explain the board's actions and participation in the CEO succession process. Schepker et al. (2017b) find that the succession process is primarily run by the board and generally includes the following components: "defining roles and responsibilities, defining the firm's future strategy, outlining the capabilities needed in a future CEO, identifying CEO candidates who meet the role profile, developing candidates to be ready to assume the position, selecting the successor, and ultimately transitioning the role" (Schepker et al., 2017b: 37). Shifting the discussion from the effects of the CEO to the effects of the board of directors is appropriate, but such a focus misses the impact of the CEO in the initial stages of developing the candidate pool.

Tournament theory is the notion that tournaments are conceptualized as contests in which actors compete for a prize that is awarded based on relative rank, designed to incent an optimal level of effort (Becker & Huselid, 1992; Lazear, 1999). Tournament theory advocates that the larger the gain and the more competitive the tournament, the better the results (Connelly et al., 2013). In the CEO succession process, it is uncertain if the competitiveness of the opportunity actually helps or hurts the organization overall. Cannella and Shen (2001) maintained that retention of CEO candidates is a problem, and

that heirs from within the firm are less likely to leave the firm. Turnover of CEO candidates results in high costs and brings into question the overall value of a more competitive process. As a result, it could potentially put human capital theory at odds with tournament theory.

The idea of a talent pool has been around for a while (e.g., Chambers, Foulon, Handfield-Jones, Hankin, & Michaels, 1998). However, the recent notion of *human capital pipelines* has started to gain research momentum. *Human capital pipelines* have been introduced as “repeated interorganizational hiring, and a practice firms use to differentially acquire and accumulate human capital and mitigate human capital risk” (Brymer, Molloy, & Gilbert, 2014: 483). CEO succession research typically looks at predicting insider vs. outsider succession. For example, while Schepker et al. (2017b) examined CEO succession as a process, they limited their investigation to the process as it was immediately proximal to the board selection of a new CEO, rather than including the pipeline that fills the CEO candidate pool. There is an opportunity to look at CEO succession from a pipeline perspective and thereby answer questions regarding where CEO candidates come from, what their early experiences are, and which networks get them noticed to the extent that they are added to the ready-now or not-ready-now candidate pools.

Seeking to understand how CEOs with higher levels of narcissism manipulate the succession process gives us insight into the moderators of the process in terms of CEO personality. Agency theory (Jensen & Meckling, 1976) identifies the natural tension between the board and the CEO and admits that the power balance affects how CEO succession decisions are made. For example, there is tension between the board and the

CEO in managing the CEO succession process, and in circumstances like duality (Davidson, Ning, Rakowski, & Elsaid, 2008) or a founding CEO (Allgood & Farrell, 2000) the CEO inevitably has more power and influence over when and how CEO succession occurs. Monitoring in agency theory centers around the extent to which a principal is monitored by behaviors and actions, rather than solely outcomes (Eisenhardt, 1989). Looking deeper into how the board monitors the CEO succession process when the CEO has higher levels of narcissism could help us identify additional ways in which the board monitors and controls the CEO. Also, when behavior is predictable, it can eliminate the need for monitoring, and narcissism is a fairly predictable behavior. This study highlights the importance of examining how a CEO's personality is related to both CEO and board involvement in the CEO succession process, as narcissism is related to both.

4.7.2 Practical implications

There are several practical implications for boards, CEOs, and leaders of the talent development process (e.g., the CHRO or a business unit lead). Boards may need to be more vigilant in monitoring the succession process when their CEO exhibits higher levels of narcissism. This paper provides evidence that CEOs who have higher levels of narcissism put less emphasis on succession planning. I do not interpret this finding to mean that the CEO is not holding meetings or conducting succession planning activities, but rather to indicate that CEOs with higher levels of narcissism may not be giving succession planning the attention it needs in order to provide the firm with its future talent needs. This may be particularly true at lower levels in the organization, as the board has limited visibility into these levels of the organization (Schepker et al., 2017b),

and the CEO has more opportunity to behave opportunistically where the board can't monitor the real quality of the succession process (Eisenhardt, 1989). As a result, the board may need to pay more attention to general succession practices, particularly lower in the organization and in areas that do not feed the CEO succession pipeline directly.

CEOs may need to carefully reflect on their own attitudes toward succession planning. CEOs can have a variety of attitudes in this regard. CEOs may believe succession planning is essential to the future of the firm, or they may believe succession planning is an administrative waste of time. With the combined evidence from this study that CEOs who are highly narcissistic spend less time on succession planning, it seems likely that CEOs will surround themselves with less-than-ideal followers (Chatterjee & Pollock, 2017). Thus, CEOs who are highly narcissistic need to be self-aware that their personality may bias them in a way that would hurt future firm performance. Although narcissists are not known for self-reflection, they do tend to act in their own self-interest. Therefore, an understanding of how succession planning can positively affect the short and long-term performance of a company could sway a narcissist to spend more time developing the talent pipeline. After all, it is in the best interest of the CEO to ensure current and future performance. This is particularly true when long-term incentives are considered, which make up a large portion of CEO compensation packages (Devers, Cannella, Reilly, & Yoder, 2007).

Outside of CEO succession and the immediate succession plan for the TMT, the succession process can be led by either functional leaders, such as the CHRO, or operational leaders, such as a unit head. In many large corporations, leadership positions work together to deliver a succession process, and utilization of the process actively

develops future talent (Cappelli, 2011). If these leaders are aware of the CEO's potential bias, due to the CEO's higher level of narcissism, leaders of the succession process can mitigate the potential long-term consequences by putting more of their own effort and resources into the succession process or emphasizing to the CEO that a more effective succession process is in the CEO's best interest.

4.7.3 Limitations and future directions

4.7.3.1 Measure of narcissism

This study highlights the problems in accurately measuring narcissism. The design of this study was to use two measurements of narcissism: an observed measure of narcissism following the NPI-13 (Gentile et al., 2013) and an unobtrusive measure of narcissism following Chatterjee and Hambrick (2007, 2011). The advantage of two measures would be to triangulate in on a robust construct of narcissism. However, despite its wide acceptance, the Chatterjee and Hambrick (2007; 2011) measure exhibited many weaknesses.

First, there was no internal reliability. Second, there was no statistically significant or meaningful correlation between the observed and the unobtrusive measure of narcissism. Third, the correlations of the unobtrusive measure of narcissism were not in line with previously published correlations between the unobtrusive measure components. That being said, there is not enough evidence from this study to contradict the usage of the measure in other studies. However, it does provide enough evidence to suggest further investigation. If both the observed and unobserved measure of narcissism are measuring the same construct of narcissism, there should be some level of agreement between the two measures. This paper does not find such a level of agreement.

