

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.

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, Hülshager, 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.

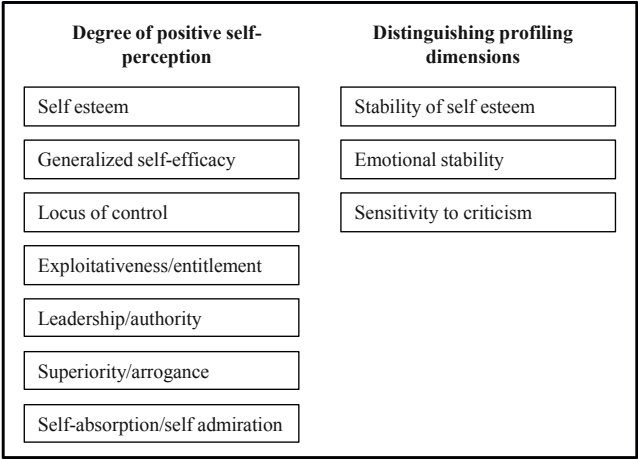


Figure 2-1: Executive Profiling Dimensions

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.

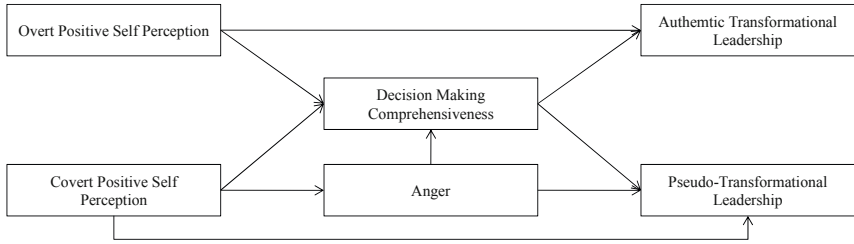


Figure 2-2: Conceptual Model on Relationships between Self Perception, Decision Making Comprehensiveness, Anger, and Leadership

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.