Rebekka Sputtek

Opening the Black Box

The Role of Personality and Anger in Executives' Decision Making and Leadership

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β	Beta-coefficient (Standardized regression weight)
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CEO	Chief Executive Officer
CPSP	Covert Positive Self Perception
CSE	Core Self Evaluation
DF	Degrees of Freedom
e.g.	exempla grata (for example)
ed./eds.	Editor/Editors
et al.	et alii/aliae (and others)
etc.	et cetera (and so forth)
GFI	Goodness of Fit Index
H	Hypothesis
i.e.	id est (that is to say)
IPIP	International Personality Item Pool
MBA	Master of Business Administration
N	Number of observations
NPI	Narcissistic Personality Inventory
OPSP	Overt Positive Self Perception

P	Proposition
p	level of significance
p.	page
RMSEA	Root Mean Square Error of Approximation
SEM	Structural Equation Modeling
SPSS	Statistical Package for the Social Sciences
SD	Standard Deviation
TMT	Top Management Team
VIF	Variance Inflation Factor
vs.	versus

1. Introduction

This dissertation aims at contributing to explaining how an individual executive's personality and emotional traits influence their decision making and leadership behavior. Understanding executive decision making and leadership behavior is crucial to understanding processes leading to firm performance (Bass, Avolio, Jung, & Berson, 2003; Miller, 2008; Simsek, Heavey, & Veiga, 2010; Yammarino, Spangler, & Bass, 1993). Upper echelons theory finds that executives are influenced by their personalities when making strategic decisions, and understanding which aspects of their personalities support decision making and leadership behavior beneficial to firm performance is valuable but still lacking (Bass & Steidlmeier, 1999; Hambrick, 2007; Hiller & Hambrick, 2005). This may be due to unanswered questions in three distinct areas: First, research on the personality of executives has mainly considered separate aspects of personality, despite interaction effects between personality variables may distinctively change the nature of a given personality trait's influence (Chatterjee & Hambrick, 2007; Simsek et al., 2010). Realizing this necessitates the development of a holistic personality *profile* when analyzing executives. Second, there might be *mechanisms* linking the personality of executives to their behavior such as emotion, while the most influential emotion in decision making is anger (Barsade & Gibson, 2007; Lerner & Tiedens, 2006). And third, *context* variables among which the most significant one in the given case is environmental dynamism may constrain executive's behavior, while influencing the degree to which their personality manifests in their behavior (Finkelstein & Hambrick, 1996; Simsek et al., 2010).

As a result, the purpose of this dissertation is to establish a link between relevant aspects of an executive's personality, their individual degree of decision making comprehensiveness facing strategic decisions, their degree of authentic transformational leadership, and the role of anger and environmental dynamism in these relationships. My central argument is that individual executive's positive self perception is positively associated with their individual decision making comprehensiveness and authenticity of transformational leadership, while emotional instability, unstable self esteem and high sensitivity to criticism reduce levels of

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individual decision making comprehensiveness as well as authenticity of transformational leadership. Furthermore, core self evaluation and hypersensitive narcissism are antipodally related: core self evaluation is positively and hypersensitive narcissism negatively associated with individual decision making comprehensiveness. The relationships between personality and individual decision making comprehensiveness as well as personality and authenticity of leadership are expected to be partially negatively mediated by anger. Finally, environmental dynamism constrains the possibility for comprehensive decision making in general, while it strengthens the degree to which personality manifests in executive's behavior.

1.1 Background

Strategic decision making and the leadership behavior of executives have a major impact on the organization (Bass et al., 2003; Fredrickson, 1984; Hambrick, 2007; Hambrick & Mason, 1984; Hiller & Hambrick, 2005). This behavior is influenced by executive's personality and emotional traits (Barsade & Gibson, 2007; Hambrick & Mason, 1984; Resick, Weingarden, Whitman, & Hiller, 2009).

1.1.1 Strategic Decision Making

In line with Mintzberg et al. (1976, p.246) we define a strategic decision as one which is "…important, in terms of the actions taken, the resources committed, or the precedents set." In their seminal article, Eisenhardt and Zbaracki (1992) propose to describe the field of research on strategic decision making with respect to studies focusing on bounded rationality (March & Simon, 1958) on the one hand and political perspectives (March, 1988) on the other[1].

[1] As a third concept, the authors identify the so-called garbage can model (Cohen et al., 1972) which they however consider empirically less robust.

Research on political perspectives describes that actors in a decision making process have different levels of power within the organization, and the opinion of the most powerful actor will determine the final decision (Hinings, Hickson, Pennings, & Schneck, 1974; March, 1962; Salancik & Pfeffer, 1974). While important, this perspective mainly evolved from political science literature in the 1950s and does not discuss how individual actors come to their opinions, but rather which actor's opinions are likely to determine the final solution. Given that the political power perspective claims that some actors are more influential during the decision making process than others, it is crucial to understand how those powerful actors in the organization, i.e., according to Hambrick and Mason (1984), executives, form their decisions.

This brings us towards focusing on bounded rationality as an important concept for understanding executive decision making. Following this debate, as Eisenhardt and Zbaracki (1992) put it, "The most recent incarnation transformed the rational vs. boundedly rational dichotomy into a continuum, probing whether […] decision making is rational." (p. 18). J. Fredrickson (1984) captured this continuum in the concept of decision making comprehensiveness.

He established the concept of comprehensiveness on a firm level of analysis. In contrast, the original ideas of rationality and bounded rationality had been defined on an individual level of analysis upon which consecutive strategy formulation models have been based (Fredrickson, 1983). This adaption concerning the unit of analysis can be explained by the influence of industrial organization economics on the field of strategic management triggering research on the firm as decision making unit (Floyd & Sputtek, 2011). More recent strategic management research approaches moved towards investigating the TMT as impactful decision making unit (Iaquinto & Fredrickson, 1997). However, even if the TMT is seen as decision making unit, individual behaviors within the team remain important. This is especially the case as the magnitude of individual member's influences varies, with the CEO potentially being the most powerful actor (Hambrick, 2007; Hambrick & Mason, 1984).

While the relevance of decision making comprehensiveness in executive decision making has been identified (Hiller & Hambrick, 2005), the concept has not yet been

explicitly transferred to an individual level. Given the challenges associated with bridging multiple levels of analysis in research on individual actors in the organization (Floyd & Sputtek, 2011), this transfer might however be useful in shedding more light upon the psychological processes underlying executive's decision making as demanded by Hambrick (2007).

1.1.2 Leadership

"Leadership is usually defined in terms of the people who are in charge of organizations and their units; by definition, such people are leaders" (Hogan & Kaiser, 2005, p.171). Research trying to understand what characterizes effective leadership has mainly evolved during the past century (Judge & Bono, 2000). Initial leadership theories were based on the idea of contingent reward (e.g. Homans, 1950). While leadership guided by this idea is reasonably effective given certain circumstances, it neglects an individual's need for recognition and thus has potential negative effects for a follower's sense of self-worth (Levinson, 1980). Weber (1924/2005) inaugurated the idea of charisma as an important aspect of leadership that motivates followers beyond responding to a social exchange.

These two streams of research have been aligned by Burns (1978) who introduced the concepts of transformational and transactional leadership. Transactional leadership means the exchange between leaders and followers, i.e. the leader specifying goals and offering rewards to followers if they pursue them (Bass & Riggio, 2006). Transformational leadership, however, inspires others to share and pursue goals which are in the interest of the organization, and includes followers to develop their own transformational leadership skills. Thus, transformational leadership extends transactional leadership towards considering and embracing followers as entire individuals as opposed to viewing them solely as "homo oeconomicus" (Bass & Riggio, 2006). Transformational leadership positively affects organizational performance in numerous ways (Bass, 1985; Bass et al., 2003) and has, according to Judge and Bono (2000) "…garnered most of the attention in recent leadership research." (p.1).

Recent research on transformational leadership has focused on identifying personality traits as antecedents of this leadership behavior in executives (Bono & Judge, 2004; Resick et al., 2009). As Hogan and Kaiser (2005, p.170) put it: "Who we are determines how we lead". This stream of research has called for investigating the role of a wider set of personality variables in transformational leadership behavior (Resick et al., 2009). And while the relevance of emotions overall in leadership behavior has been identified (Barsade & Gibson, 2007), here the call has been to identify the effects of specific emotions, such as anger.

1.1.3 Personality of Executives

In its essence, personality can be defined as the dispositional traits inherent in an individual (Buss, 1989). Dispositional traits are observably stable over a lifetime (McAdams, 1994; McCrae & Costa, 1990).

The impact of individual characteristics of strategists on strategic decision making has been investigated with respect to CEOs on the one hand and TMTs on the other. Namely, various observable CEO characteristics have been found to impact general strategic decision making; these include functional background, cultural background, age, tenure, experiences, preferences and dispositions (Carpenter, Geletkanycz, & Sanders, 2004). More specifically, literature has also considered how CEO characteristics directly influence organizational outcomes (Finkelstein & Boyd, 1998; Sanders, 2001; Zajac & Westphal, 1996). Another stream of research focuses on how observable characteristics of TMTs influence strategic behavior and firm performance (Eisenhardt & Schoonhoven, 1990; Iaquinto & Fredrickson, 1997; Jensen & Zajac, 2004; Wiersema & Bantel, 1992).

Although Hambrick and Mason (1984) introduced these observable characteristics as valid approximations for strategists' underlying psychological profiles, this notion can be questioned (Hambrick, 2007; Markóczy, 1997). One attempt to increase insight in this respect is according to Hiller and Hambrick (2005) research on various, mostly disconnected concepts assessing top executives' self potency. Generally, they

distinguish these concepts among those assessing more solitary aspects of overall self-assessment such as locus of control (Boone & de Brabander, 1993), or concepts that combine different elements of self assessment. In business research, the most prominent umbrella construct is core self evaluation (Judge, Erez, Bono, & Thoresen, 2003; Simsek et al., 2010). Furthermore, Hiller & Hambrick (2005) describe the assessment of concepts that seem known to a large public but lack a clear psychological and methodological definition such as, for example, hubris (Hayward & Hambrick, 1997). Also, they identify concepts that describe self concept only ex post such as overconfidence (Malmendier & Tate, 2005) and finally psychological concepts that have yet been difficult to operationalize beyond clinical settings, of which the most prominent in recent literature is narcissism (Chatterjee & Hambrick, 2007; Lubit, 2002; Resick et al., 2009).

As soon as a given self-perception leads top executives to behave in a certain way, in line with Hambrick and Mason (1984) researchers anticipate that this behavior manifests itself in strategic decision making. Positive self concept is on the one hand associated with creating and seizing opportunities and distinctively motivating others (Barnard, 1938; Bass, 1990; Bass & Vecchio, 2007; Keegan, 1987). However, the very same executives may engage in ignorant or excessive risk-taking, extreme initiatives, or acts that intimidate others (Chatterjee & Hambrick, 2007; Hayward & Hambrick, 1997; Kets de Vries, Miller, & Vecchio, 1997; Van Velsor & Leslie, 1995).

Thus, when profiling top executives, capturing how and under which circumstances a generally positive self concept can have positive or negative effects for decision making seems relevant. This leads us towards choosing constructs which are as integral as possible and as such capture potentially differentiating factors within executive's personality. Thus, constructs measuring a trait and incorporating a broad range of personality dimensions would be preferred to those assessing only single aspects. This criterion is fulfilled by the construct of core self evaluation. The construct describes a trait (Judge et al., 2003), appears to offer a rather comprehensive range of aspects describing executives' profiles (Simsek et al., 2010), and seems to explain especially those aspects within executive personality which capture a positive self perception having a beneficial impact on executive behavior (Resick et al., 2009).

In contrast, hybris which lacks a general definition and can also not be considered a trait does not appear to add value to our profiling dimensions. Also, overconfidence which cannot be measured as a trait in advance of an event, but can only be identified ex post does not add to the predictive power of our profiling dimensions. Finally, narcissism is a trait and also appears to cover the case where a positive self perception can turn out to have negative effects for executive behavior (Lubit, 2002; Resick et al., 2009). This might also explain why the construct has yet barely been operationalized in business research. Summarizing the above argument, we consider the most promising concepts to profile strategic decision makers in the research at hand to be core self evaluation because of its conceptual scope covering potentially beneficial aspects of an executive's positive self perception and narcissism which is more rigorously defined than hybris, is measurable as a trait in contrast to overconfidence, and has been found to potentially explain negative effects in executive behavior.

Having defined these personality traits relevant for decision making and leadership behavior of top executives, we are interested in learning about the interaction effects among these. This is important because people's personalities are composites and isolating a trait might only partially explain an individual's behavior. For example, there might be specific interaction effects and mechanisms among personality traits which lead to a completely different behavioral outcome.

1.1.4 Emotions

One such mechanism may be emotion. In general, emotions can be distinguished between state emotions triggered by a current situation, and trait emotions which are inherent within an individual's personality and constitute "[…] a person's "affective lens" on the world". (Barsade & Gibson, 2007, p. 38). State and trait emotions re-enforce each other (Spielberger, Jacobs, Russell, & Crane, 1995).

Emotions have in general been associated with either potential negative effects for decision making (Ashforth & Humphrey, 1995; Putnam, Mumby, & Fineman, 1993; Shiv, Loewenstein, Bechara, Damasio, & Damasio, 2005; Slovic, 2001), and the

benefits of emotional regulation in order to circumvent these negative effects have been accentuated (Gross & John, 2003; Myeong-Gu & Barrett, 2007). Or emotions are framed as a signaling tool to adapt behavior (Gohm & Clore, 2000) which makes them necessary for well-being (Aspinwall & Taylor, 1997; Fredrickson, 2001). However, all of these studies focus on positive or negative emotions in general. Given the large individual differences in affective information processing (Gohm, 2003; Gohm & Clore, 2000), research is needed that differentiates between specific distinct emotions to understand the true effects emotions have in the decision making and leadership behavior of executives (Barsade & Gibson, 2007).

Establishing this explanatory link seems especially relevant for upper echelon managers, as their behavior is most influential of all management groups for organizational performance (Hambrick, 2007; Hambrick & Mason, 1984). Also, according to Hiller and Hambrick (2005), executives are likely to have a specific personality make-up which differentiates them from other managers in the organization.

The most influential negative emotion in decision making is anger, because it has been found that relative to sadness and neutral emotion, anger activates heuristic processing in the form of more stereotypic judgments, reduces attention to the quality of the arguments, and increases attention to the superficial cues of the message (Bodenhausen et al., 1994; Jennifer S. Lerner et al., 1998). This type of processing is clearly associated with automatic system two processing (Shiffrin & Schneider, 1977). As Lerner and Tiedens (2006) state: "…once activated, anger can color people's perceptions, form their decisions, and guide their behavior [...]".

Thus, despite we know that personality influences emotion (Staw & Barsade, 1993) and that emotion affects decision making and leadership (Lerner & Tiedens, 2006), more research is needed to link anger to a specific executive personality profile. Such a link could help explain when personality traits like narcissism positively or negatively affect executive decision making and leadership behavior. Furthermore, despite the necessity to first understand individual executive behavior on a micro-

level, these findings need to be contextualized since executives do not act in a vacuum but are influenced by the context they operate in.

1.1.5 Environmental Dynamism

Environmental dynamism implies "… rapid and discontinuous change in demand, competitors, technology, or regulation so that information is often inaccurate, unavailable, or obsolete" (Eisenhardt & Bourgeois Iii, 1988). Environmental dynamism constitutes the most important context variable investigating the link between executive personality and their behavior, because it directly constrains executive's behavior (i.e. the degree of comprehensiveness they can pursue given time- and other constraints resulting from environmental dynamism) as well as the degree to which their personal characteristics manifest in their behavior. In more insecure or dynamic environments, personal characteristics are likely to manifest more than in less dynamic environments (Finkelstein & Hambrick, 1996). However, despite the likely relevance of environmental dynamism in decision making behavior, and the special relevance with respect to the degree to which predispositions manifest in behavior, research specifically investigating the influence on a set of personality variables is lacking (Simsek et al., 2010).

1.2 Research Questions

The above discussion leads to an interwoven set of three research questions:

(1) Which aspects of executive's personality are especially relevant to explain when a generally positive self perception might turn out to have negative effects and as such need to be assembled in an executive personality profile, and how does this profile influence executive's decision making comprehensiveness and authenticity of transformational leadership?

(2) How does anger mediate the relationship between executives' personality and their decision making comprehensiveness?

(3) How does environmental dynamism influence the degree to which the personality of executives manifests in their decision making comprehensiveness?

1.3 Contributions

By answering research question (1), I aim at understanding how personality variables interact and in doing so can have very differing effects on behavior as opposed to the influence of individual personality traits (Hambrick, 2007). Thereby I aim at contributing to research investigating individual aspects of personality and their effect on organizational outcomes (Boone & de Brabander, 1993; Chatterjee & Hambrick, 2007; Hayward & Hambrick, 1997; Hiller & Hambrick, 2005; Judge et al., 2003; Lubit, 2002; Malmendier & Tate, 2005; Resick et al., 2009; Simsek et al., 2010). Moreover, I investigate the effects of these personality traits on decision making comprehensiveness and transformational leadership. Thereby, I contribute to research assessing decision making comprehensiveness (Eisenhardt & Bourgeois Iii, 1988; Elbanna, 2006; Forbes, 2007; Fredrickson & Mitchell, 1984; Miller, 2008; Miller & Lee, 2001) as well as authentic transformational leadership (Bass & Steidlmeier, 1999; Bycio, Hackett, & Allen, 1995; Podsakoff, MacKenzie, Moorman, & Fetter, 1990; Seltzer & Bass, 1990; Yammarino et al., 1993).

By answering research question (2) and investigating anger as a mechanism linking executive's personality to decision making and leadership, I continue to contribute to research assessing the psychological processes underlying executive behavior (Hambrick, 2007). Furthermore, I aim at contributing to research investigating the role of emotions in organizations (Barsade & Gibson, 2007), and specifically the role of anger in decision making (Lerner, Goldberg, & Tetlock, 1998; Lerner & Tiedens, 2006; Myeong-Gu & Barrett, 2007).

Finally, by answering research question (3) I aim at contributing to research analyzing the impact of environmental dynamism on the manifestation of executive personality in their behavior (Finkelstein & Hambrick, 1996; Simsek et al., 2010). Furthermore I aim to contribute to literature investigating the influence of decision making comprehensiveness on firm performance facing environmental dynamism by defining personality prerequisites in executives supporting as well as reducing decision making comprehensiveness in the presence of environmental dynamism (Bourgeois & Eisenhardt, 1988; Fredrickson & Mitchell, 1984).

Furthermore, these findings contribute to practice by providing both boards and recruiters with means to differentiate different types of decision makers who might be able to operate more or less effectively in a given environment. Environmental dynamism in general reduces the degree to which managers can be comprehensive in their decision making behavior, simply because time- and other constraints implied by this contextual condition limit the degree to which managers can be exhaustive and inclusive in decision making. However, high environmental dynamism also increases the degree to which personality manifests in behavior. As such, executives who have higher levels of core self evaluation, stability of self esteem and emotional stability, combined with low sensitivity to criticism, and lower levels of anger are thus more prone to comprehensive decision making behavior and will fall back on this behavior even more given a dynamic environment. In contrast, executives who are less comprehensive in their decision making given their personality mark-up will be even less so in dynamic environments. Thus, their degree of decision making comprehensiveness is reduced below the level enforced by the presence of environmental dynamism.

This research takes a comprehensive approach to explaining the phenomenon of top executive's strategic decision making behavior by linking for the first time evidently related but oftentimes separately regarded areas in strategic management research to psychological personality constructs and anger while considering environmental dynamism. More specifically, I draw attention towards the necessity to assess a personality *profile*, as opposed to isolated traits, when analyzing executive's personalities, towards assessing anger as *mechanism* linking executive's personality to

their decision making and leadership behavior, and finally towards considering environmental dynamism as relevant *context* factor influencing the nature of these relationships.

1.4 Outline

Within this dissertation, I approach the research agenda defined within the three research questions introduced above in three distinct chapters. The chapter structure is summarized in figure 1-1. Within chapter 2, a personality profile to assess executive's personalities as an overt or covert positive self perception is assembled, and a conceptual model which links this profile to executive decision making and leadership behavior including the role of the emotional mechanism anger is introduced. Chapter 3 focuses on deducing distinct propositions describing the links between core self evaluation, hypersensitive narcissism, anger and individual decision making comprehensiveness while considering the role of environmental dynamism. Finally, within chapter 4, the relationships between core self evaluation, anger and individual decision making comprehensiveness are empirically tested using structural equation modeling optimizing the measurement model and hierarchical regression analysis to investigate the structural model. This setup implies that the chapters are nested within each other. Consequently, parts of the individual chapters overlap, while the entire dissertation takes a funnel-shaped approach. In order to enable each chapter to stand on its own, we consider this an appropriate approach.