4.8.3.2 Availability of candidate data

Availability of candidate data may be a problem with regards to the numbers of the ready-now versus not-ready-now candidates, as the number of candidates may have less to do with volume than the characteristics of those candidates. For example, a small number of candidates that are particularly adept at meeting the requirements for the CEO's narcissistic esteem might be a substitute for a larger number of candidates that are less adept at meeting the CEO's narcissistic esteem needs. Also, the highly narcissistic CEO may use the possibility of CEO candidacy as an incentive to entice CEO successor candidates to treat the CEO with more deference and respect (Behary, 2013). How each potential successor reacts to that incentive could affect how the CEO attempts to influence the CEO successor candidate pool. If we knew more about the characteristics and qualifications of the successors or had better measurements of their readiness, maybe we could tease this concept out better.

Longitudinal studies are becoming increasingly necessary to fully address predictions and generalizability of study findings (Ployhart & Vandenberg, 2010), and this study does not address the issue of time. A highly narcissistic CEO may, in fact, work to change the candidate mix within the CEO succession pool, but do so over a period of time. If this were the case, one would expect to see a shift of candidates aligned with the hypothesis over time (e.g., immediate pool getting smaller, not-ready-now pool getting bigger), or it may suggest that highly narcissistic CEOs want to have more followers that are dependent on him or her.

4.7.4 Future directions

During periods of poor performance or environmental uncertainty, boards hire CEOs that have different characteristics than their previous CEO, or they hire outsiders to shift strategy and/or improve performance (Karaevli, 2007; Karaevli & Zajac, 2013; Zhang, 2008). The vast majority of previously-studied CEO characteristics focus on tenure, functional background, or industry experience (Bigley & Wiersema, 2002; Chen & Hambrick, 2012; Martinson, 2012; Zhang & Rajagopalan, 2004). As a result, personality, a key component of leadership style, has been left understudied (see Hiller & Hambrick, 2005 for an exception). The lack of research regarding whether CEOs prefer successor CEOs with similar personality traits is of particular interest when it comes to narcissism. Do highly narcissistic CEOs prefer highly narcissistic successors? In addition, if the sitting CEO is narcissistic, during times of uncertainty and/or poor performance, does the board select a successor who is also narcissistic? Does the board select a successor who is in the current candidate pool, someone within the company but not in the candidate pool, or does the board go to the outside?

Another area that has been left relatively unstudied is the CEO candidate's level of narcissism as compared to that of the board and of the CEO. It has been found that narcissists prefer narcissists and tend to see narcissism as a healthy personality trait (Keith Campbell, Bosson, Goheen, Lakey, & Kernis, 2007; Konrath, Meier, & Bushman, 2014). Therefore, a highly narcissistic CEO may prefer another highly narcissistic candidate. The same situation may occur within the board of directors. A board with higher levels of narcissism may prefer a CEO with higher levels of narcissism. For this study, I did not study the levels of narcissism of the board of directors or the CEO

candidates. However, if that data were gathered, we could test the hypothesis that narcissists prefer narcissists in the CEO succession process by looking at the CEO, the candidate pool, and the board to see if narcissism plays any role in selection.

4.8 Conclusion

This study seeks to understand what impact a CEO with higher levels of narcissism has on the CEO succession process. I find empirical evidence that CEOs with higher levels of narcissism are less involved in the succession process. I also found that in firms where the CEO has higher levels of narcissism, the board is less involved in the CEO succession process. However, I failed to find any statistically significant evidence suggesting that when a CEO has higher levels of narcissism, the process is more competitive and/or the size of the ready-now or not ready-now candidate pool is affected. The implications of these findings are that CEOs with higher levels of narcissism need to approach the succession process more sincerely. The study fails to explain in detail the consequences of that lack of participation, nor does it answer questions relating to how a highly narcissistic CEO would approach the candidate pool and process. Since boards in firms with CEOs who are less narcissistic also participate less in the succession process, firms that have CEOs with higher levels of narcissism are at risk for more volatile and poor-performing CEO succession processes. Boards should be aware of the impact of the CEO's level of narcissism on the CEO succession process and how the CEO filters information from the board. Going forward, we need to keep pursuing these questions to fully understand the long-term consequences of CEOs with higher levels of narcissism.

TABLE 4.1
Narcissism Item Correlations

		n	Mean	SD	1	2	3	4
1	CEO picture code (size)	115	2.51	1.08				
2	CEO to next executive cash ratio	114	1.96	.57	.13			
3	CEO to next executive noncash ratio	114	2.50	.93	.07	.46*		
4	CEO name to words ratio	106	.69	.60	.04	.11	.11	
5	Observed-narcissism	97	3.15	1.00	-0.02	.14	.12	.01

*p<.05

TABLE 4.2
Correlation and Descriptive Statistics

	Mean	SD	1	2	3	4	5	6	7	8
1 Succession process involvement	4.17	0.81								
2 Succession process competitiveness	2.82	1.01	0.25*							
3 Candidate pool readiness (now)	0.78	0.77	0.22	0.29*						
4 Candidate pool readiness (not now)	6.10	4.49	0.28*	0.07	0.43*					
5 Board involvement	9.77	3.00	0.40*	0.38*	-0.01	0.15				
6 Observed-narcissism	3.13	1.04	-0.46*	-0.08	-0.05	-0.10	-0.27*			
7 CEO age	57.75	4.60	-0.02	0.27*	-0.03	0.01	0.01	0.24*		
8 CEO origin	0.26	0.44	-0.12	0.05	-0.08	-0.20	0.04	0.27*	0.04	
9 CEO was heir apparent	0.38	0.49	0.13	-0.08	0.04	0.05	0.03	-0.23	-0.39*	-0.47*
10 CEO tenure	6.53	3.87	-0.01	0.19	0.09	0.12	0.04	0.18	0.30**	-0.03
11 CEO duality	0.64	0.48	0.05	0.12	0.16	0.20	0.06	0.13	0.16	-0.02
12 Board size	10.22	2.16	0.27*	0.23	0.13	0.17	0.30*	-0.10	0.10	-0.22
13 Firm performance	1.85	0.98	0.12	0.12	0.01	0.09	-0.02	0.06	0.13	0.05
14 Firm size	59.28	73.86	0.28*	0.22	0.24*	0.26*	0.17	-0.17	0.03	-0.02

n = 73; *p<.05.

TABLE 4.2
Correlation and Descriptive Statistics Continued

	Mean	SD	9	10	11	12	13
10 CEO tenure	59.77	5.46	-0.08				
11 CEO duality	.52	.50	0.12	0.32*			
12 Board size	9.78	5.77	0.20	0.22	0.33*		
13 Firm performance	.98	.05	-0.06	0.09	-0.11	0.02	
14 Firm size	54.96	71.56	-0.04	0.09	0.18	0.43*	-0.07

n = 73; *p<.05

TABLE 4.3

Regression Table of the Effects of Narcissism on CEO Involvement in the Succession Process, Competitiveness of the CEO Succession Process, Number of Ready-now Successors, Number of Not Ready-now Successors, and Board Involvement in the CEO Succession Process

	Succession Process Involvement		Succession Process Competitiveness		Candidate Pool Ready-now Successors		Candidate Pool Not-ready-now Successors		Board Involvement	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Observed-narcissism		-7.01* (1.99)		-3.13 (2.68)		-.18 (2.15)		-5.25 (12.07)		-4.42* (1.98)
CEO age	.00 (.02)	.01 (.02)	.05 (.03)	0.06 (.03)	-.01 (.02)	-.01 (.02)	-.08 (.13)	-.07 (.14)	.00 (.02)	.01 (.02)
CEO origin	-.09 (.25)	.06 (.23)	.21 (.31)	.28 (.31)	-.14 (.24)	-.14 (.25)	-2.49 (1.37)	-2.38 (1.40)	-.17 (.23)	-.08 (.23)
CEO was heir apparent	.14 (.25)	.10 (.23)	.09 (.31)	.07 (.31)	-.03 (.24)	-.03 (.25)	-.78 (1.37)	-.81 (1.38)	-.09 (.23)	-.12 (.23)
CEO tenure	-.01 (.03)	-.01 (.02)	.02 (.03)	.02 (.03)	.01 (.03)	.01 (.03)	.06 (.15)	.06 (.15)	.01 (.03)	.01 (.02)
CEO duality	-.02 (.22)	.07 (.20)	-.02 (.27)	.02 (.27)	.21 (.22)	.22 (.22)	1.73 (1.22)	1.80 (1.24)	-.15 (.21)	-.09 (.20)
Board size	.06 (.05)	.05 (.05)	.06 (.07)	.06 (.07)	-.01 (.05)	-.01 (.05)	-.09 (.29)	-.09 (.29)	.09 (.05)	0.09 (.05)
Firm performance	.12 (.10)	.12 (.09)	.09 (.12)	.09 (.12)	.04 (.10)	.04 (.10)	.66 (.54)	.66 (.54)	.04 (.09)	.04 (.09)
Firm size	0.00 (.00)	.00 (.00)	.00 (.00)	.00 (.00)	0.00 (.00)	.00 (.00)	0.01 (.01)	0.01 (.01)	.00 (.00)	.00 (.00)
Constant	3.31* (1.41)	10.53* (2.43)	-1.17 (1.75)	2.06 (3.27)	1.29 (1.39)	1.48 (2.63)	8.99 (7.82)	14.41 (14.71)	3.01* (1.33)	7.56* (2.41)
R ²	.15	.29	.15	.17	.09	.09	.16	.16	.12	.19
Adjusted R ²	.04	.18	.05	.05	-.03	-.04	.05	.04	.01	.07
Residual Std.	.79 (df = 64)	.73 (df = 63)	.98 (df = 64)	.98 (df = 63)	.78 (df = 64)	.79 (df = 63)	4.37 (df = 64)	4.40 (df = 63)	.74 (df = 64)	.72 (df = 63)
F Statistic	1.37 (df = 8;64)	2.80* (df=9;63)	1.45 (df = 8;64)	1.45 (df=9;63)	.75 (df = 8;64)	.66 (df=9;63)	1.48 (df = 8;64)	1.32 (df=9;63)	1.09 (df = 8;64)	1.59 (df=9;63)

N = 73; * p < .05

TABLE 4.4
Post-hoc Analysis: Regression Table of the Effects of Narcissism on Replacement Confidence and Permanent Successor

	Replacement Confidence		Permanent Successor	
	Model 1	Model 2	Model 3	Model 4
Narcissism		8.12 (4.66)		8.12 (4.66)
CEO age	0.18 (.11)	-.06 (.05)	-.05 (.05)	-.06 (.05)
CEO origin	-1.70 (1.13)	.51 (.54)	0.69 (.54)	.51 (.54)
CEO was heir apparent	-.28 (1.13)	-.06 (.53)	-.10 (.54)	-.06 (.53)
CEO tenure	0.19 (.12)	-.13* (.06)	-.12* (.06)	-.13* (.06)
CEO duality	.70 (1.00)	-.85 (.48)	-.74 (.48)	-.85 (.48)
Board size	-.07 (.24)	.05 (.11)	.04 (.12)	.05 (.11)
Firm performance	.32 (.44)	-.17 (.21)	-.17 (.21)	-.17 (.21)
Firm size	.02* (.01)	-.01* (.00)	-.01* (.00)	-.01* (.00)
Constant	-5.69 (6.45)	-.56 (5.68)	7.80* (3.09)	-.56 (5.68)
R ²	.26	.32	.29	.32
Adjusted R ²	.16	.22	.20	.22
Residual Std.	3.61 (df = 64)	1.70 (df = 63)	1.73 (df = 64)	1.70 (df = 63)
F Statistic	2.77* (df = 8;64)	3.28* (df=9;63)	3.21* (df=8;64)	3.28* (df=9;63)

N = 73; * p < .05

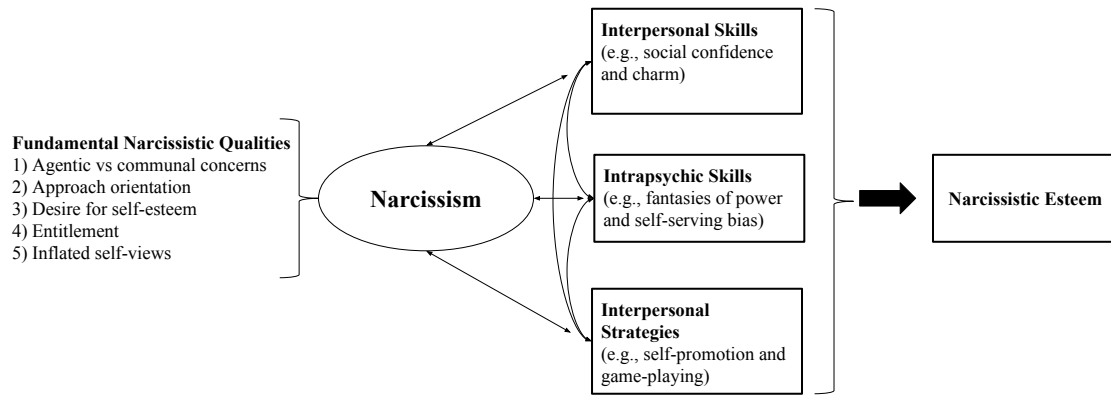


FIGURE 4.1
The Extended Agency Model
 Recreated from Campbell and Foster (2007)