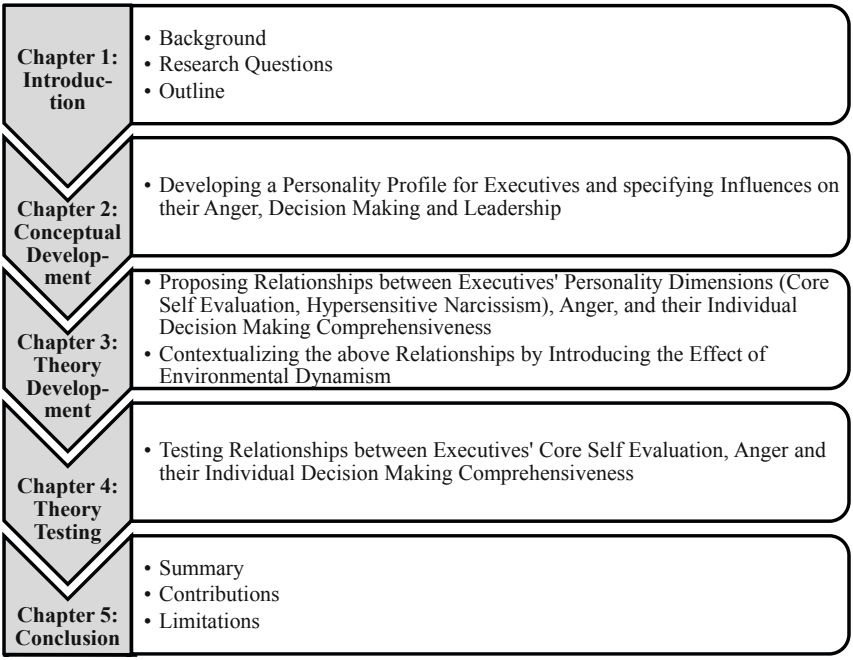

Figure 1-1: Chapter Structure

2. Narcissism, Core Self Evaluation and Sensitivity to Criticism on the Executive Level - How do Executive‘s Personalities and Anger Influence their Decision Making and Leadership Behavior?

Abstract

Upper Echelons Theory establishes relationships between individual executives, their behavior and firm outcomes. However, this stream of research suffers from approximating executive's individual psychological traits via observable characteristics and neglecting interaction effects between personality variables, which limits the theory's ability to convincingly explain executive behavior. The purpose of this chapter is to develop a personality profile of individual executive characteristics that are important in explaining decision making and leadership behavior. Developing this profile we define generalized self-efficacy, locus of control, exploitativeness/entitlement, leadership/authority, superiority/arrogance and self-absorption/self admiration as reflecting the general level of positive self perception of an executive, while the levels of self esteem stability, emotional stability and sensitivity to criticism are decisive differentiators leading to either an overt or covert positive self perception. Consequently, we link these profiles to individual decision making comprehensiveness as well as authentic and pseudo-transformational leadership while introducing anger as an explanatory mechanism mediating this relationship.

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2.1 Introduction

It has been said about co-Oracle-founder Larry Ellison: "The difference between Larry Ellison and god is that god does not think he is Larry Ellison" (Vogel, 2006, p.70). Larry Ellison is Chief Executive of Oracle Corporation, world-wide leader in data warehousing software. Ellison's net worth is estimated at over US 18 billion and in 2008 he earned more than US 84 million in total compensation. Ellison's personal interests range from sports cars (he owns several, including a Formula One vehicle.), to private jets and the America's Cup. As head of Oracle, Ellison is also well known for his sometimes hostile deal making. Since 2005, the company has made over 50 acquisitions (Oracle, 2010), including the purchase of once-rival Peoplesoft. In an industry where most people dress in T-shirts and jeans, Ellison is also known for his tailor-made Italian suits.

Few would question whether Larry Ellison is an aggressive, self-confident CEO, and his willingness to take risks probably helps account for Oracle's success. Some say his risk-taking has also taken Oracle to the brink of disaster. Is his self-confidence sometimes over-blown? Does it approach hubris, or even narcissism? If so, how do these traits affect his decision making?

Although Ellison may be a rather extreme example, casual observation and empirical research confirm that the personalities of top executives differ from the average employee's. A recently emerging stream of research has begun to assess these personality differences (Chatterjee & Hambrick, 2007; Hambrick, 2007; Hiller & Hambrick, 2005) and investigates whether and how they influence decision making, leadership behavior and organizational outcomes, such as firm economic performance. Early results are promising, but leave many questions unanswered.

In particular, researchers have examined hubris and narcissism as discrete personality traits but have not put together a holistic model. People's personalities are composites and isolating a trait like hubris goes only part way in explaining an individual's decision making behavior. Thus, for example, Larry Ellison may exhibit narcissistic traits, but if he listens well to feedback, he may be able to moderate any tendency to over-reach. On the other hand, if he flies into a rage every time he gets negative

feedback, he puts limits on the amount and quality of information he receives from others, and this kind of narcissism could lead to bad decisions. In short, we need a holistic model - a personality *profile* - in order to more fully understand the dynamics of executive personality and effects on decision making.

Besides decision making, it is important to understand the link between personality and leadership behavior. Executives do more than make decisions, they are expected to create visions and inspire others to attain them. Leadership scholars (Burns, 1978; Bass, 1985) dub this behavior transformational leadership, and in the last 30 years a vast amount of research has connected such leadership to positive organizational outcomes, including employee satisfaction and employee motivation. Thus, leadership behavior is another way in which executive personalities may produce important outcomes. But, what kinds of personalities are more likely to exhibit transformational leadership? Are there ideal personality profiles from a leadership perspective?

In addition to the need for a profile, we need to know more about the *mechanisms* that link executive personality to outcomes, like decision making and leadership behaviors. One such mechanism may be emotion. We know that personality influences emotion (Staw & Barsade, 1993) and that emotion affects decision making and leadership. For example, when someone is angry, they make poor decisions (Lerner & Tiedens, 2006). More research is needed, however, to link anger to a specific personality profile. Such a link could help explain when personality traits like narcissism positively or negatively affect decision making and leadership behavior.

The purpose of this chapter is to develop a profile of executive personality that can be linked convincingly to decision making and transformational leadership behavior. We also seek to explain how anger mediates the relationships between personality, decision making and leadership behavior.

2.2 Background

We begin with a review of research on the relationships between executive personality, decision making and leadership behavior. Then, we argue that research is likely to make additional progress by studying profiles rather than isolated personality traits. Finally, we discuss anger as a mechanism that may connect CEO personality profiles to decision and leadership behaviors.

2.2.1 Research on Personality and Decision Making Behavior

Research on executive personality is a part of a broader area of study often referred to as upper echelons research (Hambrick & Mason, 1984). This work focuses on the impact of individual characteristics of executives on strategic decision making and organizational outcomes (such as firm strategy and financial performance). These relationships have been investigated for CEOs on the one hand and TMTs on the other.

Various observable CEO characteristics have been found to impact strategic decision making. These include functional background, cultural background, age, tenure, experiences, preferences and dispositions (Carpenter et al., 2004). Literature has also considered how CEO characteristics directly influence organizational outcomes (Finkelstein & Boyd, 1998; Sanders, 2001; Zajac & Westphal, 1996). Another stream of research focuses on how observable characteristics of TMTs influence strategic behavior and firm performance (Eisenhardt & Schoonhoven, 1990; Iaquinto & Fredrickson, 1997; Jensen & Zajac, 2004; Wiersema & Bantel, 1992).

Although the research is still in its infancy, generally it has been found that executive personality is manifested in style, preferences, and other characteristics that influence strategic decision making processes (Hambrick, 2007; Hambrick & Mason, 1984; Miller, Kets de Vries, & Toulouse, 1982). The most prominent measure used to assess personality traits in the strategic management literature is an individual's core self evaluation (CSE) (Judge et al., 2003; Simsek et al., 2010). CSE is defined as a deeply-sourced dispositional trait which specifies how individuals evaluate themselves and their relationships with the environment (Judge, Erez, Bono, & Thoresen, 2002; Judge

et al., 2003). The construct rests upon four sub-constructs, (a) self-esteem, the overall value that one places on oneself as a person; (b) generalized self-efficacy, an evaluation of how well one can perform across a variety of situations; (c) emotional stability, intensity of emotional swings, and (d) locus of control, beliefs about the causes of events in one's life (Judge et al., 2003).

While there are numerous studies investigating the construct of core self evaluation (Johnson, Rosen, & Levy, 2008; Judge et al., 2002, 2003) and linking it to positive outcomes such as work success (Judge, 2009; Judge & Hurst, 2007; Kammeyer-Mueller, Judge, & Scott, 2009; Stumpp, Hülsheger, Muck, & Maier, 2009; Yagil, Luria, & Gal, 2008) or entrepreneurial orientation (Simsek et al., 2010), the only study to our knowledge explicitly proposing relationships between executive's core self evaluation and their decision making is one by Hiller and Hambrick (2005). The authors anticipate high-ranking CSE personalities to make less comprehensive, faster, and more centralized decisions.

In contrast to core self evaluation, very few studies in business research have investigated the concept of narcissism (Hiller & Hambrick, 2005; Judge et al., 2003). In psychological literature, a widely used instrument for primary data collection is the Narcissistic Personality Inventory (NPI) (Chatterjee & Hambrick, 2007). The dimensions of the NPI as defined by Emmons (1984) are the degree of (a) exploitativeness/entitlement ("I insist on getting the respect that is due to me"), (b) leadership/authority ("I like to be the center of attention"), (c) superiority/arrogance ("I am better than the others"); and (d) self-absorption/self admiration ("I am preoccupied with how extraordinary I am") (1984). The higher individuals score on the dimensions of the NPI, the higher their respective level of narcissism can be assumed to be.

Narcissism basically refers to the degree of an individuals' self-love (Hiller & Hambrick, 2005; Judge et al., 2002, 2003). A certain degree of narcissism associated with a secure self-esteem is necessary in order to succeed in life (Emmons, 1984, 1987; Kets de Vries, 1994). However, when over-reaching and/or associated with unstable self-esteem, narcissism can be excessive self love which incorporates a need

to compensate (Campbell, Bosson, Goheen, Lakey, & Kernis, 2007; Kernis, 2005; Kernis, Lakey, & Heppner, 2008; Kets de Vries, 1994).

In decision making, narcissism has generally been associated with two basic tendencies. First, narcissists are likely to be very confident about the outcomes of their decisions (Sanders, 2001), and second, narcissists would choose from a set of alternative strategic options the one which offers the most "narcissist supply", meaning most potential for attention (Kernberg, 1975). In organizational research, narcissism has been associated with especially bold decision making manifesting as increased strategic dynamism, grandiosity, and the number and size of acquisitions (Chatterjee & Hambrick, 2007). We might assume that narcissists with stable self esteem and high emotional stability tend to show less extreme decision making behavior with respect to the alternatives chosen, since they depend less on external stabilization of their self esteem and emotional swings through positive attention of others.

2.2.2 Research on Personality and Leadership Behavior

Burns (1978) was the first to distinguish between transactional and transformational leadership, and Bass (1985) further advanced theory on the two by developing four dimensions defining each leadership type. Transactional leadership behavior can be defined as the management of employee operational efforts and thus includes activities such as the management of contingent rewards, management by exception and so on. Transformational leadership, on the other hand, focuses on the management of change and comprises the dimensions of idealized influence, inspirational motivation, intellectual stimulation and consideration of individual needs (Bass, 1985, 1990; Bass & Riggio, 2006). In most studies, idealized influence and inspirational motivation are correlated, and these two dimensions have sometimes been combined in the measure of charisma (Bass, 1998), a construct that itself is often closely tied to personality.

Research suggests that transformational leadership is about "making the employee go the extra mile". This leadership style has been associated with a variety of performance variables such as increased employee satisfaction (Podsakoff et al., 1990)

organizational commitment (Bycio et al., 1995), extra effort (Seltzer & Bass, 1990), turnover intention (Bycio et al., 1995), and overall employee performance (Yammarino et al., 1993). In addition, these effects have been shown to be existent across management levels (Howell & Avolio, 1993), work environments (Bass, 1985), and national cultures (Bass, 1997).

Empirical research has found significant associations between certain personality traits and transformational leadership. Namely, Judge and Bono (2000) found a positive relationship between extraversion and openness to experience with all facets of transformational leadership in a study surveying leaders from community leadership programs in the United States. Ross and Offermann (1997) found a positive correlation between self confidence and transformational leadership in U.S. Air Force Academy cadets. Additionally, locus of control has been positively associated with the transformational leadership components of individualized consideration, intellectual stimulation and charisma (Howell & Avolio, 1993). Finally, transformational leadership has been associated with multiple intelligence-types such as cognitive intelligence (Atwater & Yammarino, 1993), social- and emotional intelligence (Bass, 2002).

Recently, there has been a trend towards integrating the personality-centered-research associated with transformational leadership by summarizing it under the concept of the Big Five personality traits (Rammstedt & John, 2007). This involves defining a leaders' personality along the lines of five traits: extraversion, openness to experience, agreeableness, conscientiousness, and neuroticism (De Hoogh et al., 2005; Judge & Bono, 2000; Lim & Ployhart, 2004; Ployhart, Lim, & Chan, 2001).

Bono and Judge (Bono & Judge, 2004) argue, however, that such integration does not address the larger question of whether the Big Five are actually the most theoretically relevant traits for studying the antecedents of leadership. Other researchers suggest that the five-factor model provides a too broad description of personality (Block, 1995; Hough, 1992). In line with this, Block (1995) asserts that “for an adequate understanding of personality, it is necessary to think and measure more specifically than at this global level if behaviors and their mediating variables are to be

sufficiently, incisively represented" (Block, 1995, p. 208). Hough (1992) even argues that the Big Five traits are so general that they mask relations between traits and criteria. Consequently, Bono and Judge (2004) submit that continuing to use the Big Five traits as antecedents of transactional and transformational leadership may not be fruitful in uncovering the true antecedents of leadership. They encourage studying facets of the Big Five traits or other narrower traits in order to gain more insight.

Another development in the study of personality and leadership points in the opposite direction with respect to whether individual personality traits or broader profiles should be studied. Resick et al. (2009) relate the distinct traits of core self evaluation and hypersensitive narcissism to transformational and to the contingent reward component of transactional leadership, respectively. They find high core self evaluation to be positively associated with transformational leadership, and hypersensitive narcissism to be negatively associated with the contingent reward component of transactional leadership. The authors choose to relate the personality dimensions only to the contingent reward aspect of transactional leadership, since this is an aspect generally supporting leadership success (Podsakoff et al., 1990). The question evolving from this approach is whether there are not only leadership dimensions positive for leadership success which might not be ideally supported by certain personality prerequisites, but whether there are actual negative leadership behaviors which are fostered by certain personality traits.

Approaching this line of reasoning, Bass and Steidlmeier (1999) have introduced the concept of authentic transformational leadership and pseudo-transformational, or inauthentic, transformational leadership. These two dimensions stem from the differentiation between socialized and personalized charismatic leadership (Bommer, Rubin, & Baldwin, 2004). Socialized charismatic leadership tends to serve collective interests and develop and empower others (Bass & Riggio, 2006). Personalized charismatic leadership, on the other hand, takes the form of personal dominance, authoritarian behavior; this form of charisma is self-aggrandizing, serves self-interest, and tends to exploit others (House & Howell, 1992; Howell & Avolio, 1992; McClelland, 1975).

The major distinguishing behavioral element between authentic and pseudo-transformational leadership has been found to be individualized consideration (Bass & Steidlmeier, 1999). Namely, authentic transformational leaders are concerned about their subordinates as individuals and support their development. Pseudo-transformational leaders see their subordinates as a means to an end; they are driven by self-concern, self aggregation and exploitation of subordinates.

Core self evaluation has been positively associated with transformational leadership (Resick et al., 2009). Core self evaluation is a trait implying high levels of self esteem, emotional stability, locus of control, and self efficacy (Judge et al., 2002, 2003); which are important in transformational leadership (Bass, 1990). Since individuals with high levels of core self evaluation are stable in their personality and especially their emotional balance, we assume that those individuals have the capability to be considerate of their subordinates, i.e., be authentic in their transformational leadership.

Narcissism, in contrast, when associated with low levels of emotional stability and a need for external recognition to stabilize a fragile self (Kets de Vries et al., 1997; Wink, 1991) is not likely to be positively related to consideration of others. This is due to the fact that hypersensitive narcissism has not been found to be related to transformational leadership at all, and to even be negatively associated with the contingent reward element of transactional leadership (Resick et al., 2009). This points further to the fact that considering others, i.e. engaging in a relationship involving contingent recognition and reward of other's accomplishments, is reduced by hypersensitive narcissistic traits. In particular, the need to stabilize the self may actually foster exactly the self-aggrandizing, self-focused and exploitatative behavior associated with personalized charisma and pseudo-transformational leadership respectively (Bass & Steidlmeier, 1999; House & Howell, 1992; Howell & Avolio, 1992; McClelland, 1975).

2.3 Theory Development

One implication of the work on pseudo-transformational leadership is that the psychological make-up of leaders is a complex phenomenon, involving the interaction of different variables. Charisma without concern for others is not the same as charisma with concern for others. By failing to take this interaction between different personality traits into account, transformational leadership research that measured charisma in isolation could risk spurious results, predicting, for example, outcomes associated with authentic transformational leadership from leaders whose charisma is more personalized than socialized.

2.3.1 The Need for an Executive Personality Profile

The possibility that personality traits take on different forms with markedly different implications for behavior is not limited to the concept of charisma. According to both clinical and non-clinical definitions, narcissism not only includes a positive self perception as proposed by the NPI but also a fragile self-view (Raskin & Terry, 1988). Indeed, numerous authors have distinguished between different forms of narcissism, including healthy and unhealthy narcissism (Kets de Vries, 1994; Stucke & Sporer, 2002); normal and pathological narcissism (Hiller & Hambrick, 2005); or implicit, hot, impulsive, and affect-driven vs. explicit, rational, and cool narcissism (Kernberg, 1975). These markedly different faces of narcissism suggest that the effects of individual personality characteristics depend on how they combine with other characteristics of a person's psychological make-up. Put differently, it is impossible to predict behavioral outcomes based on isolated features of personality (Judge et al., 2003).

The two elements that in combination appear to distinguish different forms of narcissism appear to be self-esteem and emotional stability. Namely, narcissism may be associated with healthy self-esteem and emotional stability or with unstable self-esteem and low emotional stability (Morf & Rhodewalt, 2001). In the first case, an individual has a stable, positive self perception -- a trait that is considered necessary

for successful leaders (Resick et al., 2009; Wirth, 2002). In the second, however, the individual engages in certain compensating behaviors in order to protect a rather vulnerable self (Kernis, 2005; Kernis et al., 2008; Wink, 1991).

Similarly, core self evaluation has on the one hand been associated with various positive outcomes such as motivation and performance (Erez & Judge, 2001), but high levels of core self evaluation in top executives have been associated with attributes that may have negative effects on performance, namely low decision making comprehensiveness, high decision making speed and high decision making centralization (Hiller & Hambrick, 2005).

The distinguishing element within the dimensions of core self evaluation that influence whether it impacts performance positively or negatively may be emotional stability. Thus, low levels of emotional stability in top executives otherwise ranking high on the dimensions of core self evaluation might lead to similar compensating behavior as in narcissists who have an unstable self esteem and low emotional stability (Kernis et al., 2008; Wink, 1991).

2.3.1.1 *The Role of Anger*

One important factor differentiating between individuals ranking relatively high in both core self evaluation and narcissism may be how they react to criticism. Reaction to criticism is a behavior resulting from a given self perception (Donnellan, Trzesniewski, Robins, Moffitt, & Caspi, 2005). In particular, narcissistic individuals with an unstable self esteem and low emotional stability have been found to react to criticism with anger (Atlas & Them, 2008; Wink, 1991). This is important because anger has also been found to influence decision making processes (Lerner & Tiedens, 2006).

Anger's impact on decision making is multi-faceted and negative. Anger activates heuristic processing in the form of greater use of stereotypical judgments. Moreover, it reduces attention to the quality of the arguments, and increases attention to the

superficial cues of the message (Bodenhausen, Sheppard, & Kramer, 1994; Lerner et al., 1998). As Lerner and Tiedens (2006) state: "…once activated, anger can color people's perceptions, form their decisions, and guide their behavior[...]".

For the case at hand, incidental or state anger (anger that is situational) is especially relevant because it is likely to be triggered during strategic decision making and other leaderships situations, where feedback and criticism are likely (Gino & Schweitzer, 2008). Integral or trait anger (anger that is inherent in the person's emotional make-up) may also be relevant because it influences the likelihood of incidental anger which develops as a reaction to a given situation (Barsade & Gibson, 2007). The more trait anger is inherent in an individual, the more easily state anger is activated in specific situations (Spielberger et al., 1995).

Executives who are able to deal with criticism constructively are likely to exhibit a personality that combines self esteem and emotional stability (Tjosvold, 2008). Otherwise, criticism is likely to produce a compensating reaction in the form of anger, and this will limit an executive's ability to interpret input constructively, resolve conflicting inputs and respond with effective behaviors (Donnellan et al., 2005; Stucke & Sporer, 2002). More specifically, an individual scoring relatively high on narcissism who is *not* prone to angry reactions to criticism is likely to trust his/her own judgments in a way that is likely to be beneficial. On the other hand, a narcissist who is quick to anger is likely to be hypersensitive regarding others' perceptions and also likely to perceive criticism as a lack of consideration/recognition (Tracy & Robins, 2003).

Thus, we expect anger to be an important mechanism explaining the relationships between CEO personality, leadership and decision making. Narcissists scoring high on the NPI but low in their reaction to criticism are more likely to show interest in opinions of others (i.e. authentic transformational leadership). Narcissists who are sensitive to criticism, however, will tend to show angry reactions to ego-threatening information (Atlas & Them, 2008) and show less interest in the opinion of others (i.e. pseudo transformational leadership). Also, individuals who react to critical feedback with anger will tend to make less comprehensive decisions (Lerner & Tiedens, 2006).