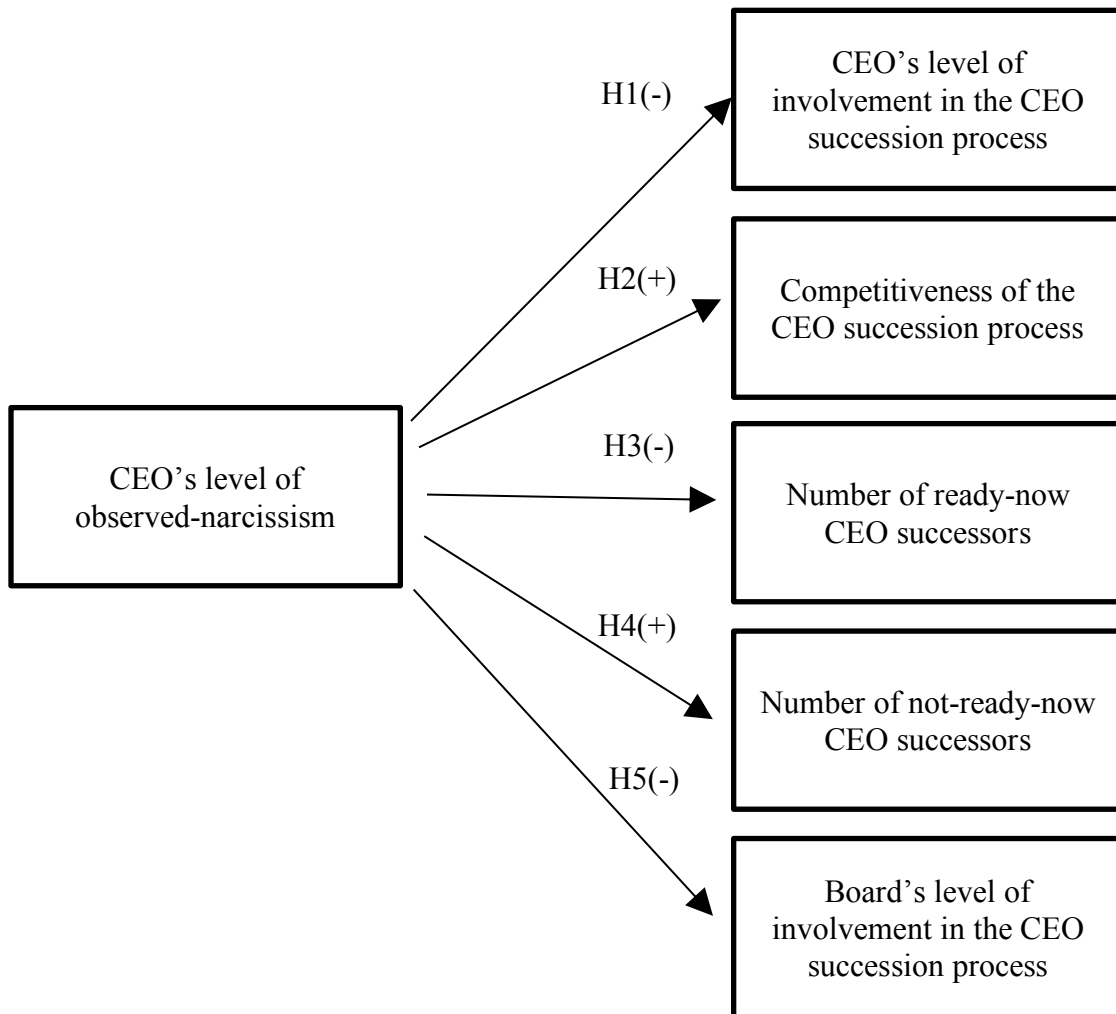


FIGURE 4.2
Model of CEO's Level of Narcissism and its Effects on the CEO Succession Processes

CHAPTER 5

SUMMARY AND CONCLUSIONS

5.1 Summary and Conclusions

This research sought to address two main questions. First, what would motivate a board to hire a CEO with higher levels of narcissism? Second, how does a CEO with higher levels of narcissism influence the CEO succession process? To answer these questions, I conducted a literature review and two empirical studies. In the literature review, I found little evidence that addressed these questions. In the two empirical studies, I found statistically significant evidence in two of ten hypotheses. That evidence suggests that CEOs with higher levels of narcissism are less involved in the CEO succession process, and that in firms where the CEO has higher levels of narcissism, the board is less involved in the CEO succession process. For a summary of all hypotheses and their results, see Table 5.1.

The implications of these findings are that CEOs with higher levels of narcissism approach the succession process differently than their less narcissistic peers. These studies fail to explain in detail the consequences of that lack of participation, and therefore, many answers to questions about how CEOs with higher levels of narcissism approach the candidate pool and process remain unanswered. Since boards in firms with CEOs who are less narcissistic also participate less in the CEO succession process, firms that have CEOs with higher levels of narcissism are at risk for more volatile and poor-performing CEO succession processes. Going forward, we need to investigate these

questions more deeply to fully understand the long-term consequences of CEOs with higher levels of narcissism.

From a theoretical perspective, these studies advance our understanding of how decision-making theory impacts CEO succession by helping us understand that narcissism can influence a CEO to manipulate information provided to the board of directors (for additional theoretical implications, see Table 5.2). From a methodological perspective, this study did not find consistent reliability between two commonly-used methods of measuring narcissism, the NPI (Raskin & Hall, 1981) and Chatterjee and Hambrick's (2007) unobtrusive measure of narcissism. Such a result suggests that our current methods of measuring narcissism require refinement. From a practical perspective, boards need to maintain vigilance in the succession process and be aware of the potential manipulations of information and process by CEOs with higher levels of narcissism. If the board decides to hire a CEO with higher levels of narcissism, the board needs to initiate mitigating processes to ensure the proper flow of information and oversight of CEO successor development and the CEO succession process (for a summary of practical implications, see Table 5.3). Going forward, we would benefit from a broader study of CEO personality and how it affects CEO succession, as well as an extended study of how individual board member personalities influence CEO succession (for a summary of future directions, see Table 5.4).