This, in turn, has implications for the decision making and leadership behaviors because narcissists with low sensitivity to criticism might be more considerate of their subordinates in their leadership behavior. However, narcissists with high sensitivity to criticism and unstable self-esteem might be less considerate of their subordinates. This is because they are prone to compensating reactions manifesting as anger and animosity (Atlas & Them, 2008; Bond, Ruaro, & Wingrove, 2006; Stucke & Sporer, 2002; Tracy & Robins, 2003).

In summary, prior research on executive personalities and organizational outcomes lead to the following research questions:

- What are the personality traits mainly influencing executive's strategic decision making and underlying authentic and pseudo-transformational leadership?
- How do emotions such as anger add to our understanding of the impact of executives' personalities on decision making and leadership behavior?

In the next section we outline a framework for addressing these issues and describe the challenges of future research.

2.3.1.2 *Overt and Covert Positive Self Perception*

Figure 2-1 shows the personality traits associated with self-perception and the distinguishing features of personality that influence whether such traits lead to effective or ineffective leadership and decision making. Generalized self-efficacy, locus of control, exploitiveness/entitlement, leadership/authority, superiority/arrogance and self-absorption/self admiration influence the degree of positive self perception in an individual. The personality features that govern whether positive self perception leads to positive or negative outcomes include the stability of an individual's self esteem, their emotional stability and sensitivity to criticism. Depending on these variables, a positive self perception will have distinctively different implications for leadership behavior.

In particular, a positive self perception combined with stable self-esteem, emotional stability and low sensitivity to criticism is likely to lead to what we call here "overt positive self perception" (OPSP), meaning a view of the self that is positive but that does not produce negative feelings toward others. A positive self perception combined with unstable self-esteem, low emotional stability, and high sensitivity to criticism is likely to lead, on the other hand, to "covert positive self perception" (CPSP), meaning a view of the self that is positive and that produces negative feelings toward others. The self perception profiling dimensions are summarized in figure 2-1.

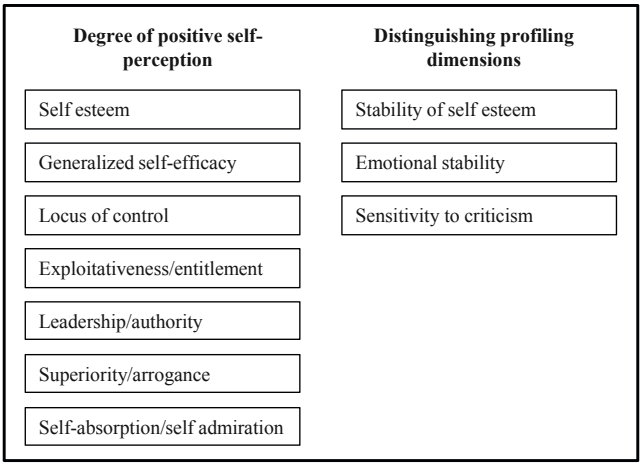

Figure 2-1: Executive Profiling Dimensions

2.3.2 Conceptual Framework

Based upon the previous discussion we propose an overt and a covert positive self perception (OPSP and CPSP respectively) as personality profiles comprising characteristics which decisively influence the decision making and leadership behavior of executives. These personality profiles each influence decision making and leadership behavior of executives.

High levels of an overt positive self perception lead to more comprehensive decision making behavior because they imply a more stable personality and the willingness as well as ability to consider information and feedback of any kind. Possessing a stable self esteem, emotional stability and low sensitivity to criticism enables executives to consider any information necessary for sound decision making or even actively ask for it, despite this information might lead to a result which differs from the executive's initial opinion. Exactly this course of action is comprised within the concept of comprehensive decision making (Fredrickson, 1984). Thus, high levels of an overt positive self perception are associated with decision making comprehensiveness.

Furthermore, high levels of an overt positive self perception give executives a positive, stable self view which enables consideration of others and as such can be associated with authentic transformational leadership (Bass & Steidlmeier, 1999). An executive possessing a stable self esteem, emotional stability, and who is not too sensitive towards criticism does not need positive attention of others to stabilize his self perception. This enables executives to consider individual work results, opinions, interests and potential directions of development of employees. Such behavior supports the establishment of a relationship which is based upon mutual trust. This, in turn, is associated with authentic transformational leadership (Bass & Steidlmeier, 1999).

As described, an overt positive self perception implies emotional stability and a stable self esteem. Thus, executives possessing this personality make-up are less prone to anger when confronted with contradicting information or criticism, as they are backed-up by their stable, positive self perception. They can deal with criticism and contradicting information without feeling personally threatened, and as such do not need to develop anger as compensation reaction towards others.

In turn, a covert positive self perception implies that an individual possesses all traits making up a general positive self perception but does have an unstable self esteem, low emotional stability and tends to be sensitive towards criticism. This personality make-up means that the individual executive's decision making behavior tends to be one the one hand based upon a conviction of the own potential - i.e. implies the

demonstration of certain levels of generalized self-efficacy, locus of control, exploitativeness/entitlement, leadership/authority, superiority/arrogance and self-absorption/self admiration. However, on the other hand, the unstable aspects of personality associated with a covert positive self perception lead to avoiding contradicting information and criticism in the decision making process, because these are perceived to potentially lead to a destabilization of the self. This in turn results in neglecting to integrate the views of others and additional, especially contradicting, information into the decision making process. Those executives tend to listen only to information which confirms their personal opinion. As employees realize that critical feedback is not appreciated but rather punished, they will tend to detain contradicting information. This in turn leads to non-comprehensive decision making of the executive as he is not provided with all relevant information.

Additionally, an executive with a covert positive self perception shows a tendency towards pseudo-transformational leadership. This is due to the fact that such an executive displays the characteristics making up a general positive self perception and as such relating to according aspects of transformational leadership - i.e. intellectual stimulation, inspirational motivation and idealized influence (Bass & Steidlmeier, 1999; Bass & Vecchio, 2007). However, executives possessing a covert positive self perception are not truly considerate of employees and only selectively reward provision of information which supports their point of view. A covert positive self perception leads executives to neglect employee's needs or interests beyond the point which serves the stabilization of their own self. This behavior strongly limits an executive's potential for individualized consideration and as such is associated with pseudo-transformational leadership.

Furthermore, high levels of a covert positive self perception make executives more prone to anger, since this personality make-up implies lower emotional stability, an instable self esteem, and high sensitivity to criticism. These characteristics cause critical feedback and contradicting information to lead to an angry outburst by the executive who tries to protect his unstable self perception. This is due to the fact that on the one hand, the executive is convinced of his potential given his general positive self perception, and on the other hand is not able to deal well with contradicting

information and criticism given the instability of his personality make-up. Rather, contradicting information or criticism destabilize an executive with such a personality make-up and provokes anger as compensating reaction to stabilize the self.

Anger, in turn, negatively influences the degree to which executives are exhaustive and inclusive in decision making, as it reduces attention to the quality of the arguments, and increases attention to the superficial cues of the message (Bodenhausen et al., 1994; Lerner et al., 1998). Thus, anger reduces decision making comprehensiveness.

Also, Anger is negatively associated with advice taking (Gino & Schweitzer, 2008) and leads to carelessness in thought (Bodenhausen et al., 1994; Lerner et al., 1998; Tiedens & Linton, 2001). Thereby anger reduces the potential for individualized consideration towards employees, and as such fosters pseudo-transformational leadership.

Higher levels of decision making comprehensiveness involve the consideration of others during the decision making process (Fredrickson, 1984). Since a comprehensive decision maker tends to be interested in all relevant, also contradicting, information, he is likely to be considerate of his employees in a way which supports them in providing this information to him. Feeling individually considered and valued will ease employees to provide all types of relevant, also contradicting, information to the executive without being hesitant. Thus, a comprehensive decision maker will individually consider his employees in a way which enables them to act supportive to the executive decision maker. As a consequence, comprehensive decision making will be associated with authentic transformational leadership.

Finally, lower levels of decision making comprehensiveness reduce the degree to which an executive realizes others as relevant for his decision making. As such, this executive is likely to be focused on his own opinion and also to be less considerate of others. Ceteris paribus, such a self-focused approach leads to pseudo-transformational leadership. The relationships introduced above are summarized in figure 2-2.

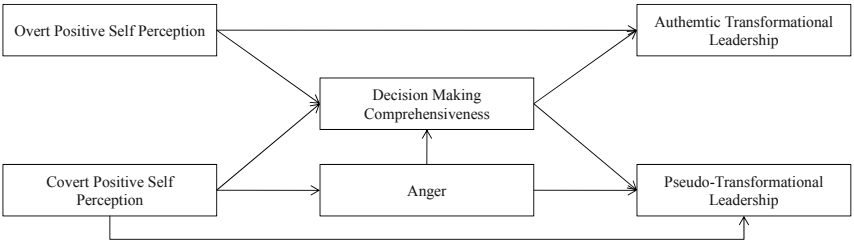

Figure 2-2: Conceptual Model on Relationships between Self Perception, Decision Making Comprehensiveness, Anger, and Leadership

2.4 Discussion

These findings stress the fact that a general positive self perception entailing narcissist traits is not necessarily associated with negative effects. More specifically, a general positive self perception is necessary to achieve goals. Rather, emotional stability, stability of self esteem and sensitivity to criticism are the personality attributes potentially turning executive's positive self perception into having negative effects. These negative effects manifest as anger as compensating reaction, as well as arrogance and self-centeredness, leading to ignoring others in both decision making and leadership behavior.

2.4.1 The Challenges of Future Research and Limitations

Research on executives' personalities is a challenge because first, top executives are very reluctant to participate in survey research, and second, personality is a very sensitive subject. In general, there are two approaches to this challenge: either using indirect indicators and deduce personality from some observable behavior or directly assessing personality in individuals other than practicing executives who otherwise represent the population of interest closely, e.g. those who aspire to executive positions.

Chatterjee and Hambrick (2007) took the first approach and developed a 5-item narcissism index which they derived from the four narcissist dimensions represented in the NPI (Emmons, 1984). Their five indicators of narcissistic tendencies were: (1) the prominence of the CEO's photograph in the company's annual report; (2) the CEO's prominence in the company's press releases; (3) the CEO's use of first-person singular pronouns in interviews; (4) the CEO's cash compensation divided by that of the second-highest paid executive in the firm; and (5) the CEO's non-cash compensation divided by that of the second-highest-paid executive in the firm. Other authors (e.g. House, Spangler, & Woycke, 1991; Peterson, Martorana, Smith, & Owens, 2003) have used content analyses of biographical information in order to investigate CEO personalities.

Chatterjee and Hambrick (2007) consider the indirect measures they use in their study also to be its major limitation. Such indirect measures assess behaviors that can only be assumed to result from a potentially underlying personality trait. This also then incorporates some difficulty when trying to explain CEO behavior. Namely, one cannot be sure whether a given personality trait or another -potentially even external factor- has influenced the observed CEO behavior. Alternatively, if the personality of CEOs is assessed directly and can be linked to a given leadership behavior, one can be more confident that the measured personality trait underlies the observed behavior. After finishing their study, Chatterjee and Hambrick (2007) called for the collection of direct data on narcissism in CEOs.

Thus, we prefer using direct measures when assessing leader's personalities. The only way to obtain this data is to use questionnaires. These instruments can either be used in an experimental design or in a survey. Experimental designs are often done in psychological research (Atlas & Them, 2008). Referring to actual leadership situations in companies, experiments allow researchers to isolate the variables under investigation. Also, low response rates can be avoided because the subjects are on site. However, it is questionable whether CEOs or high-ranking leaders would agree to participate in such experiments. On the one hand, privacy factors might play a role, and on the other hand, time-related issues might cause leaders to be reluctant.

Due to these and other reasons, Hambrick (2007) proposes direct investigation of personality and its impact on behavior in students. Because the dimensions inherent in the profiles of OPSP and CPSP are traits rather than states, these should also be measureable in students. As mentioned above, one way to use a questionnaire would be to ask participants to refer to an actual decision making situation they encountered. However, these decisions might vary significantly in their characteristics. Thus, in order to profit from a design which is mostly standardized and eliminates the danger of incomparable decision- and leadership situations, we propose to create a questionnaire which assesses the personality of the participating individual and then confronts him/her with a scenario in which leadership decisions are required.

Limitations of our findings within this chapter concern the fact that we theoretically deduce a personality profile for executives but do not test it empirically. The main question arising from our theory development is whether eventually too high levels of an overt positive self perception (OPSP) might approach the constituency of hubris or overconfidence. The dimensions of an overt positive self perception are however assembled from the construct of core self evaluation and "healthy" narcissism as defined by the NPI (Emmons, 1987). Both of these do not necessarily have negative effects. Thus, if mechanisms as defined in a covert positive self perception (CPSP) are not in play, the question is whether too high levels of an overt positive self perception can have negative effects. Future research should investigate the question of how to define an over-reaching positive self view in executives and its effects for decision making and leadership in more detail.

2.4.2 Contributions

This chapter contributes to the literature by discussing the impact of executive's personalities on their decision making and leadership behavior. More specifically, we introduce the concepts of OPSP and CPSP to explain how a generally (moderate) positive self perception in executives combines with stable or unstable self esteem and emotional stability to manifest in either authentic or pseudo-transformational leadership and influence decision making. In turn, an overly OPSP may also turn out

to have negative effects for decision making and leadership behavior by turning into overconfidence or hubris. We also incorporate anger as an explanatory mechanism between OPSP/CPSP, decision making and transformational leadership.

This contributes to Upper Echelons research by considering explicit psychological traits and their potential interaction as a source for predicting behavior of executives (Hambrick, 2007). Additionally, we add to research on individual differences of executives by linking personality of executives to outcomes relevant for processes in firms leading to firm performance (Hiller & Hambrick, 2005; Simsek et al., 2010). Furthermore, we took a holistic approach to executive personality by defining factors which differentiate two types of positive self perceptions in a way relevant for decision making and leadership behavior (Resick et al., 2009). Also, we contribute to research on transformational leadership by defining antecedents of authentic and pseudo-transformational leadership in executive's personalities (Bass & Steidlmeier, 1999) and emotions (Barsade & Gibson, 2007). Moreover, we contribute to practice by providing both recruiters and boards the means to distinguish potentially effective decision-makers and leaders from less effective ones. In particular, given that the vast majority of candidates for executive leadership positions are likely to have a positive self-perception, the focus in a selection process should be on those personality features that distinguish OPSP from CPSP, i.e. stability of self-esteem, emotional stability and sensitivity to criticism. Thus, by evaluating these three personality dimensions, recruiters and boards may increase the chances of successful executive selection decisions.

2.4.3 Conclusion

Referring back to Larry Ellison, it now becomes clearer that an extremely positive, potentially even narcissist, self perception may not be bad for leadership and decision making. In certain situations, these may even be beneficial. General condemnations of narcissist CEOs therefore do not add much value to the discourse on executive personalities. Rather, a more informed view recognizes that in order to be an effective decision-maker and leader, Ellison's personality profile should include, for example,

the ability to deal constructively with criticism. If his reaction to critical remarks from employees is anger, Ellison may shut down communication and eliminate input that could be vital to making decisions that are in the best interest of his company.

In this chapter, we reviewed the literature relevant to executive personalities and developed the concepts of an OPSP and a CPSP. We also demonstrated how these two constructs may link to decision making and transformational leadership and introduced anger as a mediating mechanism to explain differing impacts of OPSP and CPSP on decision making and transformational leadership.

3. Anger on the Executive Suite – Towards a Theory Linking Core Self Evaluation and Hypersensitive Narcissism to Individual Decision Making Comprehensiveness considering the Role of Environmental Dynamism

Abstract

Research finds that executives are influenced by their personalities and perceptions in strategic decision making. However, there has been demand for gaining a more fine-grained understanding of the psychological processes underlying executives' strategic decision making. In this chapter we aim at contributing to the explanation of these psychological processes by defining core self evaluation and hypersensitive narcissism as relevant dimensions to profile top executives' personalities, and developing a theory that explains the relationship between this personality profile, anger and individual decision making comprehensiveness of top executives. Finally we introduce environmental dynamism as a relevant context variable.

R. Sputtek, *Opening the Black Box,* DOI 10.1007/978-3-8349-3925-8_3,

3.1 Introduction

Strategic decisions made by upper echelon managers have a major impact on the organization (Hambrick, 2007; Hambrick & Mason, 1984). Thus, understanding executive decision making behavior is crucial to understanding processes leading to firm performance (Miller, 2008; Simsek et al., 2010). Upper echelons theory finds that executives are influenced by their personalities when making strategic decisions (Hambrick & Mason, 1984). Comprehensive strategic decision making behavior has been found to positively influence firm performance by helping executives to structure their environment, enhance implementation motivation and reduce cognitive biases (Bourgeois & Eisenhardt, 1988; Elbanna, 2006; Forbes, 2007; Miller, 2008; Miller & Lee, 2001). Understanding which aspects of their personalities support comprehensive decision making is valuable but still lacking (Hiller & Hambrick, 2005).

Recent research has identified core self evaluation and hypersensitive narcissism as personality traits representing the bright and the dark side of executive personality, respectively (Resick et al., 2009). In this context, the relationship between core self evaluation and hypersensitive narcissism in an executive's personality emerges as relevant, because these two traits seem to be antipodally related to anger and individual decision making comprehensiveness. This implies that there might be a negative association between core self evaluation and narcissism. This idea has been implicitly formulated in previous research (Hiller & Hambrick, 2005; Resick et al., 2009) but has not yet been investigated systematically.

Core self evaluation is the prominent umbrella construct in the strategic management literature used to assess executive's personality (Hiller & Hambrick, 2005; Judge et al., 2002, 2003; Simsek et al., 2010). The construct has been associated with various positive individual and organizational outcomes which impact firm performance (e.g. Resick et al., 2009; Simsek et al., 2010). Because core self evaluation implies high emotional stability (Judge et al., 2002), part of those positive effects might be explainable by the fact that individuals ranking high on this trait are less likely to develop emotions which negatively influence the decision making process, among which the most influential one is anger (Lerner et al., 1998).

While important, research on core self-evaluation focuses merely on the positive effects of a positive self perception. This leaves open the question of whether and how self-perceptions may negatively affect decision making. Narcissism offers an appealing construct to study such negative effects because it is a prevalent trait among top executives (Chatterjee & Hambrick, 2007) and because under certain conditions it may lead to negative effects through an unstable self (Hiller & Hambrick, 2005; Judge, LePine, & Rich, 2006). In particular, hypersensitive narcissism often leads to anger as a compensating reaction to negative feedback (Zheng & Huang, 2005). Because anger has been shown to negatively influence the decision making process (Lerner & Keltner, 2000) and is also connected to narcissism (Donnellan et al., 2005; Tracy & Robins, 2003), it may provide a potential explanation for the negative effects of a narcissistic personality on decision making.

Anger is the most negative emotion in decision making because it activates heuristic processing in the form of more stereotypic judgments, reduces attention to the quality of the arguments, and increases attention to the superficial cues of the message (Bodenhausen et al., 1994; Lerner et al., 1998). Despite its relevance in decision making and its potential relation to levels of core self evaluation and hypersensitive narcissism, anger has not yet been investigated as factor explaining executive decision making.

The purpose of this chapter is to examine the role of core self evaluation, hypersensitive narcissism, and anger in top executive's decision making. This is accomplished by using dual processing theory to explain how strategic decision making processes are influenced by the personality and emotional traits of individual executive decision makers. Our central argument is that top executives' core self evaluation and hypersensitive narcissism are related to their degree of decision making comprehensiveness, while those traits also influence executive's propensity to develop anger in a given decision making situation. Anger in turn negatively influences decision making comprehensiveness. Finally, we reason that environmental dynamism increases the degree to which the personality of executives manifests in their behavior.

This study contributes to current research on decision making processes by discovering antecedents of the nature of strategic decision making processes which are routed within executive's personalities (Hiller & Hambrick, 2005; Nadkarni & Herrmann, 2010; Simsek et al., 2010) as well as their propensity for anger (Barsade & Gibson, 2007; Lerner & Tiedens, 2006; Shiv et al., 2005; Slovic, 2001). Also, we aim to contribute to upper echelons theory (Hambrick, 2007; Hambrick & Mason, 1984) by identifying emotion, i.e. anger, as factor explaining the differing effect of certain personality traits, i.e. core self evaluation and hypersensitive narcissism, on the behavior of top managers. Additionally, this study contributes to literature on the influence of the environmental context on executive behavior by supporting the view that environmental dynamism positively moderates the relationship between executive personality and their behavior (Finkelstein & Hambrick, 1996; Simsek et al., 2010).

This research takes a comprehensive approach to explaining the phenomenon of top executive's strategic decision making behavior by linking for the first time related but oftentimes separately regarded areas in strategic management research to psychological personality constructs and anger.

3.2 Background

We start this review by first anchoring our argument within the upper echelons theoretical perspective on strategic decision making processes. Then we turn our discussion to the assessment of strategic decision making processes, and consequently we integrate both literature streams' implications, which defines the research gap to be filled by our study. Second, we revisit dual processing theory as theory which underlies the connection between personality, emotion, and decision making behavior of executives. Third, we review literature on the personality constructs of core self evaluation and hypersensitive narcissism to profile executive strategic decision-makers. Fourth, we introduce anger as the relevant emotion mediating the relationship between top executives' level of core self evaluation, hypersensitive narcissism, and individual decision making comprehensiveness. Finally, we discuss environmental

dynamism as a relevant context factor for the relationships between individual personality and decision making behavior.

3.2.1 Individual Decision Making Comprehensiveness

Basic upper echelons theory states that executives act in strategic decision making processes according to their personalized interpretation of these strategic decision making situations and that the personalized interpretation of these situations results from the executive's experiences, values and personalities (Hambrick, 2007; Hambrick & Mason, 1984). In its general notion, upper echelons establishes relationships between the (1) external and internal situation; (2) characteristics in the form of psychological (cognitive-based) as well as observable characteristics (e.g. age, functional tracks, education etc.) of executive strategic decision makers; (3) strategic choice; and (4) firm performance (Hambrick & Mason, 1984). Given the difficulty of obtaining data on actual psychological characteristics of upper echelon managers, the theory proposes to use the observable characteristics as proxies for underlying personalities. The validity of this notion has been questioned however, and there has been demand to use more direct measures of executives' personalities in order to improve predictive power of the personality profiles generated (Hambrick, 2007; Markóczy, 1997). Thus, the question arises regarding which directly measurable dimensions of personality are decisive for executive's strategic decision making.

Strategic decisions can be considered as nonprogrammable decisions which involve the dedication of considerable assets to the entire enterprise (Ghemmawat, 1991; March & Simon, 1958; Porter, 1980). Literature on strategic decision making distinguishes between strategic decision making processes and content. A comprehensive research framework capturing the factors of decision making processes and outcome has been proposed by Rajagopalan et al. (1993). Within their framework, TMT-characteristics summarize the individual characteristics of strategic decision makers which are assumed to influence decision process characteristics and process outcomes. In turn, according to the authors, the decision making process influences the outcome. Hiller and Hambrick (2005) have proposed to investigate the strategic

decision making process of individual top executives by drawing upon three concepts: comprehensiveness, speed and centralization of decision making. Given that more comprehensiveness can be associated with less speed and more centralization, we focus on comprehensiveness as the central construct in this respect.

Comprehensive decision making differentiates synoptic decision making from incremental decision making and can be defined as the degree of exhaustiveness and inclusiveness when making strategic decisions (Fredrickson, 1984). As Hiller and Hambrick (2005) put it, the degree of comprehensiveness is an approach towards studying "… careful, systematic, 'synoptic' decision making vs. best-guess, trial-and-error approaches" (p.9). The original comprehensiveness scale developed by Fredrickson (1984) reveals that beyond pursuing rational decision making, the concept of comprehensiveness emphasizes the degree of involving additional information and relevant others into the decision making process. Strategic decisions are typically made by the TMT (Hambrick & Mason, 1984), and each individual's propensity for comprehensiveness is likely to influences team comprehensiveness in a given case (Dean Jr & Sharfman, 1996; Hambrick & Mason, 1984; Hiller & Hambrick, 2005). The degree of influence depends on the individual's influence within the team, e.g. the CEOs propensity for comprehensiveness will on average be more influential than others' (Covin & Slevin, 1989; Dess & Lumpkin, 2005). Thus, although overall TMT comprehensiveness is not a simple aggregation of individual decision making behavior, individual decision making comprehensiveness is important to study in its own right due to its effects on team-level decision making behavior. Despite its relevance, individual decision making comprehensiveness has not yet been explicitly conceptualized.

3.2.2 Dual Processing Theory

Cognitive psychologists have developed dual processing theory (Kahneman, 2003; Shiffrin & Schneider, 1977) which defines the degree to which behavior is a result of system one processing (i.e. consciously directed, rational and controlled) vs. resulting from system two processing (i.e. irrational and uncontrollable by the individual).

There are numerous advantages to controlled processing, including that "…critical stimuli can be attended while ignoring normally relevant stimuli" (Schneider & Chein, 2003, p.531). This implies that system one processing is beneficial in situations where information must be carefully evaluated with respect to it's current meaning within the present situation. Furthermore, system one processing fosters goal-directed behavior which implies planning and executing behavior leading to a specific goal (Schneider & Chein, 2003). However, system one processing is comparably effortful and slower than system two processing .

System two processing is comparably effortless but also not as controllable by the individual (Shiffrin & Schneider, 1977; Stroop, 1935). Furthermore, system two processing leads to an "…automatic attention response [which] is dependent on the priority assigned to a stimulus itself, rather than on the context in which the stimulus occurs." (Schneider & Chein, 2003, p.530). This implies that system two processing might lead to interpreting a stimulus, i.e. critical feedback, as a consistently negative, potentially threatening encounter, which would provoke an according automatic reaction.

Given the definition of decision making comprehensiveness as ”… careful, systematic, ‘synoptic’ decision making" (Hiller & Hambrick, 2005, p.9), decision making comprehensiveness reflects system one processing. Thus we are interested in learning which aspects of executive personality and emotional make-up foster or hinder system one processing.

3.2.3 Personality of Executives

Generally it has been found that executive personality is manifested in style, preferences and other characteristics that influence strategic decision making processes (Hambrick, 2007; Hambrick & Mason, 1984; Miller et al., 1982). This research does use objectively observable characteristics as approximations for potentially underlying personality traits, however. In this field of research, the impact of individual characteristics of strategists on strategic decision making has been investigated with

respect to CEOs on the one hand and TMTs on the other. Namely, various observable CEO characteristics have been found to impact general strategic decision making; these include functional background, cultural background, age, tenure, experiences, preferences, and dispositions (Carpenter et al., 2004). More specifically, literature has also considered how observable CEO characteristics directly influence organizational outcomes (Finkelstein & Boyd, 1998; Sanders, 2001; Zajac & Westphal, 1996). Another stream of research focuses on how observable characteristics of TMTs influence strategic behavior and firm performance (Eisenhardt & Schoonhoven, 1990; Iaquinto & Fredrickson, 1997; Jensen & Zajac, 2004; Wiersema & Bantel, 1992).

3.2.3.1 *Core Self Evaluation*

Although Hambrick and Mason (1984) introduced observable characteristics as valid approximations for strategists' underlying psychological traits, this notion has been questioned (Hambrick, 2007; Markóczy, 1997). The main criticism aroused by this research is whether observable surrogates truly reflect the less overt psychological phenomena under investigation. One response to this criticism is research on various, mostly disconnected concepts assessing top executives self potency (Hiller & Hambrick, 2005). Generally, these concepts can be distinguished among those assessing individual aspects of overall self-assessment such as locus of control (Boone & de Brabander, 1993), concepts which are popular and well known but lack clear psychological and methodological definition such as hubris (Hayward & Hambrick, 1997), concepts which describe self concept only ex post such as overconfidence (Malmendier & Tate, 2005), psychological concepts which are difficult to operationalize beyond clinical settings, the most prominent of which in recent literature is narcissism (Chatterjee & Hambrick, 2007; Lubit, 2002), and finally concepts which combine different elements of self assessment into multi-facet personality profiles. This latter approach emphasizes the consensus on the relevance of self potency in executive personality research, and studies have identified the concept of core self evaluation as the most promising umbrella construct as a basis for future executive personality research (Hiller & Hambrick, 2005; Simsek et al., 2010).

Core self evaluation constitutes a promising construct because it represents a trait, i.e. is inherent in the personality independent of situational influences (Judge et al., 2003), constitutes a unifying umbrella concept for aspects which are relevant in executive personalities (Hiller & Hambrick, 2005) and has been called "…the bright side of executive personality…" (Resick et al., 2009, p.1367). Core self evaluation is defined as a deeply sourced dispositional trait which defines how individuals evaluate themselves and their relationships with the environment (Judge et al., 2003). The construct rests upon four sub-constructs, (a) self-esteem, the overall value that one places on oneself as a person; (b) generalized self-efficacy, an evaluation of how well one can perform across a variety of situations; (c) emotional stability, intensity of emotional swings, and (d) locus of control, beliefs about the causes of events in one's life (Hiller & Hambrick, 2005; Judge et al., 2002, 2003).

Core self evaluation has been linked to various positive organizational outcomes such transformational leadership (Resick et al., 2009), entrepreneurial orientation (Simsek et al., 2010), motivation (Gilad, Goddard, & Casper, 2004), organizational commitment (Bono & Colbert, 2005), job satisfaction (Judge, Bono, Erez, & Locke, 2005), and performance (Erez & Judge, 2001). Also, Hiller and Hambrick (2005) have conceptually linked it to strategic decision making processes and outcomes. However, studies have not yet examined how core self evaluation influences comprehensiveness of executives decision making or emotional reactions within executive personality.

Because core self evaluation constitutes a personality trait it will be reflected in an executive's decision making behavior (Hambrick & Mason, 1984; Hiller & Hambrick, 2005). Because high levels of core self evaluation constitute a stable, positive self perception, it is likely that this will increase the degree to which an executive is able to integrate potentially conflicting information and relevant others into the decision making process, thus decide comprehensively. Since hypersensitive narcissism is negatively associated with emotional stability (Hendin & Cheek, 1997) and thereby constrains willingness to accept critical feedback, we might find core self evaluation to be negatively related to hypersensitive narcissism. Finally, core self evaluation incorporates emotional stability, thus potentially reducing the degree to which

emotions have a negative impact on the decision making process can manifest, with the emotion most negatively influencing the decision making process being anger.

3.2.3.2 *Narcissism*

Narcissism is a personality characteristic potentially having a negative impact on decision making and as such, has received growing attention in research on executives (Chatterjee & Hambrick, 2007; Judge et al., 2006; Kets de Vries et al., 1997; Lubit, 2002; Maccoby, 2004; Resick et al., 2009). The concept of narcissism was first introduced in the Greek mythological tale of Narcissus, a man who fell in love with his own reflection on a lake. More recently, Freud (1914/1957) referred to this idea when describing narcissism as a personality disorder.

A narcissistic personality disorder implies a "pervasive pattern of grandiosity" combined with a "need for admiration and lack of empathy" (APA, 2000, p.717). However, possessing narcissist traits does not necessarily imply a psychological disorder. Rather, narcissism has also been defined as a set of traits rooted within any personality and to some degree necessary for achieving goals (Kets de Vries et al., 1997; Raskin & Hall, 1981).

Nevertheless, individuals who rank high on these narcissist dimensions and who are not able to counter-balance these with other tendencies within their personality may show behavior which is overly inspired by their narcissist traits. This is to say that generally, high levels of narcissist traits create an inflated self-concept which manifests as a desire for recognition and a high degree of self-reference when interacting with others (Kernberg, 1989). This leads to intolerance toward compromise, and hostility toward criticism (Atlas & Them, 2008; Deluga, 1997; Judge et al., 2006; Lubit, 2002; Raskin & Hall, 1981), while the most apparent characteristic of narcissists is their arrogance (Rosenthal & Pittinsky, 2006).

While this arrogance partially reflects the narcissist's pre-occupation with their self (Maccoby, 2004), according to both clinical and non-clinical definitions, narcissism

does also include a fragile self-view which actually requires individuals to be exceptionally arrogant in order to externally stabilize their fragile self (Hiller & Hambrick, 2005; Kernberg, 1975; Kets de Vries, 1994; Raskin, Novacek, & Hogan, 1991; Stucke & Sporer, 2002). Thus, underlying the boastful external manifestation is an actually exceptionably vulnerable self with low emotional stability and unstable self esteem (Morf & Rhodewalt, 2001; Wink, 1991).

As a result, individuals who possess such a personality make-up may appear to be especially ambitious, because they require positive external feedback for their own stabilization. Consequently, they are willing to work hard in order to receive this positive feedback. This behavior may then at first sight result in tendencies to be outgoing, boastful, insistent, and distinctive (Hogan, Raskin, Fazzini, Clark, & Clark, 1990; Maccoby, 2004; Rosenthal & Pittinsky, 2006). These aspects may increase the individual's chances of being hired into leadership positions or promoted through the hierarchy (Hogan & Kaiser, 2005). While seemingly positive in the first place, these attributes nonetheless contribute to long-term costs for the organization by hindering the creation of a positive organizational culture through creating a self-centered as opposed to a cooperative environment. This is the case because the executive coordinates actions towards promoting his self-image as opposed to advancing followers or the organization (Bass & Steidlmeier, 1999; Conger, 1990; Hogan et al., 1990). As Lubit et al. (2002) find, such behavior can "… even drive away the most talented employees" (p.127). Thus, costs for the organization arise by creating a work environment which hinders unfolding of other than the executive's capabilities and by potentially even driving away talented employees.

Furthermore, this unstable self can provoke anger as a compensating reaction to protect the self as a reaction to criticism (Campbell et al., 2007; Kernis, 2005; Kernis et al., 2008; Kets de Vries, 1994). This aspect of narcissism has been captured in the hypersensitive narcissism scale developed by Hendin and Cheek (1997).

Despite the impact personality in general has on decision making behavior (Hambrick & Mason, 1984), and the likely impact narcissism will have on the degree to which individuals include relevant others into the decision making process and deal

effectively with information contradicting their own opinion, the impact of narcissism on individual decision making comprehensiveness has not yet been assessed. Furthermore, the relationship between executive narcissism and anger has not yet been assessed, even though anger has been found to be a compensating reaction of individuals ranking high on hypersensitive narcissism towards ego-threatening situations (Wink, 1991).

3.2.4 Anger

Emotions have in general been associated with either potential negative effects for decision making (Ashforth & Humphrey, 1995; Putnam et al., 1993; Shiv et al., 2005; Slovic, 2001), and the benefits of emotional regulation in order to circumvent these negative effects have been accentuated (Gross & John, 2003; Myeong-Gu & Barrett, 2007). Our emotions are framed as a signaling tool to adapt behavior (Gohm & Clore, 2000) which makes them necessary for well-being (Aspinwall & Taylor, 1997; Fredrickson, 2001). However, all of these studies focus on positive or negative emotions in general, and do not differentiate between different personality types, potentially reflected in the position a given individual has in the organization. Hiller and Hambrick (2005) as well as Chatterjee and Hambrick (2007) propose upper echelon managers to have a specific personality make-up, however, and given the large individual differences in affective information processing (Gohm, 2003; Gohm & Clore, 2000), we assume that the differentiation between different personality types, especially at the top of the organization, as well as specific distinct emotions, are important for understanding the role that emotions play in decision making processes which in turn have a major impact on firm performance (Hambrick & Mason, 1984).

The most influential negative emotion in decision making is anger, because it has been found that relative to sadness and neutral emotion, anger activates heuristic processing in the form of more stereotypic judgments, reduces attention to the quality of the arguments, and increases attention to the superficial cues of the message (Bodenhausen et al., 1994; Lerner et al., 1998). This type of processing is clearly associated with automatic system two processing (Shiffrin & Schneider, 1977). As

Lerner and Tiedens (2006) state: "…once activated, anger can color people's perceptions, form their decisions, and guide their behavior[...]".

Emotion in general has been found to depend on personality and to influence decision making (Staw & Barsade, 1993; Tracy & Robins, 2003). Literature on emotions distinguishes between incidental emotions, which are emotions triggered by the current situation, and integral emotions, also called moods, which are emotions triggered by a prior, unrelated experience (Loewenstein & Lerner, 2003). With respect to anger, Spielberger et al. (1995) propose to differentiate between anger as a state and anger as a trait. This distinction can be seen as analogous to distinguishing between incidental emotions and integral emotions, or moods, since anger as a state is defined as "…an emotional state or condition that consists of subjective feelings of tension, annoyance, irritation, fury and rage…" (Spielberger et al., 1995, p. 168) with a focus on the intensity of the perceived emotions, while anger as a trait has been defined as the "…individual differences in the frequency that state-anger […] [is] experienced over time." (Spielberger et al., 1995, p.169). Individuals ranking high on anger as a trait can also be assumed to experience state anger more often and more intensely.

Despite its relevance in decision making, anger has not yet been explicitly linked to personality or decision making behavior of executives.

3.2.5 Environmental Dynamism

Dynamic environments are characterized by "…rapid and discontinuous change in demand, competitors, technology, or regulation so that information is often inaccurate, unavailable, or obsolete' (Eisenhardt & Bourgeois Iii, 1988, p.738). The term dynamism is sometimes also referred to as volatility or turbulence and defines both the rate and predictability of change in an organization's context along a continuum between highly stable to highly dynamic (Dess & Beard, 1984). Environmental dynamism has been linked to decision making processes (e.g. Fredrickson, 1985; Fredrickson & Iaquinto, 1989).

However, all of this research investigates the impact of environmental dynamism on the relationship between antecedents and macro-level outcomes which neglects fully accounting for effects of environmental dynamism on individual behavior, and additionally the limited number of studies in this area does not allow for meaningful generalizations (Rajagopalan et al., 1993). Given that executives act within an environment when making strategic decisions (Hambrick & Mason, 1984), investigating how a dynamic vs. a stable environment influences the relationship between executive's personality and their individual decision making behavior is crucial, but lacking.

3.3 Theory Development and Propositions

This section introduces the theory behind the model describing the influence of top executives' core self evaluation, hypersensitive narcissism and anger on their individual decision making comprehensiveness, clarifies the mediating role of anger in these two relationships and establishes an association between core self evaluation and hypersensitive narcissism as personality traits. Furthermore, we introduce environmental dynamism as a relevant context factor that moderates the relationship between executive's personality and decision making comprehensiveness.

We present this model by first introducing propositions about the relationship between the two personality constructs, second relating them to individual decision making comprehensiveness, third relating anger to the personality constructs and individual decision making comprehensiveness, and finally introducing environmental dynamism as relevant context factor having a moderating impact on the relationship between executive's personality and their decision making comprehensiveness. A summary of constructs and relationships is provided in the conceptual model presented in figure 3-1.

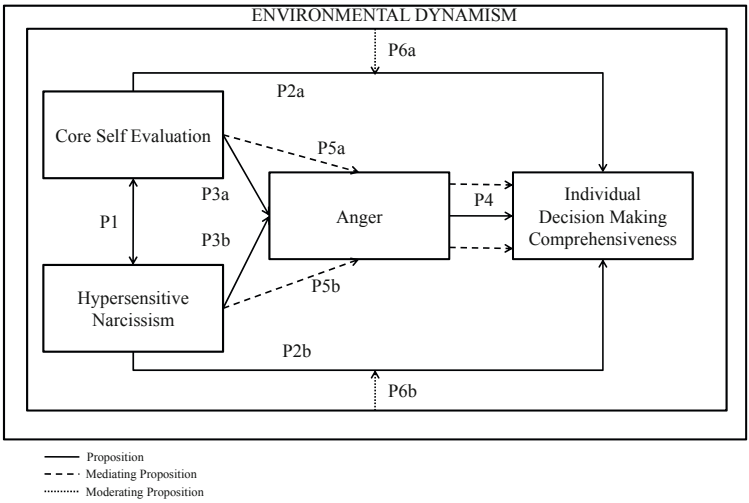

Figure 3-1: Conceptual Model on Relationships between Core Self Evaluation, Hypersensitive Narcissism, Anger, and Individual Decision Making Comprehensiveness

3.3.1 Core Self Evaluation and Hypersensitive Narcissism

In line with Resik et al. (2009) we assume that core self evaluation is the bright side and hypersensitive narcissism is the dark side of executive personality. Whereas hypersensitive narcissism implies a grandiose self view which is unstable, core self evaluation represents a stable positive self perception. Thus, both concepts imply a version of a positive self perception, but they differ concerning the stability of this view. While core self evaluation implies emotional stability and stable, high self esteem (Judge et al., 2002, 2003), hypersensitive narcissism is associated with lower emotional stability and a self esteem which is comparably unstable (Kets de Vries et al., 1997; Raskin et al., 1991).

The relationship between the two constructs can be viewed under the light of dual processing theory (Shiffrin & Schneider, 1977). Core self evaluation is likely to enable system one processing by backing-up executives with a stable, overall positive self perception which enables conscious, controlled processing of information. In turn,

hypersensitive narcissism is associated with less emotional stability and as such potential emotional outbursts. These outbursts imply more unconscious, automatic system two processing, as it motivates the individual towards behavior resulting from instability of the self, and as such, is a rather automatic reaction towards external stimuli (Schneider & Chein, 2003).

This means that the two constructs are basically differentiated by emotional stability and thereby have opposite effects on decision making comprehensiveness. If an individual ranks high on core self evaluation, including emotional stability, this individual will automatically rank lower on hypersensitive narcissism. This relationship has been mentioned but not yet explicitly hypothesized (Hiller & Hambrick, 2005; Resick et al., 2009).

This leads us to the following proposition:

P1: Executive's core self evaluation is negatively associated with executive hypersensitive narcissism.

3.3.2 Core Self Evaluation and Individual Decision Making Comprehensiveness

We argue that core self evaluation is important to decision making comprehensiveness for two main reasons: first it enables executives to deal with ambiguity and uncertainty. This results from the fact that high levels of core self evaluation entail high levels of self esteem, self efficacy and locus of control. These characteristics compose a certain degree of positive self perception of the executive and are necessary in order to make strategic decisions, because these decisions have a comparatively large impact on a company and involve relatively high degrees of uncertainty and ambiguity (Porter, 1980). Still being able to make decisions incorporating as many relevant pieces of information as possible requires individuals to possess a rather high level of trust in their personal ability and tolerance for risk (Campbell, Goodie, & Foster, 2004).