The study of narcissism at the executive level needs to continue, as narcissism continues to be a personality trait sought after in our leaders for its potential positive consequences, despite its potentially catastrophic outcomes (e.g., the Enron collapse). Only through continued study can we learn how to capitalize on the positive outcomes of

narcissism while mitigating the negative outcomes. Ultimately, from a practical perspective, boards need to be deeply involved in their selection of a CEO, in order to assure that the risks of hiring a highly narcissistic CEO do not come to fruition.

TABLE 5.1
Summary of Hypotheses

Num	Hypothesis	Sig
1.1	Firm performance is negatively related to the level of narcissism of the selected CEO, such that lower levels of firm performance are related to higher levels of narcissism in the selected CEO.	No
1.2	Environmental dynamism is positively related to the level of narcissism of the selected CEO, such that in environments with higher levels of dynamism, CEOs are selected who have higher levels of narcissism.	No
1.3	Environmental munificence is positively related to the level of narcissism of the selected CEO, such that environments with high levels of munificence are related to the selection of CEOs with higher levels of narcissism.	No
1.4	Environmental dynamism attenuates the negative relationship between firm performance and the level of narcissism of the selected CEO, such that when environmental dynamism is low and firm performance is low, there is a weaker negative relationship between firm performance and the selection of a CEO with higher levels of narcissism.	No
1.5	Environmental munificence attenuates the negative relationship between firm performance and the level of narcissism of the selected CEO, such that when environmental munificence is low and firm performance is low, there is a weaker negative relationship between firm performance and the selection of a CEO with higher levels of narcissism.	No
2.1	A negative relationship exists between the CEO's level of narcissism and the involvement of the CEO in the succession process, such that when the CEO has a higher level of narcissism, the CEO is less involved in the CEO succession process.	Yes
2.2	A positive relationship exists between the CEO's level of narcissism and the implementation of a competitive CEO succession process, such that CEOs with higher narcissism are more likely to implement a competitive CEO succession process.	No
2.3	A negative relationship exists between the CEO's level of narcissism and the number of ready-now successors, such that CEOs with higher levels of narcissism are related to candidate pools with fewer numbers of ready-now successors.	No
2.4	A positive relationship exists between the CEOs level of narcissism and the number of successors that are not ready-now, such that CEOs with higher levels of narcissism are related to CEO succession candidate pools with higher numbers of not-ready-now candidates.	No
2.5	A negative relationship exists between the CEO's level of narcissism and board involvement in the CEO succession process, such that when the CEO has a higher level of narcissism, there is less board involvement in the CEO succession processes.	Yes

Num = Hypothesis Number; Sig = Statistically Significant

TABLE 5.2
Summary of Theoretical Implications

Theory	Implication
Agency Theory	Boards may hire CEOs higher in narcissism with the express objective of reducing agency costs while encouraging risk-taking behavior, due to the predictability of narcissists.
Narcissism	In times of crisis, higher levels of narcissism in executive leadership are beneficial to firms. Narcissists may be beneficial to a firm.
Tournament Theory	Tournament theory advocates improved performance from competition; however, the consequences of poor retention and lack of development may indicate that competition is bad for human capital resource development.
Decision Making Theory	Since information flow is important to good succession planning, narcissistic CEOs may disrupt that information flow.
Human Capital Pipelines	The CEO talent pipeline needs to be investigated at deeper levels than the first and second tier of CEO successors.
Followership	This study provides evidence that CEOs with higher levels of narcissism do intervene in the succession process to impact individuals close to them.

TABLE 5.3
Summary of Implications for Practice

Number	Implication
1	Need to withhold judgement on the negatives or positives of narcissism.
2	Need for boards to monitor the succession process vigilantly, due to the potential obfuscation of information by the CEO.
3	CEO needs to be self-reflective regarding how he or she approaches succession to see if his or her personality traits are significantly biasing himself or herself.
4	Board and functional leaders need to be aware of potential CEO bias.

TABLE 5.4
Summary of Future Directions

Number	Implication
1	Study narcissism along with other personality traits at the same time.
2	Develop a more robust measure of narcissism.
3	Study narcissism over time.
4	Look at additional firm characteristics that may signal or drive when a board selects a CEO with higher levels of narcissism.
5	Investigate how boards with higher levels of narcissism may impact the selection of CEOs with higher levels of narcissism.

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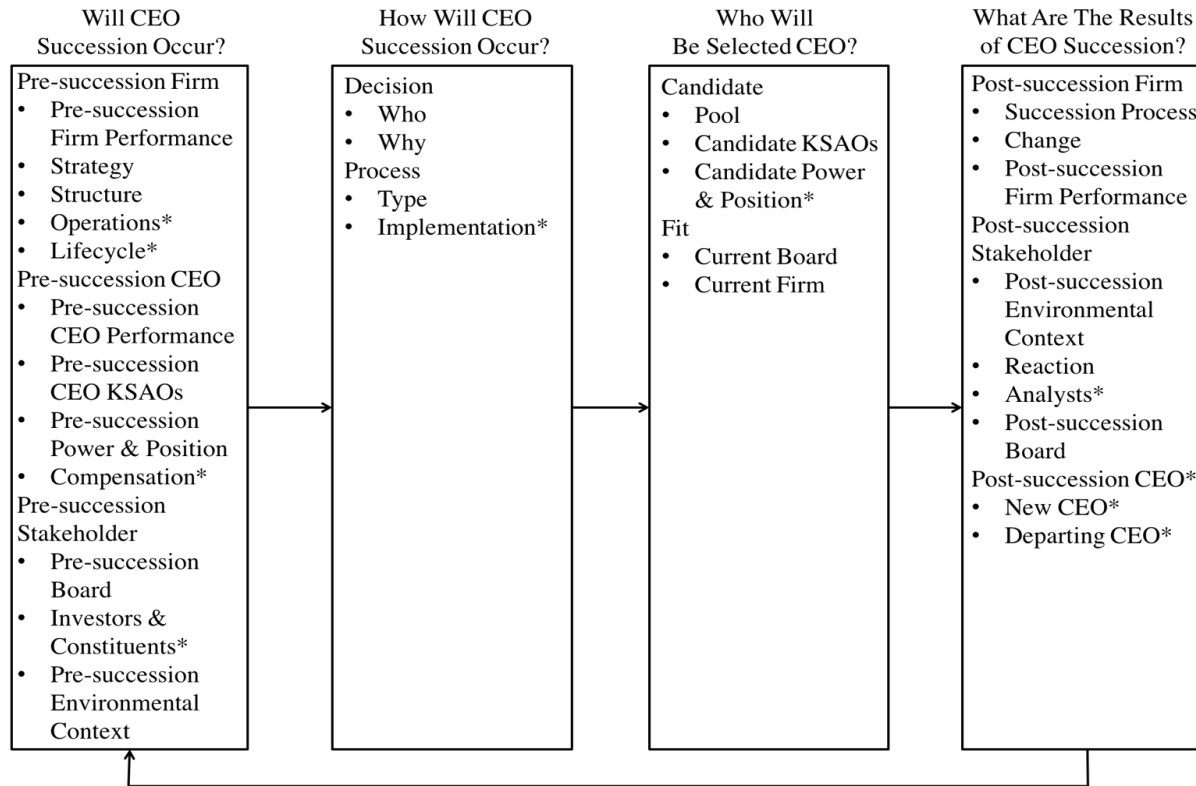
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APPENDIX A
CEO SUCCESSION TOPICS
IDENTIFIED BY CRAGUN ET AL. (2016)