Second, core self evaluation enables executives to include relevant others into the decision making process. This is due to fact that high levels of core self evaluation give executives the internal stability to deal with information potentially contradicting their initial opinions and those people presenting it. Especially lower degrees of emotional stability might lead executives to feel easily threatened by contradicting opinions, thus tending to avoid these within the decision making process. High levels of overall core self evaluation however allow executives to integrate relevant others into the decision making process and foster positive task conflict on a subject matter without escalating it into relationship conflict.

Third, core self evaluation is associated with system one processing. This is the case because by providing the executive with a stable, positive personality make-up, high levels of core self evaluation allow for a conscious examination of all relevant information, enable critical evaluation of all information provided within the decision making process and allow for planned goal execution. A positive stable self concept enables this by giving an individual the capacity to deal with potentially contradicting information or negative feedback without perceiving this a threat towards the self, but as related to the subject matter. All of these aspects are associated with system one processing and as such with decision making comprehensiveness.

For example, a CEO might have to decide on the acquisition of a competitor. His initial "gut - feeling" might have been to pursue the acquisition. However, a high core self evaluation will have enabled the CEO to carefully listen and integrate any relevant information during the decision making process, although it might contradict his initial opinion. This contradictory information might for example have been rumors on unethical business practices within the competitors' supply chain. Possibly, last-minute but unconfirmed information on unethical business behavior of one of the competitor's major suppliers might be provided by a member of the TMT. If this information is true, it seriously threatens the value of the brand to be acquired and thus the value of the acquisition. A high core self evaluation enables the CEO to potentially change his mind at the last minute without feeling that this threatens his authority. Because this CEO has a stable positive image of himself, he does not feel personally threatened by contradicting information but is able to relate it purely to the subject

matter. He will encourage members of the TMT to provide any relevant information during the decision making process by positively accepting, evaluating and integrating it. Therefore, we suggest the following proposition:

P2a: Executive's core self evaluation is positively associated with individual decision making comprehensiveness.

3.3.3 Hypersensitive Narcissism and Individual Decision Making Comprehensiveness

For individuals who possess increased levels of hypersensitive narcissist traits the need for "narcissist supply" is increased (Kernberg, 1989). Thus, they will want to make especially bold strategic decisions because on the one hand they need external attention in order to stabilize their self (Wink, 1991). On the other hand, they have a sense of grandiosity and arrogance which makes them ignore others and their potential input (Rosenthal & Pittinsky, 2006). This reduces the degree of decision making behavior tailored to the decision at hand and consequently the decision making comprehensiveness. Furthermore, the self-focused tendency of narcissist individuals makes it unlikely that they will integrate relevant others into the decision making process, especially those relevant others who might provide information contradicting the executive's opinion.

Dual processing theory posits that automatic processing implies, among other things, the automatic reaction towards an external stimulus. Given the above discussion, we assume hypersensitive narcissism to be associated with rather automatic processing in the form of an automatic defense reaction in case the comparably unstable self is threatened by, for example, criticism or negative feedback. Given the automaticity of this reaction, the individual is limited in influencing it.

For example, a hypersensitive narcissist CEO deciding on the acquisition of a company might have been reluctant already during the decision making process to integrate contradicting information because - given his narcissist tendencies -, rather

than associating it with the subject matter, he is likely to perceive it as criticism of himself. Thus, he might not have paid attention to rumors on unethical business behavior within the supply chain in the first place and is even more likely to ignore them later in the decision making process since this later deviation from his initial opinion might pose an even larger threat to his authority.

Furthermore it is questionable whether a hypersensitive narcissist CEO would have received the information on the rumors and unconfirmed information at all. Given his tendency to shut down information contradicting his opinion, it is likely that members of the TMT might not even provide contradictory information, unless it is absolutely confirmed, during the decision making process.

This leads to the following proposition:

P2b: Executives' hypersensitive narcissism is negatively associated with individual decision making comprehensiveness.

3.3.4 Core Self Evaluation and Anger

Core self evaluation is a personality trait, and the personality of executives can be linked to their emotions. This is to say that certain personality prerequisites support or hinder the development of specific emotions (Stucke & Sporer, 2002). Thus, given a certain personality make-up, executives can be more or less prone to experience extreme emotional states during decision making situations. As such we assume a relationship between the personality dimensions pictured in the umbrella construct of core self evaluation and anger.

First, an executive's high ranking on core self evaluation reflects high degrees of positive self perception consisting of high levels of self esteem, self efficacy and locus of control. This general positive self perception enables executives to deal with various, also potentially contradicting information during the decision making process

without feeling personally attacked. Because their positive self perception is not easily threatened, they will not tend to produce an angry reaction to defend their self-concept. If they have a lower level of core self evaluation, however, they might tend to perceive information contradicting their opinion as threatening to themselves or their authority, and might want to consciously or unconsciously avoid this type of information. Reacting with anger can be a protective, subconscious reaction to a situation that is perceived as threatening. Also, it shuts down others who might submit this information potentially perceived as threatening.

Second, a high level of emotional stability in executives ranking high on core self evaluation implies that these individuals are unlikely to carry a high propensity to get angry within their personality. A high emotional stability suggests that these individuals are less likely to be influenced towards an angry reaction in case of potentially anger-triggering events, because they have the general ability to cope with and balance emotions within their personality.

Third, as core self evaluation fosters system one, and as such controlled, conscious processing, the degree to which anger manifests in an uncontrolled manner is limited. This is due to the fact that high levels of core self evaluation allow individuals to consciously evaluate and regulate their actions and reactions.

For example, a CEO with high levels of core self evaluation receiving last-minute contradictory information on an acquisition might be glad and receptive towards it, while also demonstrating this attitude towards those providing this information. He relates this information only to the deal because he is not easily threatened in his positive way of seeing himself. Thus, there is no need to react defensively and get angry. However, in case of lower levels of core self evaluation, this information might lead the executive towards feeling threatened in his authority, which in turn leads him to get angry and defend his point of view.

Additionally, low emotional stability leads a CEO to act upon emotional tendencies faster. This means that an angry outburst as reaction towards feeling threatened is

more likely. On the other hand, high emotional stability enables a CEO to better balance his emotions and thus reduces the propensity to react with anger.

These factors lead us to conclude that top managers with high levels of core self evaluation are not prone to high levels of anger in decision making situations. Therefore we would expect that:

P3a: Executive's core self evaluation is negatively associated with their propensity to get angry in decision making situations.

3.3.5 Hypersensitive Narcissism and Anger

Hypersensitive narcissist individuals can be anticipated to react with above-average negative emotions to criticism and ego threatening information in decision situations (Atlas & Them, 2008; Tracy & Robins, 2003). As a consequence, they need to engage in compensating behavior in order to cope with the criticism. This might take place in the form of aggression, discounting others or the situation and anger (Morf & Rhodewalt, 2001; Tracy & Robins, 2003). Thus, individuals ranking high on hypersensitive narcissism can be anticipated to perceive anger when faced with criticism. Assuming that well-functioning decision processes contain certain types of conflict, this mechanism can easily take place during decision making processes. So rather than listening to potentially ego-threatening information for the good of the decision making process, hypersensitive narcissist individuals are likely to exhibit destructive, angry behavior in order to stabilize their self-perception. This in turn may be perceived as aggressive and thus negative by others, which might in turn reinforce compensating behavior because the applause-seeking narcissist is not reassured.

Given the automaticity with which the hypersensitive narcissist reacts with anger to ego-threatening situations, we assume system two processing to guide this behavior. This implies that the hypersensitive narcissist is not necessarily conscious of his angry reaction, as this reaction might just be an automated response towards an external

stimulus, such as critical feedback. The fact that the angry reaction is unconscious and automatic makes it difficult for the executive to control its occurrence, strength and effect. Summarizing we can say that a hypersensitive narcissist's ego is threatened by critical feedback and the compensating reaction is to become angry. This reaction is unconscious and automatic and as such cannot be controlled by the individual executive. As such, hypersensitive narcissism is associated with a tendency towards developing anger in decision making situations. The above leads us to the following proposition:

P 3b: Executives' hypersensitive narcissism is positively associated with their propensity to become angry in decision making situations.

3.3.6 Anger and Individual Decision Making Comprehensiveness

Comprehensive decision making requires thorough analysis of the situation, determination of problems, inclusive generation of alternatives, evaluation of actions, and the integration of decisions into an overall strategy (Frederickson, 1984). Generally, we find that angry people engage in relatively automatic, superficial, and heuristic processes (Lerner & Tiedens, 2006), which is likely to lead them towards being less thorough in their analysis of the situation, determination of problems, and evaluation of actions when making strategic decisions.

Furthermore, anger has been shown to make individuals arbitrarily optimistic about their own chances of success (Fischhoff, Gonzalez, Lerner, & Small, 2005; Lerner, Gonzalez, Small, & Fischhoff, 2003; Lerner & Keltner, 2000, 2001). This might in turn reduce the degree to which an executive feels the need to be exhaustive and inclusive during decision making, because he expects success even in situations where success is less likely from an objective point of view.

Additionally, anger has been associated with carelessness in thought (Bodenhausen et al., 1994; Lerner et al., 1998; Tiedens & Linton, 2001), which seems quite opposed to

thoroughly analyzing a given situation, determining problems, inclusively generating alternatives, and evaluating actions.

Moreover, anger makes one eager to act (Harmon-Jones, 2003; Mackie et al., 2000). An angry decision maker is unlikely to spend time for exhaustive information search and integration during the decision making process, and also is not likely to spend time integrating a given decision with the overall strategy.

In addition, anger has been negatively associated with advice-taking (Gino & Schweitzer, 2008), and this is inconsistent with the fact that a single decision maker is unlikely to have all the information needed to make a good decision. Comprehensive decision making typically involves some degree of advice taking.

Finally, trait anger is likely to be related to system two processing during decision making, because it entails a propensity to get angry sourced within the personality and not related to a situation, leading to a higher likelihood of emotionally charged, automatic processing, which as a consequence is apt to be less comprehensive. Consequently we argue that anger reduces comprehensiveness of decision making because it is likely to be associated with system one processing.

So, an angry CEO is generally likely to ignore additional information and others during the decision making process on for example an acquisition. This implies that the decision making process is likely to be short, and subjectively colored by the CEO's personal opinion because not as much additional information enters his decision making process. Overall decision making is not expected to be exhaustive or inclusive. This leads us to conclude that anger reduces overall decision making comprehensiveness and escorts us towards the following proposition:

P4: Anger in executives is negatively associated with individual decision making comprehensiveness.

3.3.7 Mediating Proposition Core Self Evaluation – Anger – Individual Decision Making Comprehensiveness

Anger negatively mediates the relationship between core self evaluation and individual decision making comprehensiveness. The reason for this is that high levels of core self evaluation reduce the propensity to get angry in a given decision making situation, and anger in turn reduces individual decision making comprehensiveness. Thus, the higher the degree of core self evaluation, the lower the propensity to get angry anchored within a given personality, and the higher the individual decision making comprehensiveness.

A CEO deciding on an acquisition who has a high core self evaluation is likely to have been exhaustive and thorough while collecting information during the decision making process, and he is willing and able to accept any, including last-minute information and or information contradicting his initial opinion, before making the final decision. This is due to his generally high positive self perception composed of high levels of self esteem, locus of control, and self efficacy. Additionally, his emotional stability enables him to deal both with any contradictory information and the individuals delivering it to him in a constructive way without feeling the need for a defensive action entailing an angry outburst. Rather, he is able to decide comprehensively, since he is not prone to an uncontrolled, angry reaction in the first place. In contrast, a CEO with a low core self evaluation and thus a low general positive self perception is likely to react angrily to contradicting information because he feels a need to defend his volatile self. Additionally, his low emotional stability means that he is not able to balance potential angry emotions but is likely to act upon them, leading to lower degrees of individual decision making comprehensiveness.

As core self evaluation is likely to foster system one processing, we assume that this implies a conscious, controlled decision making behavior, likely to be associated with decision making comprehensiveness. Furthermore, by reducing the potential emotional charge of the situation, core self evaluation reduces the likelihood of automated processing.

We propose that the relationship between core self evaluation and individual decision making comprehensiveness can partially be explained through the propensity to become angry in a given decision making situation. Thus, those higher in core self evaluation should be less likely to get angry in a given decision making situation, which in turn leads to greater decision making comprehensiveness.

Summarizing the above we suggest the following mediating proposition:

P5a: Anger (partially) negatively mediates the relationship between core self evaluation and individual decision making comprehensiveness. Specifically, higher levels of core self evaluation in an executive are associated with a lower tendency towards developing anger in decision making situations.

3.3.8 Mediating Proposition Hypersensitive Narcissism – Anger – Individual Decision Making Comprehensiveness

Anger positively mediates the relationship between hypersensitive narcissism and individual decision making comprehensiveness. This is rooted within the fact that high levels of hypersensitive narcissism are associated with an increased propensity to develop anger as a compensating reaction towards contradicting feedback, and anger negatively influences individual decision making comprehensiveness.

This phenomenon can be explained by dual processing theory. Hypersensitive narcissism is likely to lead to an automated angry reaction when faced with an external stimulus such as critical feedback or contrary information during a decision making process. Emotional charge, in turn, is associated with automated processing and as such is likely to reduce overall decision making comprehensiveness.

A CEO deciding on an acquisition and ranking high on levels of hypersensitive narcissism will not have been very exhaustive collecting information, especially information contradicting his initial opinion, during the decision making process. In this context, the degree to which this CEO is likely to integrate relevant others into the

decision making process and to deal with information contradicting his own opinion is reduced. In contrast, this CEO is likely to on the one hand avoid receiving negative feedback by reducing input of (potentially critical) others into the decision making process, and on the other hand worsen this tendency by potential angry outbursts when confronted with contradicting information. The last will in turn reduce the degree to which the CEO is able to perceive information provided to him objectively, and additionally reduce the willingness of potentially critical others to provide contradicting information because they do not want to be targeted by the CEO's anger.

We propose that the relationship between hypersensitive narcissism and individual decision making comprehensiveness can partially be explained through the propensity to get angry in a given decision making situation. Thus, those higher in hypersensitive narcissism should be more likely to get angry in a given decision making situation, which in turn leads to less decision making comprehensiveness.

Summarizing the above we suggest the following mediating proposition:

P5b: Anger (partially) positively mediates the relationship between hypersensitive narcissism and individual decision making comprehensiveness. Specifically, higher levels of hypersensitive narcissism in an executive are associated with a higher propensity towards developing anger in decision making situations.

3.3.9 The Role of Environmental Dynamism

3.3.9.1 *Environmental Dynamism moderating the Relationship between Core Self Evaluation and Individual Decision Making Comprehensiveness*

Thus, as argued above, apart from the CEO's personality, individual decisions are framed by the environment a given company faces. In dynamic environments, cause-effect relationships are increasingly difficult to determine (Finkelstein & Hambrick, 1996). This implies that individuals in these environments are more likely to inject

their personalized interpretations into a given decision making situation. As a consequence, when faced with ambiguous environments, individuals more likely make decisions resulting from their psychological dispositions (Hambrick, Finkelstein, & Mooney, 2005).

Consequently, the degree to which the level of core self evaluation of a CEO shows within his individual decision making comprehensiveness will be higher in dynamic environments. More specifically, a CEO with a high level of core self evaluation facing a dynamic environment is increasingly likely to decide comprehensively, as this is his personal way of decision making behavior rooted within his personality.

As dual processing theory explains, automatic processes are more robust towards stressors than are controlled processes. We can assume that the degree of core self evaluation is a personality trait deeply sourced within the character. Individuals who rank high on core self evaluation and as such are comprehensive when making decisions have in a way automated this comparably controlled, conscious approach towards making decisions. Facing a stressor, i.e. environmental dynamism, the overall influence of personality during decision making behavior is likely to be strengthened. Given that individuals ranking high on core self evaluation are likely to be comprehensive in their decision making behavior, we assume this relationship to be strengthened under environmental dynamism.

For example, a CEO possessing high levels of core self evaluation who decides on the acquisition of a company might still, despite time constraints and ambiguity, try to incorporate as many opinions of others into the decision making process as possible, trying to regain control by deciding comprehensively (Bourgeois & Eisenhardt, 1988). This leads to the following proposition:

P7a: Environmental dynamism positively moderates the relationship between levels of core self evaluation and individual decision making comprehensiveness. Specifically, in presence of environmental dynamism the positive association between core self evaluation and decision making comprehensiveness is strengthened.

3.3.9.2 *Environmental Dynamism moderating the Relationship between Hypersensitive Narcissism and Individual Decision Making Comprehensiveness*

As environmental dynamism increases the degree to which personality shows in decision making in general, it also increases the degree to which a given level of hypersensitive narcissism within a personality shows within the decision making behavior. Thus, environmental dynamism increases the degree to which hypersensitive narcissistic tendencies within a CEO's personality reduce his decision making comprehensiveness.

As dual processing theory posits, automatic processing is likely to be robust under the influence of stressors such as environmental dynamism. Furthermore, also the degree to which personality manifests in decision making has an automated component. Thus, as hypersensitive narcissists are more prone to automated processing during decision making anyways and as such have a general tendency to be less comprehensive during their decision making, we assume environmental dynamism to strengthen this tendency as well.

When deciding on the acquisition of a company, a CEO operating within a dynamic context and ranking high on hypersensitive narcissism is increasingly likely to be guided by his need for narcissist supply and recognition than by the requirements of the decision making situation. This implies that this CEO is likely to further reduce the overall degree of objective facts he collects himself and aims to receive from others. Given the time constraints he might also be able to justify this behavior in front of himself and others. This leads to the following proposition:

P7b: Environmental dynamism positively moderates the relationship between levels of hypersensitive narcissism and individual decision making comprehensiveness. Specifically, in presence of environmental dynamism the negative association between hypersensitive narcissism and decision making comprehensiveness is strengthened.

3.4 Discussion

Within this chapter we start by identifying a need to further investigate the influence of top executive personality and the psychological processes underlying upper echelon executives' decision making processes (Hambrick, 2007). As a response to this request, we identify core self evaluation and hypersensitive narcissism as opposite constructs within an executive's personality markup which are both relevant in strategic decision making.

Subsequently, we analyze the relationship between core self evaluation and hypersensitive narcissism on the one hand and individual decision making comprehensiveness on the other hand. Core self evaluation is likely to increase individual decision making comprehensiveness, while hypersensitive narcissism is likely to decrease it. This implies that the subcomponents of core self evaluation, i.e. self esteem, self efficacy, emotional stability and locus of control are beneficial for the degree to which an executive is exhaustive and inclusive in making strategic decisions. In contrast, hypersensitive narcissism tends to reduce the degree to which an executive includes information and relevant others into the decision making process. Furthermore, high levels of core self evaluation within an executive's personality make-up imply lower levels of hypersensitive narcissism and vice versa.

Additionally, we introduce anger as an emotion partially mediating the relationships between both core self evaluation and individual decision making comprehensiveness and hypersensitive narcissism and individual decision making comprehensiveness. While core self evaluation is associated with a lower propensity to anger, hypersensitive narcissism is associated with a higher likelihood to get angry in a given decision making situation. Anger, in turn, reduces individual decision making comprehensiveness. These findings accentuate the relevance of anger as explanatory mechanism in executives' decision making behavior. While there might be situations in which fast and as such less comprehensive decision making is beneficial, it might be more beneficial if the according reduction in decision making comprehensiveness is due to a conscious decision of the executive as opposed to an uncontrolled tendency towards angry outbursts. This is the case because if the decision to reduce the degree

of comprehensiveness in a given decision making situation is a conscious one, the executive is able to optimize the relationship between comprehensiveness and contextual constraints such as e.g. time, dynamism etc. In contrast, if the reduction of comprehensiveness is due to an automated process involving anger, the executive is not able to differentiate between more or less relevant information, focuses on the superficial cues of messages, and thus potentially overlooks information whose integration might not necessarily have increased decision making time but would have increased decision making quality.

Finally, we introduce environmental dynamism as a context construct strengthening the degree to which personality manifests in decision making behavior. This implies that environmental dynamism positively moderates the relationships between the personality constructs of core self evaluation and hypersensitive narcissism and individual decision making comprehensiveness. More specifically, under the presence of environmental dynamism core self evaluation is even more and hypersensitive narcissism is even less associated with decision making comprehensiveness. Thus, executives who have a personality which supports comprehensive decision making will tend to decide even more comprehensively in order to regain control in the presence of environmental dynamism. On the other hand, executives who tend not to be comprehensive in decision making due to their personality make-up will be even less so in dynamic environments.

3.4.1 Contributions

By developing this theory we contribute to closing the gap in upper echelons theory identified by Hambrick (2007). The psychological processes underlying strategic decision making become more transparent realizing that core self evaluation and hypersensitive narcissism are two opposed traits in executive personalities which both influence how executives behave in strategic decision making situations. By linking these personality constructs to anger, mostly highly influential emotion in strategic decision making, we shed light on the subconscious mechanisms in play during executive strategic decision making. Additionally, we contribute to research on

strategic decision making as well as generally on the individual in strategy by defining decision making comprehensiveness on an individual level (Floyd & Sputtek, 2011; Fredrickson, 1984; Hiller & Hambrick, 2005). Furthermore, we contribute to research on the relationship between personality and decision making behavior of executives (Chatterjee & Hambrick, 2007; Hiller & Hambrick, 2005) by linking personality of executives to individual decision making comprehensiveness. Also, we add to overall research on the personality of executives, and especially to research investigating the influence of core self evaluation (Hiller & Hambrick, 2005; Simsek et al., 2010) and hypersensitive narcissism (Hendin & Cheek, 1997) by supporting Resick et al.'s (2009) view finding core self evaluation to be the bright and hypersensitive narcissism to be the dark side of executive personality. Subsequently, we contribute to research on the role of emotions in strategic decision making (Barsade & Gibson, 2007; Lerner et al., 1998) and to the link between hypersensitive narcissism, emotions, and decision making (Hendin & Cheek, 1997).

Also, we contribute to research on the role of emotions in decision making processes by specifically investigating the role of anger in executives (Putnam et al., 1993; Shiv et al., 2005; Slovic, 2001). Furthermore, we underline the potential of personality traits to either positively or negatively influence the degree to which anger manifests (Gross & John, 2003; Myeong-Gu & Barrett, 2007). While we do not doubt a signaling role of emotions in decision making (Gohm & Clore, 2000), we believe this role to be especially reliable and potentially useful for the individual in the case of general positive or negative situational emotions (Ashforth & Humphrey, 1995; Fredrickson, 1984). We aim to contribute to this research by pointing out the mainly negative effect of anger on the degree of decision making comprehensiveness.

Moreover, we have contributed to research analyzing the role of environmental dynamism in individual decision making behavior of CEOs. We find that individual personality differences have a stronger impact in more dynamic environments (Finkelstein & Hambrick, 1996; Simsek et al., 2010). Furthermore we support the notion that comprehensive decision making is a structuring tool for executives in the presence of environmental dynamism (Bourgeois & Eisenhardt, 1988).

Finally, we contribute to practice by providing both recruiters and boards with means to distinguish potentially effective decision-makers from less effective ones. Especially in high velocity environments, decision making comprehensiveness can be a decisive tool assisting executives to integrate the often sparse and ambiguous information with which they are provided (Hough & White, 2003). While certain decision making contexts require fast decision making, and trying to integrate contradictory information may slow the decision making process in an unproductive way (Eisenhardt, 1989), this reduction concerning the degree of comprehensiveness should be adapted to the decision at hand. The finding that environmental dynamism increases the impact of individual levels of core self evaluation and hypersensitive narcissism on individual decision making comprehensives is especially relevant for practice as it implies that given a dynamic environment, hypersensitive narcissism is likely to reduce decision making comprehensiveness beyond what would be necessary given the decision making situation. Nevertheless, there might be situations in very dynamic environments where fast decision making is an utmost priority in any case. In these circumstances, boards and recruiters might be supportive of an executive tending to make faster decisions at the expense of their comprehensiveness. On the other hand, the more stable an environment, the more beneficial high levels of decision making comprehensiveness in general might be.

3.4.2 Limitations and Conclusion

Limitations of this chapter partially lie within the research design. Although we believe to have thoroughly argued the proposed relationships, we do not have empirical evidence. This leaves room for future research testing the theory developed. Also, the relationships have so far only been introduced on an individual level. Because we focus on executives in our theory, and according to upper echelons theory their decisions have a major impact on the organization, we believe to be able to explain some variance in final decisions made in companies. We are however aware that the final decision in companies is influenced by a compilation of decision making behaviors of TMT members and the CEO. Thus, future research should extend the

proposed theory to an organizational level, account for the differing impacts of decision making behaviors and integrate other contingency factors such as firm size, owner structure, and industry.

Furthermore, underlying the moderating role of environmental dynamism is the assumption that executives perceive environmental dynamism as an increase in uncertainty and ambiguity. Additionally, this theory is based on Eisenhardt's and Bourgeois' (1988) investigation of comprehensiveness as supportive process characteristic in high velocity environments which does not explicitly extend towards potentially overly high levels of comprehensiveness. Future research should further investigate how to balance comprehensiveness and the necessity for comparably fast decision making by analyzing the impact of other influential variables improving decision making quality while increasing speed, such as i.e. intuition.

In conclusion, top management decision making is important to organizational outcomes (Fredrickson & Mitchell, 1984), and top executives are influenced by their personalities when making decisions. Thus, understanding personalities of top executives and measuring them directly adds to understanding decision making processes in organizations (Hambrick, 2007). Using the constructs of core self evaluation and hypersensitive narcissism to holistically assess strategically relevant aspects of executives' personalities in combination with anger opens up alleys to positively influence decision making quality in companies by on the one hand recruiting executives who fit their position and environmental context with respect to decision making behavior, and on the other hand coaching executives already in important decision making positions in the interest of the company.

4. The mediating Role of Anger in the Relationship between Executive's Core Self Evaluation and their Individual Decision Making Comprehensiveness: Empirical Evidence

Abstract

Upper echelons theory posits that executives are influenced by their personalities in strategic decision making. One subordinate notion of upper echelons theory is that demographic variables of executives can be used as a valid approximation of executives' personalities and thereby serve as a predictors of strategic decision making. However, this notion has been questioned, and there has been demand for more direct measures of strategic decision makers' personalities and the psychological processes underlying strategic decision making. Drawing on recent advances in research on upper echelons involving the use of core self evaluation to holistically assess the sense of a CEO's self potency, this chapter aims at contributing to the explanation of these psychological processes by developing and testing a model linking core self evaluation to individual decision making comprehensiveness and introducing anger as an emotion mediating this relationship. The findings suggest that anger is associated with lower levels of comprehensiveness and that higher levels of core self evaluation are associated negatively with anger and positively with comprehensiveness. These results provide support for emotion as an important mediator in relationships between CEO personality and the strategic decision making process.

R. Sputtek, *Opening the Black Box,* DOI 10.1007/978-3-8349-3925-8_4,

4.1 Introduction

Given the impact strategic decisions made by upper echelon managers have on the organization (Hambrick, 2007; Hambrick & Mason, 1984), understanding executive decision making behavior is crucial to understanding processes leading to firm performance (Miller, 2008; Simsek et al., 2010). Upper echelons theory finds that executives are influenced by their personalities when making strategic decisions, thus understanding which aspects of their personalities support decision making behavior beneficial to firm performance is valuable but still lacking (Hiller & Hambrick, 2005)

Comprehensive decision making processes are beneficial for a firm because they can help to effectively deal with complexity, enhance implementation motivation, and reduce cognitive biases (Bourgeois & Eisenhardt, 1988; Elbanna, 2006; Forbes, 2007; Miller, 2008; Miller & Lee, 2001). For a decision making process to be comprehensive, the individual decision making behavior of key executive actors in the decision making process must initiate comprehensiveness by thoroughly determining the cause of major problems, generating alternatives during decision making, evaluating actions, and integrating decisions into the overall strategy (Frederickson, 1984). As Dean and Sharfman (1996) put it, ‘‘executives who collect extensive information before making decisions will have more accurate perceptions. . . which has been shown to relate to firm performance. . .’’ (p. 374).

Although research has linked the personality of executives to strategic organizational outcomes, these studies often rely on secondary data due to the difficulty of obtaining primary data on executive personalities (Billett & Qian, 2008; Chatterjee & Hambrick, 2007; Forbes, 2005; Li & Tang, 2010). Furthermore, although recent studies have drawn upon the umbrella construct of core self evaluation, these studies have linked the personality trait directly to organizational outcomes. This implies bridging multiple levels of analysis (e.g. Simsek et al., 2010) and thereby leaves room for the question whether more intermediate factors at the individual level are decisive to understand the psychological processes underlying executive behavior (Hambrick, 2007). In this context, recent research has stressed the role of emotions in organizations (Barsade & Gibson, 2007). Here demand has been to investigate the role of specific emotions,

while anger has been found to be especially decisive in decision making (Lerner & Tiedens, 2006). These effects have however not yet been transferred to an organizational setting.

The purpose of this chapter is to enhance insight in this respect by investigating the influence of core self evaluation on individual decision making comprehensiveness, and additionally introducing anger as potentially mediating factor in this relationship. Our central argument is that higher levels of core self evaluation are related to higher levels of decision making comprehensiveness, and while higher levels of core self evaluation are linked to a lower propensity to become angry during decision making, anger in turn reduces individual decision making comprehensiveness.

Core self evaluation constitutes a broad personality trait and captures positive self perception as defined in levels of self esteem, generalized self efficacy, emotional adjustment and locus of control (Judge et al., 2002, 2003). Its relevance in executive decision making processes and choices of executives has recently been shown (Hiller & Hambrick, 2005; Resick et al., 2009; Simsek et al., 2010). However, results concerning the impact of high levels of core self evaluation on organizational outcomes have been mixed -while overly high levels of the trait in executives have been equated with hubris (Hiller & Hambrick, 2005), recent empirical research finds core self evaluation to have solely positive effects (Resick et al., 2009). Since core self evaluation determines the degree of an individual executives perception of self worth (self esteem) and control over a situation (self efficacy, locus of control) (Judge et al., 2002, 2003), we suppose that it influences the degree to which an individual executive believes in his or her ability to rationally influence and shape strategic decisions in an organization. Furthermore, high levels of emotional stability combined with high self esteem enable an executive to integrate relevant others into the decision making process because the executive is stable enough to deal well with conflicting interests and opinions of others. Thus, high levels of core self evaluation are likely to increase an executive's overall decision making comprehensiveness.

Furthermore, one of the mechanisms through which core self evaluation influences individual decision making comprehensiveness is through its effects on anger. Core

self evaluation is a personality trait, and personality traits influence emotions (Spielberger et al., 1995). Anger in turn has been found to be the most influential negative emotion in decision making because it leads to stereotype judgments, reduces attention to the quality of arguments and increases attention to the superficial cues of a message (Bodenhausen et al., 1994; Lerner et al., 1998). Thus, angry executives are not likely to be very thorough in determining the cause of major problems, generating alternatives, or evaluating different actions, i.e. to be comprehensive in decision making. In particular, lower core self evaluation is expected to be associated with a propensity to anger and thereby decrease individual decision making comprehensiveness. In turn high degrees of core self evaluation, representing positive self-worth, reduce the propensity to get angry in a given decision making situation. So consequently, a high core self evaluation reduces potentially negative influences of anger on individual decision making comprehensiveness.

We test our hypotheses using a survey of 88 graduate business (GMAT > 650) and MBA students aspiring leadership positions currently enrolled at a noted European business university. Given their high level of education, these individuals are very likely to obtain leadership positions (Ambrose, 2010; Boone, Kurtz, & Fleenor, 1988) and sampling students has been recommended by Hambrick (2007).

In doing so, we contribute to research by studying the influence of core self evaluation on individual decision making comprehensiveness, and investigating the mediating role of anger in this relationship. By introducing anger as a mediating variable, we generate a more fine grained understanding of the psychological processes on the individual level underlying executive's decision making behavior. Furthermore, this is the first time individual decision making comprehensiveness is assessed despite its relevance for firm decision making comprehensiveness has been argued in prior research (Hiller & Hambrick, 2005).

4.2 Background

4.2.1 Individual Decision Making Comprehensiveness

Strategic decisions can be defined as nonprogrammable decisions involving the allocation of substation resources to purposes affecting the entire organization (Ghemmawat, 1991; March & Simon, 1958; Porter, 1980). In their fundamental work, Cyert and March (1963) set the foundation for a behavioral view of organizations, referred to as the "Carnegie School." This view relies upon three pillars: (1) organizations are the object of study, (2) understanding decision making is relevant to learn about organizations, and (3) the analysis of behavior is a powerful approach for studying organizations (Cyert & March, 1963). One decisive notion from the Carnegie School is the assumption of bounded rationality, which implies that decision behavior in organizations cannot be accurately characterized as an optimization of an absolutely rationally generated set of choices (Gavetti, Levinthal, & Ocasio, 2007; Simon, 1955, 1956). Rather, bounded rationality implies that alternatives are not necessarily pre-specified, but are typically discovered through a process of search. Individual decision makers then do not optimize over this set of choices, but stop searching when they identify an alternative which satisfies their various performance criteria. This concept has become known as "satisficing". Upper echelons theory builds upon these assumptions, while focusing on the role of powerful actors in the organization in explaining organizational outcomes (Hambrick & Mason, 1984). Powerful actors in the organization are defined as top managers including senior vice presidents, inside board members, or any manager that the CEO considers part of the TMT (Lechner, 2005).

Upper echelons theory states that executives act in strategic decision making processes according to their personalized interpretation of strategic decision making situations and that the personalized interpretation of these situations results from the executives experiences, values and personalities (Hambrick, 2007; Hambrick & Mason, 1984). In its general notion, upper echelons establishes relationships between the (1) external and internal situation, (2) characteristics in the form of psychological (cognitive-based) as well as observable characteristics (e.g. age, functional tracks, education etc.)

of executive strategic decision makers, (3) strategic choice, and (4) firm performance (Hambrick & Mason, 1984). Given the difficulty of obtaining data on actual psychological characteristics of upper echelon managers, the theory proposes to use the observable characteristics as proxies for underlying personalities. The validity of this approach has however been questioned, because true psychological trait variables are unlikely to be validly approximated with observable characteristics, and future research has strongly suggested focusing on more direct measures of upper echelons personalities in order to explain decision making behavior of top executives in strategic decision making processes (Hambrick, 2007; Markóczy, 1997).

Comprehensive decision making differentiates synoptic decision making from incremental decision making and can be defined as the degree of exhaustiveness and inclusiveness when making strategic decisions (Fredrickson, 1984). As Hiller and Hambrick (2005) put it, the degree of comprehensiveness is an approach towards studying"… careful, systematic, 'synoptic' decision making vs. best-guess, trial-and-error approaches" (p.9). The original comprehensiveness scale developed by Fredrickson (1984) reveals that beyond pursuing rational decision making, the concept of comprehensiveness emphasizes the degree of involving additional information and relevant others into the decision making process. Strategic decisions are typically made by the TMT (Hambrick & Mason, 1984), and each individual's propensity for comprehensiveness is likely to influences team comprehensiveness in a given case (Dean Jr & Sharfman, 1996; Hambrick & Mason, 1984; Hiller & Hambrick, 2005). The degree of influence depends on the individual's influence within the team, e.g. the CEOs propensity for comprehensiveness will on average be more influential than others (Covin & Slevin, 1989; Dess & Lumpkin, 2005). Thus, although overall TMT comprehensiveness is not a simple aggregation of individual decision making behavior, individual decision making comprehensiveness is important to study in its own right due to its effects on team-level decision making behavior. Despite its relevance, individual decision making comprehensiveness has not yet been explicitly conceptualized or tested empirically.

4.2.2 Core Self Evaluation

Although Hambrick and Mason (1984) introduced observable characteristics as valid approximations for strategists' underlying psychological traits, this notion has been questioned (Hambrick, 2007; Markóczy, 1997). The main criticism aroused by this research is whether observable surrogates truly reflect the less overt psychological phenomena under investigation. One response to this criticism is research on various, mostly disconnected concepts assessing top executives self potency (Hiller & Hambrick, 2005). Generally, these concepts can be distinguished among those assessing individual aspects of overall self-assessment such as for example locus of control (Boone & de Brabander, 1993), concepts which are popular and well known but lack clear psychological and methodological definition such as e.g. hubris (Hayward & Hambrick, 1997), concepts which describe self concept only ex post such as overconfidence (Malmendier & Tate, 2005), psychological concepts which are difficult to operationalize beyond clinical settings, the most prominent of which in recent literature is narcissism (Chatterjee & Hambrick, 2007; Lubit, 2002), and finally concepts which combine different elements of self assessment into multi-facet personality profiles. This latter approach emphasizes the consensus on the relevance of self potency in executive personality research, and studies have identified the concept of core self evaluation as the most promising umbrella construct as a basis for future executive personality research (Hiller & Hambrick, 2005; Simsek et al., 2010).

Core self evaluation constitutes a promising construct because it represents a trait, i.e. is inherent in the personality independent of situational influences (Judge et al., 2003), constitutes a unifying umbrella concept for aspects which are relevant in executive personalities (Hiller & Hambrick, 2005) and has been called "…the bright side of executive personality…" (Resick et al., 2009, p.1367). Core self evaluation is defined as a deeply sourced dispositional trait which defines how individuals evaluate themselves and their relationships with the environment (Judge et al., 2003). The construct rests upon four sub-constructs, (a) self-esteem, the overall value that one places on oneself as a person; (b) generalized self-efficacy, an evaluation of how well one can perform across a variety of situations; (c) emotional stability, intensity of

emotional swings, and (d) locus of control, beliefs about the causes of events in one's life (Hiller & Hambrick, 2005; Judge et al., 2002, 2003).

Core self evaluation has been linked to various positive organizational outcomes such as transformational leadership (Resick et al., 2009), entrepreneurial orientation (Simsek et al., 2010), motivation (Gilad et al., 2004), organizational commitment (Bono & Colbert, 2005), job satisfaction (Judge et al., 2005) and performance (Erez & Judge, 2001). All of these empirical studies thus have found core self evaluation to positively impact performance-related variables. However, it has been argued that too high levels of core self evaluation can actually negatively influence organizational outcomes (Hiller & Hambrick, 2005). In their conceptual study, Hiller and Hambrick (2005) have defined overly high levels of core self evaluation in top executives as hubris and have linked those to faster, more centralized and finally less comprehensive strategic decision making processes and outcomes. Thus, there are mixed results with respect to the effects of core self evaluation in organizational outcomes.

These mixed results might in part be explainable considering problems associated with bridging multiple levels of analysis (Floyd & Sputtek, 2011). Consequently investigating the impact of core self evaluation on individual decision making comprehensiveness and accounting for emotional reactions within the personality could shed more light upon the psychological processes underlying executive decision making.

Since core self evaluation constitutes a personality trait it will be reflected in an executive's decision making behavior (Hambrick & Mason, 1984; Hiller & Hambrick, 2005). Because high levels of core self evaluation constitute a stable, positive self perception, it is likely that this will increase the degree to which an executive is able to integrate potentially conflicting information and relevant others into the decision making process, and thus decide comprehensively. Also, core self evaluation incorporates emotional stability, thus potentially reduces the degree to which emotions having a negative impact on the decision making process can manifest, while the emotion most negatively influencing the decision making process is anger.

4.2.3 Anger

Anger is the most influential negative emotion in decision making, because relative to sadness and neutral emotion, it activates heuristic processing in the form of more stereotypic judgments, reduces attention to the quality of the arguments, and increases attention to the superficial cues of the message (Bodenhausen et al., 1994; Lerner et al., 1998). As Lerner and Tiedens (2006) state: "…once activated, anger can color people's perceptions, form their decisions, and guide their behavior [...]".

Spielberger et al. (1995) differentiate between anger as a state and anger as a trait. Anger as a state is defined as "…an emotional state or condition that consists of subjective feelings of tension, annoyance, irritation, fury and rage…" (Spielberger et al., 1995, p.168) with a focus on the intensity of the perceived emotions, while anger as a trait has been defined as the "…individual differences in the frequency that state-anger […] [is] experienced over time." (Spielberger et al., 1995, p.169). Individuals ranking high on anger as a trait can be assumed to also experience state anger more often and more intense. For the case at hand, both state and trait anger are relevant, because they reinforce each other (Spielberger et al., 1995).

4.3 Theory Development and Hypotheses

This section introduces the theory behind the model describing the influence of core self evaluation on individual decision making comprehensiveness of top executives as well as the mediating role of anger. A summary of constructs and relationships is provided in the conceptual model presented in figure 4-1. Core self evaluation is likely to increase the degree to which an executive is able and willing to exhaustively integrate relevant information and others into the decision making process, increasing his decision making comprehensiveness. High levels of core self evaluation also entail high levels of emotional stability which are likely to decrease the propensity to get angry in a given strategic decision making situation. Finally, anger is an emotion state decreasing the likelihood that executives will exhaustively collect and evaluate

information and integrate others into the decision making process, thus potentially decreasing individual decision making comprehensiveness.

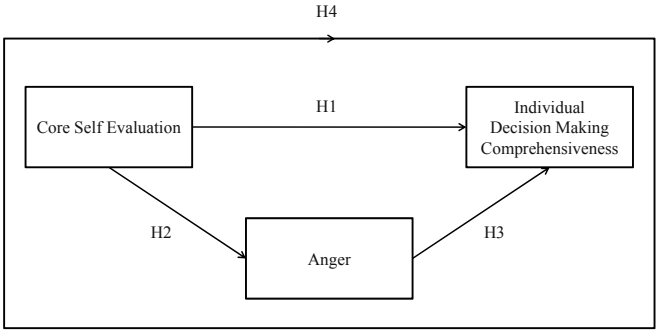

Figure 4-1: Conceptual Model on Relationships between Core Self Evaluation, Individual Decision Making Comprehensiveness, and Anger

4.3.1 Core Self Evaluation and Individual Decision Making Comprehensiveness

We argue that core self evaluation is important to decision making comprehensiveness because of two main reasons: first it enables executives to deal with ambiguity and uncertainty. This results from the fact that high levels of core self evaluation entail high levels of self esteem, self efficacy and locus of control. These characteristics require a degree of positive self perception by the executive because strategic decisions have a comparatively large impact on a company and involve relatively high degrees of uncertainty and ambiguity (Porter, 1980). Thus, being able to make decisions incorporating as many relevant pieces of information as possible requires individuals to possess a rather high level of trust in their personal ability and tolerance for risk (Campbell et al., 2004).