* Topics studied primarily after Kessner & Sabora (1994)

APPENDIX B SURVEY INSTRUMENTS

Question 1:

Over the course of an average fiscal year, what percent of your time would you say you spend in each of the following roles?

_____ Strategic Advisor to the Executive Team (activities focused specifically on the formulation and implementation of the firm's strategy):

_____ Counselor/confidante/coach to the Executive Team (activities focused on counseling or coaching executive team members or resolving interpersonal or political conflicts among team members):

_____ Liaison to the Board of Directors (preparation for Board meetings, phone calls with Board members, attendance at Board meetings):

_____ Talent Strategist/Architect (activities focused on building and identifying the human capital critical to the present and future of the firm):

_____ Leader of the HR Function (working with HR team members regarding the development, design and delivery of HR services):

_____ Workforce Sensor (activities focused on identifying workforce engagement/morale issues or concerns and building employee engagement):

_____ Representative of the Firm (activities with external stakeholders, such as government agencies, investor groups, proxy advisory firms, professional societies, etc.):

_____ Other-Please Specify

Question 2:

Of the time you spend working with the Board of Directors (or its equivalent), how much time is spent on:

_____ Executive Pay Issues:

_____ CEO Succession Issues:

_____ CEO Performance Issues:

_____ Other Senior Executive talent/succession issues:

_____ Other Senior Executive performance issues:

_____ Ethics/Compliance/Governance Issues:

_____ Risk Management:

_____ Activist Investors:

_____ Other-Please Specify

Question 3:

Your Role as Chief Human Resource Officer (Continued): To whom do you directly report?

- Chief Executive Officer
- Chief Operations Officer
- Chief Administrative Officer
- Chief Financial Officer
- General Counsel
- Other (please specify) _____

Question 4:

What, if any, non-HR functions report to you?

Question 5:

What functional areas have you worked in outside of HR?

Question 6:

What are your CEO's top 2 or 3 priorities for you as the CHRO?

Question 7:

In what areas do you (the CHRO) provide strategic counsel to the CEO?

Question 8:

If your role was vacated today, to what extent do you think the role would be filled by an insider?

- Highly likely an outsider
- Likely an outsider
- Neither one or the other
- Likely an insider
- Highly likely an insider

Question 9:

Are you a potential successor to the CEO?

- Yes
- No, I should not be
- No, I should be
- I don't know

Question 10:

On how many boards do you serve?

Company, public or private Professional society, university, non-profit, etc.	Number of boards
--------------------------------------------------------------------------------------	------------------

Question 11:

How many hours (quarterly) do you spend serving on these boards?

	Number of quarterly hours
Company, public or private Professional society, university, non-profit, etc.	

Question 12:

To what extent do you agree with the following statements in regards to the CEO's involvement in the CEO succession process? The CEO...

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Makes succession a priority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Takes ownership of the succession process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regularly reviews succession plans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regularly meets with succession candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Maintains objectivity in evaluating candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Creates equal opportunity for successors to meet with the Board, rather than focus on favorites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 13:

To what extent do you agree with the following statements in regards to the Board's (or its equivalent's) involvement in the CEO succession process? The Board...

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Makes succession a priority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Takes ownership of the succession process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regularly reviews succession plans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regularly meets with succession candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Maintains objectivity in evaluating candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Creates equal opportunity for successors to meet with the Board, rather than focus on favorites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 14:

Approximately how many insiders are currently considered potential successors to your current CEO in the following time frames?

	0	1	2-3	4-6	7-8	9 or more
Immediately	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Not immediately, but within 6 months	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Not within 6 months, but within 6-24 months	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Greater than 24 months	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 15:

Approximately how many EXTERNAL candidates are you currently monitoring as potential successors to the CEO?

	External
0	<input type="radio"/>
1	<input type="radio"/>
2 – 3	<input type="radio"/>
4 – 6	<input type="radio"/>
7 – 8	<input type="radio"/>
9 or more	<input type="radio"/>

Question 16:

What percentage of your internal CEO succession candidate pool is considered diverse?

	Percent female	Percent racially diverse
Immediate successors (0-3 years)		
Longer term successors (3-5 years)		

Question 17:

To what extent does the diversity level of your internal CEO succession candidate pool compare to your diversity goals?

- Falls extremely short
- Falls short
- Meets
- Exceeds
- Far exceeds

Question 18:

To what extent does the current diversity level of your internal CEO succession candidate pool compare to the pool 5 years ago?

- Greatly decreased
- Decreased
- Same
- Increased
- Greatly increased

Question 19:

If your CEO were to step down or leave today, how confident are you that his/her permanent successor would immediately (i.e., within a few weeks) be an internal direct report (i.e., immediate promotion without an "interim" CEO)?

- 0%
- 10%
- 20%
- 30%
- 40%
- 50%
- 60%
- 70%
- 80%
- 90%
- 100%

Question 20:

If your CEO were to step down or leave today, how long do you think it would take to have a permanent successor in place?

- Less than one week
- One to two weeks
- One month
- 1 -3 months
- 3 - 6 months
- 6 months or more

Question 21:

How did the current CEO get promoted into the CEO role?

- Internal
- Direct external hire
- Indirect external hire (hired with the expectation of later promotion)

Question 22:

To what extent are successor candidates to the CEO aware they are candidates to succeed the CEO, and to what extent are they aware who the other successor candidates are?

	Aware they are a successor candidate 1 = Not at all 2 = Slightly 3 = Somewhat 4 = Moderately 5 = Extremely					Aware who the other successor candidates are 1 = Not at all 2 = Slightly 3 = Somewhat 4 = Moderately 5 = Extremely				
	1	2	3	4	5	1	2	3	4	5
Interim successor in an emergency (not just a delegate)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Those ready in 0-2 years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Those ready in 2-5 years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Those ready in 5+ years (i.e., high potentials)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 23:

To what extent does the CEO or the Board (or its equivalent) advocate that the CEO succession process focus on identifying and developing a single successor (i.e., heir apparent) versus multiple, competing, successors?

	Only advocates a single successor approach	Mostly advocates a single successor approach	Does not advocate one approach over the other	Mostly advocates multiple, competing, successors	Only advocates multiple, competing, successors
CEO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 24:

What percentage of Board (or its equivalent) meetings do CEO successor candidates or you (CHRO) attend?

	Board meeting attendance
CEO successor candidates	
You (CHRO)	

Question 25:

To what extent do you agree with the following statements in regards to succession planning?

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Executive leadership team positions are filled following a formal succession planning process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our company has a strong tradition of succession planning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leadership positions below the executive leadership team are filled following a formal succession planning process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our succession planning practices are benchmarked by other companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Succession planning is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 26:

Given the history of succession planning at your company, how has the current CEO impacted its emphasis and effectiveness?

- Decreased emphasis and effectiveness
- Decreased emphasis
- Maintained
- Increased emphasis
- Increased emphasis and effectiveness

Question 27:

The Board and CEO Succession: To what extent is the agenda for Board (or its equivalent) meetings set by the CEO vs. the Board?

- CEO: 0%; Board: 100%
- CEO: 10%; Board: 90%
- CEO: 20%; Board: 80%
- CEO: 30%; Board: 70%
- CEO: 40%; Board: 60%
- CEO: 50%; Board: 50%
- CEO: 60%; Board: 40%
- CEO: 70%; Board: 30%
- CEO: 80%; Board: 20%
- CEO: 90%; Board: 10%
- CEO: 100%; Board: 0%

Question 28:

When it comes to the reality of choosing the CEO's successor, how much influence will the CEO have vs. the Board (or its equivalent).

- CEO: 0%; Board: 100%
- CEO: 10%; Board: 90%
- CEO: 20%; Board: 80%
- CEO: 30%; Board: 70%
- CEO: 40%; Board: 60%
- CEO: 50%; Board: 50%
- CEO: 60%; Board: 40%
- CEO: 70%; Board: 30%
- CEO: 80%; Board: 20%
- CEO: 90%; Board: 10%
- CEO: 100%; Board: 0%

Question 29:

To your knowledge, does your Board (or its equivalent) do each of the following with regard to CEO Succession?

	Yes	No	Don't Know
Conducts 5+ year business strategy and global industry sector analysis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Develops clear role profile for CEO aligned to 5+ year enterprise business strategy analysis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Develops clear role profiles for direct reports to the CEO aligned with 5+ year enterprise business strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has scheduled conversations with CEO regarding time for succession	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Develops a well-defined CEO succession process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has a clearly defined ownership for CEO succession processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has formal tools for talent assessment of CEO pipeline candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Considers restructuring organization to create building block roles and key experiences for potential successors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Includes discussion of CEO succession in Board minutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Designs exposure to the Board for CEO talent pipeline	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has feedback processes on performance and development to candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reviews formal development plans for CEO candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conducts ongoing assessment of readiness of internal candidates and depth of talent pipeline	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regularly explores the external market for potential CEO successors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 30:

How many Board (or its equivalent) members would be involved in hiring for each of the following C-Suite roles:

	None	One	a Few	Half	Most	All
Chief Operating Officer / President	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Financial Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Human Resource Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Marketing Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Information Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Legal Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business Unit Leader	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 31:

How would you describe the Board's (or its equivalent's) involvement in the hiring process for each of the following C-Suite roles?

	None	Courtesy interview	Interview for approval	Input to decision	Heavy influence	Ultimate decision
Chief Operating Officer / President	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Financial Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Human Resource Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Marketing Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Information Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chief Legal Officer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business Unit Leader	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 32:

CEO Succession in The Last Five Years:

Did your company change CEOs in the last five years?

- Yes
 No

Question 33:

CEO Succession in The Last Five Years:

Skip questions that do not apply

Question 34:

To what extent was a third party involved in the selection of the CURRENT CEO, if the CEO was an INSIDER?

	Don't know	Not at all involved	Slightly involved	Moderately involved	Very involved	Extremely involved
Sourcing candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Screening candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Candidate assessment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Developing a final candidate slate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 35:

To what extent was a third party involved in the selection of the CURRENT CEO, if the CEO was an OUTSIDER?

	Don't know	Not at all involved	Slightly involved	Moderately involved	Very involved	Extremely involved
Sourcing candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Screening candidates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Candidate assessment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Developing a final candidate slate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 36:

Did the exiting CEO stay on the Board (or Board equivalent) after leaving office?

- No
 Yes Until the following annual meeting
 Yes 1 year
 Yes 2 years
 Yes 3 years
 Yes 4 years or longer

Question 37:

CEO Succession In The Last Five Years, COO/President Role:

	Yes	No
Was the CEO appointed COO/President as development or testing to potentially later become the CEO?	<input type="radio"/>	<input type="radio"/>
Was there a PLANNED time period for the CEO to hold the COO/President role as development or testing?	<input type="radio"/>	<input type="radio"/>

Question 38:

How long was the PLANNED time period for the CEO to hold the COO/President role as development or testing?

Question 39:

Relative to the PLANNED time period for the CEO to hold the COO/President role as development or testing, was the actual time period shorter, exactly the same, or longer?

- Shorter
- Exactly the same
- Longer

Question 40:

If not the same, why not?

Question 41:

During the ACTUAL time period the CEO held the COO/President role as development or testing, what were the biggest challenges?

Question 42:

CEO Succession In The Last Five Years, Before Taking Office:

Was there a PLANNED time period between the CEO being formally selected CEO and actually taking office?

- Yes
- No

Question 43:

How long was the PLANNED time period between the CEO being formally selected CEO and actually taking office?

Question 44:

Relative to the PLANNED time period between the CEO being formally selected CEO and actually taking office, was the ACTUAL period shorter, exactly the same, or longer?

- Shorter
- Exactly the same
- Longer

Question 45:

If not the same, why not?

Question 46:

During the ACTUAL time period between the CEO being formally selected CEO and taking office, what were the biggest challenges?