Second, core self evaluation enables executives to include relevant others into the decision making process. This is due to fact that high levels of core self evaluation give executives the internal stability to deal with information potentially contradicting their initial opinions and those people presenting it. Especially lower degrees of emotional stability might lead executives to feel easily threatened by contradicting

opinions, thus tending to avoid these within the decision making process. High levels of overall core self evaluation however allow executives to integrate relevant others into the decision making process and foster positive task conflict on a subject matter without escalating it into relationship conflict.

For example, a CEO might have to decide on the acquisition of a competitor. His initial "gut-feeling" might have been to pursue the acquisition. However, a high core self evaluation will have enabled the CEO to carefully listen and integrate any relevant information during the decision making process, although it might contradict his initial opinion. This contradictory information might for example have been rumors on unethical business practices within the competitors' supply chain. Possibly, last-minute but unconfirmed information on unethical business behavior of one of the competitor's major suppliers might be provided by a member of the TMT. Given this information is true, it seriously threatens the value of the brand to be acquired and thus the value of the acquisition. A high core self evaluation enables the CEO to potentially change his mind last minute without feeling like this threatens his authority. Because this CEO has a stable positive image of himself, he does not feel personally threatened by contradicting information but is able to relate it purely to the subject matter. A CEO with a low core self evaluation might have been reluctant already during the decision making process to integrate contradicting information because given his low positive self perception, rather than associating it with the subject matter, he is likely to perceive it as criticism of himself. Thus, he might not have paid attention to rumors on unethical business behavior within the supply chain in the first place and is even more likely to ignore them later in the decision making process since this later deviation from his initial opinion might pose even a larger threat to his authority.

Furthermore it is questionable whether a CEO with a low core self evaluation would have received the information on the rumors and unconfirmed information at all. Given his tendency to shut down information contradicting his opinion, it is likely that members of the TMT might not even provide contradictory information, unless it is absolutely confirmed, during the decision making process. In contrast, a CEO with a high core self evaluation encourages members of the TMT to provide any relevant

information during the decision making process by positively accepting, evaluating and integrating it.

Therefore, we propose the following hypothesis:

H1: Executive core self evaluation is positively associated with individual decision making comprehensiveness.

4.3.2 Core Self Evaluation and Anger

Core self evaluation is a personality trait, and the personality of executives can be linked to their emotions. Given a certain personality make-up, executives can be more or less prone to experience extreme emotional states during decision making situations. Thus we assume a relationship between the personality dimensions pictured in the umbrella construct of core self evaluation and anger.

First, an executive's high ranking on core self evaluation reflects high degrees of positive self perception consisting of high levels of self esteem, self efficacy and locus of control. This general positive self perception enables executives to deal with various, also potentially contradicting information during the decision making process without feeling personally attacked. Because their positive self perception is not easily threatened, they will not tend to produce an angry reaction to defend their self-concept. If they were to have a lower level of core self evaluation, however, executives might tend to perceive information contradicting their opinion as threatening to themselves or their authority, and might want to consciously or unconsciously avoid this type of information. Reacting with anger can be a protective, subconscious reaction to a situation that is perceived as threatening. Also, it shuts down others who might submit this information potentially perceived as threatening.

Second, a high level of emotional stability in executives ranking high on core self evaluation implies that these individuals are unlikely to carry a high propensity to get

angry within their personality. A high emotional stability suggests that these individuals are less likely to be influenced towards an angry reaction in case of potentially anger-triggering events, because they have the general ability to cope with and balance emotions within their personality.

For example, a CEO with high levels of core self evaluation receiving last-minute contradictory information on an acquisition might be glad and receptive towards it, while also demonstrating this positivity towards those providing this information. He only relates this information to the deal because he is not easily threatened in his positive way of seeing himself. Thus, there is no need to react defensively and get angry. However, in case of lower levels of core self evaluation, this information might lead the executive towards feeling threatened in his authority which in turn leads him to get angry and defend his point of view.

Additionally, low emotional stability leads a CEO to act upon emotional tendencies faster. This means that an angry outburst as reaction towards feeling threatened is more likely. In contrast, a CEO with a high emotional stability is able to balance his emotions better and is less likely to react with anger in general.

These factors lead us to conclude that top managers with high levels of core self evaluation are not prone to high levels of anger in decision making situations. Therefore we would expect that:

H2: Executives' core self evaluation is negatively associated with their propensity to get angry in decision making situations.

4.3.3 Anger and Individual Decision Making Comprehensiveness

Comprehensive decision making requires thorough analysis of the situation, determination of problems, inclusive generation of alternatives, evaluation of actions and the integration of decisions into an overall strategy (Frederickson, 1984).

Generally, we find that angry people engage in relatively automatic, superficial, and heuristic processes (Lerner & Tiedens, 2006), which is likely to lead them towards being less thorough in their analysis of the situation, determination of problems and evaluation of actions when making strategic decisions.

Furthermore, anger has been shown to make individuals arbitrarily optimistic about their own chances of success (Fischhoff et al., 2005; Lerner et al., 2003; Lerner & Keltner, 2000, 2001). This might in turn reduce the degree to which an executive feels the need to be exhaustive and inclusive during decision making, because he expects success even in situations where success is less likely from an objective point of view.

Additionally, anger has been associated with carelessness in thought (Bodenhausen et al., 1994; Lerner et al., 1998; Tiedens & Linton, 2001), which seems quite opposed to thoroughly analyzing a given situation, determining problems, inclusively generating alternatives and evaluating actions.

Moreover, anger makes one eager to act (Harmon-Jones, 2003; Mackie, Devos, & Smith, 2000). An angry decision maker is unlikely to spend time for exhaustive information search and integration during the decision making process, and also is not likely to spend time integrating a given decision with the overall strategy.

In addition, anger has been negatively associated with advice-taking (Gino & Schweitzer, 2008), and this is inconsistent with the fact that a single decision maker is unlikely to have all the information needed to make a good decision. Comprehensive decision making typically involves some degree of advice-taking.

So, an angry CEO is generally likely to ignore additional information and others during the decision making process on, for example, an acquisition. This implies that the decision making process is likely to be short, very subjectively colored by the CEO's personal opinion since not as much additional information enters his decision making process. Overall decision making is not expected to be exhaustive or inclusive.

This leads us to conclude that anger reduces overall decision making comprehensiveness and leads to the following hypothesis:

H3: Anger in executives is negatively associated with individual decision making comprehensiveness.

4.3.4 Mediating Proposition Core Self Evaluation – Anger – Individual Decision Making Comprehensiveness

Anger negatively mediates the relationship between core self evaluation and Individual decision making comprehensiveness. The reason for this is that high levels of core self evaluation reduce the propensity to get angry in a given decision making situation, and anger in turn reduces individual decision making comprehensiveness. Thus, the higher the degree of core self evaluation, the lower the propensity to get angry anchored within a given personality, and the higher the individual decision making comprehensiveness.

A CEO deciding on an acquisition having a high core self evaluation is likely to have been exhaustive and thorough while collecting information during the decision making process, and he is willing and able to accept any, also last-minute information and/or information contradicting his initial opinion, before making the final decision. This is due to his general high positive self perception composed of high levels of self esteem, locus of control, and self efficacy. Additionally, his emotional stability enables him to deal with both any contradictory information and the individuals delivering it to him in a constructive way without feeling the need for a defensive action entailing an angry outburst. Rather, he is able to decide comprehensively, since he is not prone to an uncontrolled, angry reaction in the first place. Oppositely, a CEO with a low core self evaluation and thus a low general positive self perception is likely to react angrily to contradicting information because he feels a need to defend his volatile self. Additionally, his low emotional stability means that he is not able to balance potential angry emotions but is likely to act upon them, leading to lower degrees of individual decision making comprehensiveness.

We propose that the relationship between core self evaluation and individual decision making comprehensiveness can partially be explained through the propensity to get

angry in a given decision making situation. Thus, those higher in core self evaluation should be less likely to get angry in a given decision making situation, which in turn leads to less decision making comprehensiveness. Summarizing the above we suggest the following mediating hypothesis:

H4: Anger negatively (partially) mediates the relationship between core self evaluation and individual decision making comprehensiveness.

4.4 Methods

4.4.1 Setting

Research on executives' personalities is a challenge because top executives are very reluctant to participate in survey research. One approach to this is to directly assess personality in individuals other than practicing executives who otherwise represent the population of interest closely, e.g. those who aspire to executive positions. Thus, Hambrick (2007) proposes direct investigation of personality and its impact on behavior in students. Since core self evaluation is a trait and thus manifests in an early age and stays stable over a lifetime, measuring it in prospective executives is likely to yield valid insight. In business research, student samples have been used as valid approximation for field samples in situations where the impact of deeper trait-related and thus stable characteristics on behavior is investigated (Barr & Glynn, 2004; Flynn, Chatman, & Spataro, 2001; Haleblian, Marcoczy, & McNamarra, 2007; Schneider & De Meyer, 1991)

In our study, we conducted an anonymous survey and collected data from MBA and graduate business students (GMAT > 650) enrolled at a noted European business university. These students all aspire to executive positions in companies and given their educational background are very likely to obtain those (Ambrose, 2010; Boone et al., 1988).

4.4.2 Sample and Data Collection

198 graduate business (GMAT > 650) and MBA students from a noted European business university were asked to participate, while 88 responded. This constitutes an acceptable response rate of 44%. Participants were incentivized by providing them with individual feedback. All participants aspired to leading positions in companies (100 % indicated to aim for at least supervisory positions), their mean age was 29 years (SD = 4.5) and their mean number of years of full-time work experience was 5.9 (SD = 3.8). Forty-seven percent of participants were men and twenty-three percent were women. These sample characteristics are comparable to other studies in decision making using student samples (Flynn & Wiltermuth, 2010; Schweiger, Sandberg, & Ragan, 1986).

In order to ensure representativeness of our sample, we compared core self evaluation levels to those obtained in recent field studies on CEOs. Simsek (2007) and Resik et al. (2009) find a mean core self evaluation of 3.83 (SD 0.54 and 0.26, respectively; originally obtained on a 7-point Likert Scale), which is comparable to our mean core self evaluation of 3.96 with SD 0.57 using the same scale.

4.4.3 Measures

Core Self Evaluation (CSE). Core self evaluation has been assessed using the original scale developed by Judge (2003) on a 5-point Likert Scale ranging from 1= "Disagree strongly" to 5 = "Agree strongly". Examples of items include "I am confident I get the success I deserve in life", "When I try, I generally succeed", "I complete tasks successfully", "Sometimes I do not feel in control of my work". A confirmatory factor analysis (CFA) conducted in AMOS 18 indicated that a seven item model fit the data best (CMIN/DF = 1.246, CFI = 0.97, AGFI = .90, RMSEA = .053) when compared to alternative models and to the original twelve item model (CMIN/DF = 1.844, CFI = .85, AGFI = .75, RMSEA = .098). While Simsek (2010) did use twelve items to measure core self evaluation in his study, he used a slightly modified version of the scale. As Judge et al. (2003) state, each single item of the core self evaluation scale

contains aspects referring to all four subconstructs of self esteem, self efficacy, locus of control and emotional stability. Thus, each item represents all four components of core self evaluation, ensuring that dropping single items is possible without omitting entire facets of the construct. Coefficient alpha reliability of the final scale was acceptable with .76.

Anger. To assess anger, we used the IPIP trait anger scale (Goldberg *et al.*, 2006) on a 5-point Likert scale. Since trait anger reinforces intensity and frequency of state anger, measuring trait anger gives a valid however conservative propensity concerning the degree of state anger which can be anticipated to develop as a response to a specific situation (Spielberger et al., 1995). Sample items include "Please indicate how accurately the following statements describe you. I …get angry easily / …get upset easily/ …am often in a bad mood." We performed a CFA in AMOS 18 and found that a seven item model demonstrated the best fit with our data (CMIN/DF = 1.12, CFI = .99, AGFI = .90, RMSEA = .036) when compared to alternative models and the original ten item model (CMIN/DF = 2.23, CFI = .89, AGFI = .79, RMSEA = .12). Consequently, we used the seven item model. Overall scale reliability was good with coefficient alpha = .84.

Decision Making Comprehensiveness. To assess individual decision making comprehensiveness, we converted the original scale by Fredrickson (1984) to an individual level resulting in a combined 5-item scale comprising one item representing each one of the four decision making process phases and an additional item asking for overall decision making comprehensiveness. Examples of sample items are "I see myself as someone who…is thorough in determining the cause of major problems / is exhaustive in evaluating particular actions during decision making / is comprehensive in decision making". A CFA in AMOS 18 indicated that this five item measure fit the data very well (CMIN/DF = .509, CFI = 1.00, AGFI = .97, RMSEA = .00). The final measure demonstrated acceptable reliability with alpha = .68.

Control Variables. To account for variance in individual decision making comprehensiveness which might be explained by factors other than the hypothesized variables we controlled for age, gender, previous work experience, and educational background. We control for age because personality is stable in adults, but behavior might further be influenced by factors which change over a lifetime. Furthermore, we controlled for gender because women might decide differently from men, i.e. research suggests that women are less prone to anger than men (Spielberger et al., 1995). We additionally controlled for the degree of experience because more experienced decision makers might have accumulated more subject-specific knowledge over their working life. This might reduce the degree of comprehensiveness, and especially the degree of outside information search, they tend to pursue in decision making. Finally, educational background is controlled for because specific disciplines might require more analytical approaches than others. Thus, individuals trained in a given discipline might have been trained towards more or less analytical decision making. Educational background was assessed in line with the categories proposed by Hambrick and Mason (1984). These categories were then classified according to the degree of analytical skills likely to be drawn upon by an individual within each area of specialization. This resulted in a categorical variable ranging from low (marketing, sales) over intermediate (product R&D, production) to high (process engineering, accounting/finance) likely analytical skill-usage.

4.4.4 Analyses and Results

Table 1 presents means, standard deviations, and correlations for each of the measures. In order to ensure discriminant validity, we investigated correlations between the individual independent and dependent variables. Given that none of them is above the recommended level of .50 (Tabachnick & Fidell, 2007) multicolinearity does not seem to be an issue. However, we additionally looked at the variance inflation factors (VIF) of each individual construct. All VIFs for our individual constructs were below 10, indicating no signs of multicollinearity (Neter, Kutner, CJ, & W, 1996). Additionally, we performed confirmatory factor analyses to compare our three factor model to one-

and two factor model structures. For each model with fewer than three factors, all fit statistics suggested a significantly worse fit to the data, providing support for discriminant validity of our constructs.

Variables	Mean	SD	Coefficient Alpha Reliabilities	1	2	3	4	5	6
Controls									
1. Experience	5.9	3.79							
2. Education	1.58	1.03		.00					
3. Age	28.91	4.45		.72**	.15				
4. Male				.09	.24*	.23*			
Model variables									
5. Core Self Evaluation	3.96	.57	.76	-.13	-.13	-.20	.00		
6. Anger	2.11	.72	.84	.27	.07	-.02	-.06	-.49**	
7. Individual Decision Making Comprehensiveness	3.94	.48	.68	-.065	-.17	-.03	-.02	.38**	-.44**

[a] n = 88
*$p < .05$
**$p < .01$

Table 4-1: Descriptive Statistics and Correlations[a]

To test our hypotheses, we used hierarchical regression analysis and analyzed the hypothesized mediation relationship in line with Baron and Kenny (1986). Following the 4 steps proposed, we first regressed individual decision making comprehensiveness on our four control variables entered as block one and on the independent variable core self evaluation entered as block two. Results are shown in table 2 and indicate a significant model 2 ($p = .002$). Second, we regressed the hypothesized mediating variable anger on the four control variables and core self evaluation, resulting in significant model 4 ($p = .001$). Third, we regressed individual decision making comprehensiveness on the four control variables and anger, which shows to be significant as well (model 5, $p = .005$). At this point, according to Baron and Kenny (1986) we have found support for the mediating role of anger in the relationship between core self evaluation and individual decision making comprehensiveness. In order to determine whether the mediation is full or partial, we finally pursued step four and regressed individual decision making comprehensiveness on the four control variables, the mediator anger and the independent variable core self evaluation. The significance of model 6 ($p = .001$) supports our hypothesized partial mediation relationship.

Results for the individual betas are shown in table two. Following a conservative approach we examine our hypotheses based on model 6 as far as possible. We find support for hypothesis one on the positive relationship between core self evaluation and individual decision making comprehensiveness (model 6, $\beta = .213$, $p < .1$). Also, we find support for hypothesis two observing the significant negative relationship between core self evaluation and anger (model 4, $\beta = -.497$, $p < .001$). Additionally, we find support for hypothesis three within the significant negative relationship between anger and individual decision making comprehensiveness (model 6, $\beta = -.324$, $p < .01$). Finally, having followed the steps to test for mediation as proposed by Baron and Kenny (1986), we found anger to partially mediate the relationship between core self evaluation and individual decision making comprehensiveness and find support for hypothesis four. Additionally, we conducted the Sobel (1982) test of the significance of the difference in the core self evaluation coefficient with and without anger in the equation. The Sobel test statistics are significant at $p < .05$ ($z = 2.4$, $p = .017$), providing support for hypothesis four.

	Individual Decision Making Comprehensiveness (Step 1)		Anger (Step 2)		Individual Decision Making Comprehensiveness (Step 3)	Individual Decision Making Comprehensiveness (Step 4)
	Model 1 β	**Model 2 β**	**Model 3 β**	**Model 4 β**	**Model 5 β**	**Model 6 β**
Control Variables						
Experience	-.135	-.018	.033	.041	-.121	-.128
Education	-.184	-.067	.093	.038	-.144	-.130
Age	.096	.019	.002	-.102	-.097	.141
Male	.015	-.140	-.089	-.053	-.023	-.029
Independent Variable						
Core Self Evaluation		.374**		-.497***		.213†
Mediator						
Anger					-.425***	-.324**
R^2	.036	.169	.013	.247	.215	.247
Adjusted R^2	-.016	.112	-.039	.196	.161	.185
p	.596	.017	.904	.001	.003	.002

†$p < .10$
*$p < .05$
**$p < .01$
***$p < .001$

Table 4-2: Results of Hierarchical Regression Analysis

4.5 Discussion

We develop a model examining the influence of executive core self evaluation on the degree of their individual decision making comprehensiveness and introduce the mediating role of anger into this relationship. We empirically test this theory in a sample of 88 graduate business (GMAT > 650) and MBA students aspiring to leadership positions. Our study is the first to link the umbrella construct of core self evaluation to anger in executives, and examine the influence of these two variables on individual decision making comprehensiveness. Our findings indicate that high levels of core self evaluation are positively linked to individual decision making comprehensiveness, and that this relationship is negatively mediated by executives anger. More specifically, this indicates that high levels of self esteem, locus of control, self efficacy, and emotional stability positively influence the degree to which executives thoroughly analyze strategic decision making situations, carefully determine the cause of problems during strategic decision making, inclusively generate alternatives, evaluate all possible actions, and finally integrate their decisions into an overall strategy. This implies that executives with higher levels of core self evaluation are also more likely to integrate relevant others into the decision making process. Moreover we demonstrate that higher levels of core self evaluation reduce the propensity of an individual to get angry in a given decision making situation, as higher levels of core self evaluation are associated with lower levels of trait anger and thereby also potential state anger which is not caused by the situation but is sourced within a given personality make-up. Finally, we find that higher levels of anger reduce overall decision making comprehensiveness. This implies that anger is not only a signaling device which is used to evaluate given situations, but that certain propensities for anger can be sourced within the personality and have an impact on actual decision making behavior.

These findings accentuate the relevance of anger as explanatory mechanism in executives' decision making behavior. While there might be situations in which fast decision making is beneficial, it might be more beneficial if the according reduction in decision making comprehensiveness is due to a conscious decision of the executive as

opposed to an uncontrolled tendency towards angry outbursts. This is the case because if the decision to reduce the degree of comprehensiveness in a given decision making situation is a conscious one, the executive is able to optimize the relationship between comprehensiveness and contextual constraints such as e.g. time, dynamism etc.. In contrast, if the reduction of comprehensiveness is due to an automated process involving anger, the executive is not able to differentiate between more or less relevant information, focuses on the superficial cues of messages, and thus potentially overlooks information whose integration might not necessarily have increased decision making time but would have increased decision making quality.

4.5.1 Contributions

These findings contribute to research on upper echelons as they add to opening up the black box between executive personality and decision making behavior (Hambrick, 2007; Hambrick & Mason, 1984). They do so by operationalizing the concept and understanding antecedents of individual decision making comprehensiveness in companies, introducing anger as explanatory mechanism negatively mediating the relationship between executive core self evaluation and individual decision making behavior (Frederickson, 1984; Hiller & Hambrick, 2005), measuring levels of core self evaluation, individual decision making comprehensiveness and anger directly in aspiring executives (Billett & Qian, 2008; Chatterjee & Hambrick, 2007; Forbes, 2005; Li & Tang, 2010), and avoiding pitfalls potentially associated with bridging multiple levels of analysis (Simsek et al., 2010). Also, these findings help clarify the mixed results found concerning the impact of core self evaluation on organizational outcomes (Hiller & Hambrick, 2005; Resick et al., 2009) by supporting Resick et al.'s (2009) view of core self evaluation as "…the bright side of executive personality" (p.1367). Furthermore, these results add to recent research on strategy processes by increasing insight into the micro-processes underlying overall decision making processes (Miller, 2008).