Question 47:

Do you have a policy regarding executives serving on for-profit outside boards? On how many for-profit boards are they allowed to serve?

	How many for-profit boards are allowed?				
	0	1	2	3 or more	No policy
CEO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Executives below the CEO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 48:

What percentage of your potential CEO successors currently serve on outside boards?

	For-profit board	Non-profit board
Those ready in 0-2 years		
Those ready in 2-5 years		
Those ready in 5 + years		

Question 49:

Based on your experiences with senior INTERNAL C-suite hires that failed, please rate how frequently each was a cause of that failure:

	Never	Rarely	Sometimes	Frequently	Most frequently
The nature of how the job was structured made it difficult for one to succeed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The person turned out to not have the necessary skills to succeed in the job	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The scale of the job was much bigger than the individual's previous job, and the individual could not scale up adequately	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The person's skill mix did not fit well with that of the rest of the executive leadership team	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual's personality (ego, selfishness, narcissism, etc.) did not fit well with the executive leadership team	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual was unable to develop the necessary relationships to succeed in the role	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual engaged in a financial code of conduct violation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual engaged in a sexual code of conduct violation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual engaged in some other integrity code of conduct violation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 50:

Based on your experiences with senior EXTERNAL C-suite hires that failed, please rate how frequently each was a cause of that failure:

	Never	Rarely	Sometimes	Frequently	Most frequently
The nature of how the job was structured made it difficult for one to succeed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The person turned out to not have the necessary skills to succeed in the job	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The scale of the job was much bigger than the individual's previous job, and the individual could not scale up adequately	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The person's skill mix did not fit well with that of the rest of the executive leadership team	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual's personality (ego, selfishness, narcissism, etc.) did not fit well with the executive leadership team	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual was unable to develop the necessary relationships to succeed in the role	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual engaged in a financial code of conduct violation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual engaged in a sexual code of conduct violation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The individual engaged in some other integrity code of conduct violation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 51:

Based on your experience, what is the cost of C-Suite failure?

	Internal hire	External hire
Direct Costs Recruitment, signing bonus, salary, bonus, LTIP, severance, etc.		
Indirect Costs Lost sales, canceled contracts, business disruption, loss in customer satisfaction etc.		

Question 52:

To what extent do you agree with the following statements in regards to the CEO's leadership style? The CEO... (Entirely disagree = 1, Mostly disagree = 2, Somewhat disagree = 3, Neutral = 4, Somewhat agree = 5, Mostly agree = 6, Entirely agree = 7)

	1	2	3	4	5	6	7
Actively seeks feedback, even if it is critical	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Downplays his/her authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is open to the ideas of others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is constantly being told how good s/he is by subordinates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spends time developing his/her leadership capability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Asks politely for people to do things instead of commanding or telling them to do it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is willing to learn from others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Acknowledges when others have more knowledge and skills than him- or herself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is constantly doing nice things for others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Shows appreciation for the unique contributions of others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does not show off	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Never manipulates others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Takes notice of others' strengths	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Demands to be respected	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Often compliments others on their strengths	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Admits it when s/he doesn't know how to do something	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is open to the advice of others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delegates power	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Constantly asks for more (salary, bonus, perks, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 53:

CEO's Leadership Style (Continued): To what extent do you agree with the following statements in regards to the CEO's integral involvement in the following communications practices? The CEO is integral in...

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Writing the annual report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Approving the annual report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Selecting public relations resources (internal or external)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Approving press releases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Planning public relations strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 54:

Based on your interactions with the Executive Leadership Team (ELT) members regarding the CEO, how would you describe ELT members' beliefs about the CEO? The ELT members believe that the CEO...

	Never	Seldom	Sometimes	Frequently	Always
Provides useful guidance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fully supports ELT members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has chosen an appropriate strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has full confidence in the ELT members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Never seems overly critical in meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Seldom oversteps his/her bounds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has the necessary expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Works well with the ELT	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall, is very effective CEO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 55:

Based on your interactions with the CEO regarding the Board, how would you describe his/her beliefs about the Board (or its equivalent)? The CEO believes the Board (or its equivalent) ...

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Provides useful guidance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fully supports the CEO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Board members appropriately insert themselves in strategic decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has full confidence in the current strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has full confidence in the CEO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Never seems overly critical in Board meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Seldom oversteps its bounds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is a useful source of expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has the necessary breadth of expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is diverse in terms of women and minority members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members work well with one another	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Meetings are something to look forward to	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall, is a very effective Board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 56:

What is your company's philosophy for the Chairman of the Board role?

- Using an outside, independent director is best
- Using the former CEO of the company is best
- Combining it with the CEO role and a limited lead director role is best
- Combining it with the CEO role and an empowered lead director role is best

Question 57:

What do you find as the major advantage of this arrangement?

Question 58:

What do you find as the major disadvantage of this arrangement?

Question 59:

Executive Leadership Team (ELT) Dynamics: Based on your observations of the ELT, how would you describe their interactions with one another?

	Never	Seldom	Sometimes	Frequently	Always
How much does the ELT disagree about the content of strategic decisions?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How frequently does the ELT have disagreements about ideas?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To what extent are there differences of professional opinion in the ELT?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How often do ELT members disagree with the company's strategic decisions?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How much personal friction is there with ELT members?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How much are personality clashes evident with the ELT?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How much tension is there among ELT members?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To what extent are grudges evident among members of the ELT?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ELT members absolutely respect each other's competence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Every ELT member shows absolute integrity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ELT members expect the complete truth from each other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ELT members count on each other to fully live up to their words	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 60:

How were you promoted into the CHRO role?

- Internal from HR
- Internal from outside of HR
- Direct external hire
- Indirect external hire (hired with the expectation of later promotion)

Question 61:

How did the CFO get promoted into the CFO role?

- Internal from within finance
- Internal from outside of finance
- Direct external hire
- Indirect external hire (hired with the expectation of later promotion)

Question 62:

How long have you been in the following:

	How long have you been in your current CHRO position?	How long have you been a CHRO?	How long have you been in the HR profession (round to nearest year)
Time in position:			

Question 63:

Age

Question 64:

Sex

- Male
- Female

Question 65:

Race

- White
- Black or African American
- Asian
- Hispanic or Latino
- American Indian or Alaska Native
- Native Hawaiian or Other Pacific Islander
- Other (please specify) _____

Question 66:

Company Information:

How many U.S. employees does your company have?	
How many global employees does your company have?	
What were your 2015 revenues? (in millions of dollars)	