Concerning practical implications, this study aims to contribute by proposing the dimensions inherent in core self evaluation and the propensity to get angry as

important indicators for executive individual decision making comprehensiveness. For environments which benefit from more comprehensive decision making, executives with an especially high degree of core self evaluation and a low propensity to become angry might be recruited.

4.5.2 Limitations and Conclusion

Our study is designed to provide additional insight while avoiding threats to validity. However, it involves some limitations. Future research should be dedicated towards assessing criteria determining the likelihood for specific student cohorts to become a CEO. Furthermore, results should be replicated using alternative research approaches such as historiometric analyses which involve external raters and the transformation of psychological scales into external rating instruments (see e.g. Resick et al., 2009). This would also allow integrating macro-contingencies such as industry and micro-contingencies such as ownership structure, size and product range of a company into the proposed model. From a macro-perspective, industry can be considered a relevant contingency because in fast-moving, turbulent industries, high levels of individual decision making comprehensiveness might be less beneficial because they potentially decrease decision making speed which might be important in this environment. However, it is also important to notice the consequences this implies: Greater speed of decision making at the cost of comprehensiveness potentially reduces constructive conflict and integration of others into the decision making process, which might decrease overall decision making quality. In industries possibly requiring less urgent but more thoughtful decision making, executives ranking higher on core self evaluation might produce results more beneficial for the decision making process. This is because they might be more comprehensive and less centralized in their decision making. Also, those executives might be better able to cope with criticism of others and with conflict. This enables constructively integrating different opinions, points of view, and last but not least information in decision making processes. Second, from a micro-perspective, whether the company is a family-owned or a public company influences how CEOs and TMTs behave. In a small family-owned company offering a

comparably limited set of products or services, more centralized decision making might be perceived as adequate in any case, because a lot of the knowledge necessary to make a good decision might be anticipated to be bundled within the single owner. In contrast, in a large public company with CEO and TMT managing a very diverse product or service range, decision making decentralization is an aspect a lot more critical.

Concluding, we have hypothesized and tested a theory linking the level of core self evaluation to individual decision making comprehensiveness including the mediating role of anger within this relationship. In order to gain more insight into the hypothesized relationships, we suggest on the one hand amplifying our understanding for the potential of business student cohorts to become CEOs and on the other hand using alternative research approaches to replicate and extend our findings.

5. Overall Discussion and Conclusion

This final chapter depicts an integration of the three previously presented chapters by summarizing the collective findings and contributions. Consecutively, I refer to limitations of the compiled dissertation which become apparent when holistically considering all three content chapters.

5.1 Summary of Findings

The main purpose of this dissertation is to understand (1) which aspects of executive's personalities are decisive for their decision making and leadership behavior and as such need to be assembled in an executive personality *profile*, (2) how anger as emotional *mechanism* influences these relationships, and (3) how *context* as defined in environmental dynamism can change the nature of these relationships. I first summarize findings related to executive's personality and emotions in decision making and leadership and consecutively findings related to the role of environmental dynamism in executive decision making.

5.1.1 Personality and Emotions of Executives in Decision Making and Leadership

5.1.1.1 *An Executive Personality Profile*

Findings reveal that an overall level of positive self perception as comprised in the attributes of self esteem, generalized self-efficacy, locus of control, as well as narcissist tendencies exposed as levels of exploitativeness/entitlement, leadership/authority, superiority/arrogance and self-absorption/self admiration is likely to be present and necessary in any executive. These characteristics are necessary for executives in order to be able to deal with uncertainty and ambiguity. However, according to the theory developed, the level of emotional stability, stability of self esteem and sensitivity to criticisms are those aspects of personality which decisively influence how the overall positive self perception unfolds in executive's behavior.

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Executives ranking high on the latter six attributes, high on emotional stability and stability of self esteem as well as low on sensitivity to criticism possess an overt positive self perception (OPSP) which enables them to deal with negative feedback, actively integrate others into the decision making process and pursue comprehensive decision making and authentic transformational leadership. In contrast, executives ranking high on the latter six, low on stability of self esteem and emotional stability as well as high in sensitivity to criticism possess a covert positive self perception (CPSP). This personality make-up leads them to shut down information from others and use others as stabilizers for their comparably fragile self-view, which implies low decision making comprehensiveness and pseudo-transformational leadership.

These findings stress the fact that a general positive self perception entailing narcissist traits is not necessarily associated with negative effects. More specifically, a general positive self perception is necessary to achieve goals. Rather, low emotional stability, low stability of self esteem and high sensitivity to criticism are the personality attributes potentially turning executive's positive self perception into having negative effects. These negative effects manifest as anger as compensating reaction, as well as arrogance and self-centeredness, leading to ignoring others in both decision making and leadership behavior.

5.1.1.2 *Core Self Evaluation and Hypersensitive Narcissism*

Additionally results indicate an antipodal relationship between core self evaluation and hypersensitive narcissism, while both traits influence how executives make decisions. This is to say that higher levels of core self evaluation within a personality make-up of an executive imply lower levels of hypersensitive narcissism and vice versa. More specifically, I find core self evaluation implying a stable positive self perception to be positively and hypersensitive narcissism implying a grandiose yet unstable self view to be negatively associated with individual decision making comprehensiveness. Furthermore, I find core self evaluation to reduce and hypersensitive narcissism to

increase an executive's propensity to develop anger in a given decision making situation.

These findings support Resick et al.'s (2009) view identifying core self evaluation as the bright and hypersensitive narcissism as the dark side of executive personality. As defined within the differentiation between core self evaluation and hypersensitive narcissism, emotional stability is a decisive factor determining how a general positive self perception manifests in executives.

Once more these findings stress the fact that a general positive self perception in executives as defined in core self evaluation is necessary for them in order to be able to deal with executive job demands. However, if combined with emotional instability as part of hypersensitive narcissism, this positive self perception can provoke anger as compensating reaction as well as over-reaching, arrogant behavior which entails ignoring others.

5.1.1.3 *The Role of Anger*

Anger is found to be a decisive emotion in executive's decision making as well as leadership behavior. High levels of emotional stability, stable self esteem, low sensitivity to criticism and high levels of core self evaluation reduce the propensity for an executive to develop anger in a given decision making situation. Anger in turn reduces decision making comprehensiveness and leads to pseudo-transformational leadership. A low propensity to get angry is in turn associated with higher levels of decision making comprehensiveness as well as authentic transformational leadership. making behavior.

The findings accentuate the relevance of anger as explanatory mechanism in executives' decision making behavior. While there might be situations in which fast decision making is beneficial, it might be more beneficial if the according reduction in decision making comprehensiveness is due to a conscious decision of the executive as opposed to an uncontrolled tendency towards angry outbursts. This is the case because

if the decision to reduce the degree of comprehensiveness in a given decision making situation is a conscious one, the executive is able to optimize the relationship between comprehensiveness and contextual constraints such as e.g. time, dynamism etc. In contrast, if the reduction of comprehensiveness is due to an automated process involving anger, the executive is not able to differentiate between more or less relevant information, focuses on the superficial cues of messages, and thus potentially overlooks information whose integration might not necessarily have increased decision making time but would have increased decision making quality.

5.1.2 The Role of Environmental Dynamism

Environmental dynamism is found to moderate the relationship between the given personality make-up of an executive and their decision making behavior. More precisely, high environmental dynamism increases the degree to which personality manifests in decision making behavior of executives.

These findings imply that executives who have a personality which supports comprehensive decision making will increase the degree of decision making comprehensiveness facing environmental dynamism. Executives who tend not to be comprehensive in decision making due to their personality make-up will be even less so in dynamic environments. More specifically, executives with higher levels of core self evaluation tend to compensate the elevated complexity created by increased environmental dynamism by raising the comprehensiveness of their decision making behavior. On the other hand, executives with high levels of hypersensitive narcissism and as such less comprehensive in their decision making tend to decrease the degree of decision making comprehensiveness when facing environmental dynamism.

5.2 Contributions

The contributions of this dissertation are summarized by organizing them around the research questions developed in chapter 1. For this purpose I restate each research

question and suggest respective contributions. Consequently, practical implications are stated.

5.2.1 Research Question 1

Which aspects of executive's personality are especially relevant to explain when a generally positive self perception might turn out to have negative effects and as such need to be assembled in an executive personality profile, and how does this profile influence executive's decision making comprehensiveness and authenticity of transformational leadership?

Answering research question 1 contributes to closing the gap in upper echelons theory as defined by Hambrick (2007). The psychological processes underlying strategic decision making become more transparent realizing that a personality *profile* comprising levels of stability of self esteem, emotional stability and sensitivity to criticism in addition to a general positive self perception is decisive for determining how a general positive self view manifests in executive's decision making and leadership behavior.

Additionally, I contribute to research investigating individual aspects of executive personality (Boone & de Brabander, 1993; Hayward & Hambrick, 1997) by underlining the relevance of core self evaluation as umbrella construct (Judge et al., 2003; Simsek et al., 2010) and finding it to be positively associated with decision making comprehensiveness. As such, I place Hiller and Hambrick's (2005) findings into perspective and support Resick et al.'s (2009) view on high levels of core self evaluation as the bright side of CEO personality.

Furthermore, I relate core self evaluation to narcissistic tendencies as measured by the NPI (Emmons, 1984) as well as hypersensitive narcissism (Hendin & Cheek, 1997). The findings support the view of authors identifying narcissist tendencies to have potential positive effects by triggering extrovert, self confident behavior (Hogan et al., 1990; Maccoby, 2004; Rosenthal & Pittinsky, 2006). However, when combined with

low emotional stability, low stability of self esteem and high sensitivity to criticism, we find those tendencies to have destructive effects, supporting Maccoby's (2004) and Lubit's (2002) view. These findings extend research trying to understand the effects of a positive self perception on firm performance by identifying stability of self esteem, emotional stability, sensitivity to criticism and hypersensitive narcissism versus general narcissist tendencies as factors differentiating whether a general positive self perception can turn out to have negative effects (Chatterjee & Hambrick, 2007; Hayward & Hambrick, 1997; Hiller & Hambrick, 2005; Malmendier & Tate, 2005).

Moreover, I contribute to research on the individual in strategy by avoiding pitfalls potentially associated with bridging multiple levels of analysis (Floyd & Sputtek, 2011; Simsek et al., 2010). Doing so, I also contribute to research investigating antecedents of decision making comprehensiveness on a team- or firm level (Bourgeois & Eisenhardt, 1988; Elbanna, 2006; Forbes, 2005; Fredrickson, 1984; Fredrickson & Mitchell, 1984; Miller, 2008; Miller & Lee, 2001). My findings thus suggest the importance of taking a multi-level perspective on the emergence of comprehensiveness in companies, and thereby raise multi-level questions. This is to say I draw attention to interactions and dynamics within the TMT as well as at the interface between CEO and TMT (Simsek, Veiga, Lubatkin, & Dino, 2005) influencing team- or firm-level decision making comprehensiveness as well as other outcomes.

Furthermore, I add to research on authentic transformational leadership by identifying antecedents of authentic and inauthentic transformational leadership in executive's personalities (Bass & Steidlmeier, 1999). Doing so implies identifying features in executives supporting individual consideration as factor mainly differentiating authentic and inauthentic transformational leadership. An overt positive self perception in an executive is found to be more and high levels of a covert positive self perception is found to be less supportive of authentic transformational leadership. Furthermore, comprehensive decision making as an individual decision making behavior is found to be positively associated with authentic transformational leadership. These insights also extend research on charismatic leadership (Bycio et al., 1995) and general

transformational leadership (Podsakoff et al., 1990; Seltzer & Bass, 1990; Yammarino et al., 1993) by underlining the importance of individualized consideration as component of potentially beneficial leadership styles and identifying antecedents of this leadership style in executives' personalities and decision making.

5.2.2 Research Question 2

How does anger mediate the relationship between executive's personality and their decision making comprehensiveness?

By answering research question (2) and introducing anger as a *mechanism* linking executive personality to their decision making, I also add to research assessing the psychological processes underlying executive behavior (Hambrick, 2007). By approaching emotions in organizations on an individual level and thereby underlining the relevance of taking a multi-level perspective on the phenomenon, my research triggers questions calling for future research concerning the interface between CEO and top management team, as well as within the TMT. These questions i.e. include: How does i.e. CEO anger reduce decision comprehensiveness at the team level? Or how do team-level psychological or emotional dynamics (see i.e. Barsade, Ward, Turner, & Sonnenfeld, 2000) influence CEO anger?

Moreover, I contribute to research on the role of emotions in strategic decision making (Barsade & Gibson, 2007; Lerner et al., 1998). Also, I contribute to research on the role of specific emotions in decision making processes by explicitly investigating the influence of anger in executives (Barsade et al., 2000; Putnam et al., 1993; Shiv et al., 2005; Slovic, 2001). Furthermore, I underline the role of personality traits to influence the propensity for anger (Gross & John, 2003; Myeong-Gu & Barrett, 2007), thereby enabling researchers to identify individuals more or less prone to this emotion. Additionally, I point towards anger as a factor differentiating between authentic and pseudo-transformational leadership (Barsade & Gibson, 2007; Bass & Steidlmeier,

1999). While the role of emotions as signaling tool for the individual in specific decision making situations is unquestionable (Gohm & Clore, 2000), I believe this role to be especially taken on by generic positive or negative situational emotions (Ashforth & Humphrey, 1995; Fredrickson, 1984). I aim to contribute to this research by pointing out the mainly negative effects of trait anger anteceding situational anger on the degree of decision making comprehensiveness.

5.2.3 Research Question 3

How does environmental dynamism influence the degree to which the personality of executives manifests in their decision making comprehensiveness?

By answering research question 3 and considering environmental dynamism as a *context* factor, I contribute to research investigating the role of environmental dynamism within the relationship between executive personality and their behavior (Finkelstein & Hambrick, 1996; Simsek et al., 2010). I find support for Finkelstein & Hambrick's (1996) finding revealing the increased influence of personality on behavior under the influence of environmental dynamism. Furthermore, I contribute to literature investigating the relationship between decision making comprehensiveness and firm performance by defining personality prerequisites in executives supporting as well as reducing decision making comprehensiveness in the presence of environmental dynamism (Bourgeois & Eisenhardt, 1988; Fredrickson & Mitchell, 1984). This specifically contributes to Bourgeois and Eisenhardt's (1988) identification of comprehensiveness as beneficial decision making behavior even in the presence of environmental dynamism. Thus, the conflict these authors identify between comprehensiveness and speed of decision making might better be resolvable by executives whose personality supports comprehensive decision making and does even more so in dynamic environments.

5.2.4 Practical Implications

Finally, this study may have practical implications by providing both recruiters and boards with means to distinguish potentially effective decision-makers from less effective ones. Potentially positive aspects of executive's personality are high levels of core self evaluation as well as stability of self esteem, emotional stability and low sensitivity to criticism. Especially in high velocity environments, decision making comprehensiveness can be a decisive tool assisting executives to integrate the sometimes few and ambiguous information they face (Hough & White, 2003). While certain decision making contexts require fast decision making, and trying to integrate contradictory information may slow the decision making process in an unproductive way (Eisenhardt, 1989), this reduction concerning the degree of comprehensiveness should be adapted to the decision at hand. The finding that environmental dynamism increases the impact of executives' levels of core self evaluation and hypersensitive narcissism on their decision making comprehensives is especially relevant for practice because it implies that given a dynamic environment, hypersensitive narcissism is likely to reduce decision making comprehensiveness beyond what would be necessary given the decision making situation. Greater speed of decision making at the cost of comprehensiveness potentially reduces constructive conflict and integration of others into the decision making process, which might decrease overall decision making quality. Nevertheless, there might be situations in very dynamic environments where fast decision making is an utmost priority in any case. In these circumstances, boards and recruiters might be supportive of executives tending to make faster decisions at the expense of comprehensiveness. On the other hand, the more stable an environment, the more beneficial high levels of decision making comprehensiveness might be.

Furthermore, higher decision making comprehensiveness is associated with authentic transformational leadership. Thus, companies aiming to harness the benefits associated with transformational leadership should look for executives possessing comparably high levels of personality facets associated with comprehensive decision making as well as with authentic transformational leadership. Again, these beneficial personality facets are stability of self esteem, emotional stability and sensitivity to criticism. In contrast, executives ranking low on these personality dimensions while having a

positive self perception might demonstrate behavior associated with a covert positive self perception, i.e. less comprehensive decision making, a higher propensity to develop anger and inauthentic transformational leadership.

In summary, recruiters and boards may benefit from identifying executives who possess a positive self perception as defined in high levels of an Overt Positive Self Perception as well as high levels of core self evaluation. This is due to the fact that those characteristics combine the benefits associated with a positive self perception with an ability to integrate contradicting information and relevant others into decision making processes as well as inspiring, motivating, empowering and individually considering their employees in a way which makes those go the extra mile.

5.3 Overall Limitations

While I tried to carefully deduce the theory and empirically test selected relationships, this dissertation entails some limitations. The investigation does not mainly focus on the question of whether and if so, how and when an overly positive self perception over-reaches. Some authors have anticipated this to be the case for overly high levels of core self evaluation (Hiller & Hambrick, 2005), which recent research (Resick et al., 2009) did not confirm, however. Also, the empirical investigation in chapter 4 of this dissertation does not point towards this direction. The question is whether eventually too high levels of an overt positive self perception (OPSP), as defined in chapter 2, might approach this contingency. Nonetheless, the dimensions of an overt positive self perception are assembled from the construct of core self evaluation and "healthy" narcissism as defined by the NPI (Emmons, 1987). Both of these do not necessarily have negative effects. Thus, if mechanisms as defined in a covert positive self perception (CPSP) are not in play, the question is whether too high levels of an overt positive self perception can have negative effects. Future research should investigate the question of how to define an over-reaching positive self view in executives and its effects for decision making and leadership in more detail.

Furthermore, I do not explicitly include emotional regulation as a factor potentially mediating or moderating the relationships between executive's personality, emotional

traits and decision as well as leadership behavior respectively. While this is an important aspect potentially influencing the effects emotions have on overt behavior, part of this idea is captured within the concept of emotional stability. Higher levels of emotional stability might be correlated to higher levels of emotional regulation. However, future research should explicitly integrate this variable.

Additionally, I investigate individual decision making comprehensiveness as a dependent variable in our models. This variable is based upon the decision making process variable decision making comprehensiveness, whose impact on decision making content variables has been discussed. While realizing the stretch when associating strategy process with strategy content variables, examining this variable at the individual level changes the nature of the discussion and allows for clearer anticipation of its effects. Main critiques concerning the firm-level variable have been that comprehensive, i.e. formally planned and/or executed decision making processes might not necessarily be beneficial for decision making content variables such as decision making quality. This is because they neglect informal processes within companies such as lunch meetings, coffee-break conversations or other casual gatherings. However, the individual-level variable implies a behavior which potentially transfers from strategic decision making situations to coffee breaks. This is to say, as we define individual decision making comprehensiveness as a general characteristic closely linked to executives' personality, an executive who is not comprehensive when collecting information within a formal strategic decision making process might also not be likely to ask for subordinates' opinions on strategic issues during the coffee break. Thus, by taking the variable to an individual level, I point towards a general characteristic of executives which concerns formal and informal decision making processes, as well as planned and emergent strategies. Future research should broaden these insight by empirically investigating the relationships between individual, TMT and company decision making comprehensiveness.

Finally, we find support for environmental dynamism positively moderating the extend to which personality manifests in executives' behavior. Underlying this finding is the assumption that executives perceive environmental dynamism as an increase in

uncertainty and ambiguity. Furthermore, we base our theory on Eisenhardt's and Bourgeois' (1988) investigation of comprehensiveness as supportive process characteristic in high velocity environments (see also Eisenhardt, 1989). This theory does not explicitly extend towards overly high levels of comprehensiveness potentially having negative effects. The influence of comprehensiveness on firm performance might under certain circumstance follow an inverted u-shape which in turn could be known to executives. Thus, executives possessing high levels of an overt positive self perception and /or core self evaluation might realize these negative effects and adjust the degree of comprehensive decision making they pursue, regulating the influence of personality on their behavior to an extend beneficial to the decision making situation. Future research should further investigate how to balance comprehensiveness and the necessity for fast decision making by analyzing the impact of other influential variables potentially improving decision making quality while increasing speed, such as i.e. intuition.

5.4 Conclusion

Given the influence executives have on the organization (Hambrick & Mason, 1984), understanding their decision making and leadership behavior is decisive for differentiating effective decision makers and leaders from less effective ones. Given that executives usually need a certain degree of positive self perception to reach and maintain their positions, low levels of emotional stability, unstable levels of self esteem and high sensitivity to criticism are associated with a higher propensity for anger and may have negative effects for individual decision making comprehensiveness as well as authenticity of transformational leadership. Similarly, hypersensitive narcissism reduces individual decision making comprehensiveness. In turn, high levels of core self evaluation are associated with a lower propensity for anger and increase individual decision making comprehensiveness, as do high levels of emotional stability, stable self esteem, and low sensitivity to criticism. Finally, an environmentally dynamic context increases the degree to which personality manifests in executives' decision making behavior, while it reduces the overall potential to pursue comprehensive decision making.

This dissertation has taken a holistic approach towards the question how the personality and anger of executives influences their decision making and leadership behavior. Future research is suggested to continue investigating executives' and other influential manager's personalities, emotions, and behavior, in order to continue on learning about how to create a work environment in companies which leads to sustainable long term firm success.

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