

Essays on CEO Narcissism and Managerial Decision-makings

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Abstract

Chief executive officer (CEO) narcissism has emerged as a key predictor of a firm's strategic decision-making. Burgeoning literature rooted in psychology suggests that CEO narcissism, as a 'dark side' personality trait, displays contradictory influences for a firm's strategic outcomes. The current literature suggests that CEO narcissism can be either beneficial or harmful to a firm, depending on various conditions. This highlights many challenges and opportunities for further research. This thesis takes up the challenges and opportunities to examine how and why CEO narcissism matters in strategic decision-making and under what conditions. Specifically, the thesis aims to investigate the microfoundations of narcissistic owner CEOs' influences on a firm's internal decision-making process and decisions on its' external (international) expansion strategies. To explore the influences of CEO narcissism on a firm's internationalisation decisions, the thesis builds on the theoretical perspective of upper echelons theory. To examine how CEO narcissism influences a firm's internal decision-making process, the thesis uses leadership theory to focus on the impact of CEO narcissism on middle managers' divergent strategic behaviour. Four independent studies were carried out to fulfil these thesis aims.

Study 1 draws on upper echelons theory and trait activation theory to propose that exporting small-to-medium enterprises (SMEs) with narcissistic owner CEOs are more likely to choose the strategy of market spreading over market concentration, depending on firm-level asset-specific investments and exporting experience. Quantitative data from 248 exporting SMEs in China, accompanied by qualitative data from five case studies, show a significant relationship between owner CEO narcissism and the choice of a market spreading strategy. It also reveals the significant moderating effect of asset-specific investments and firms' exporting experience, supporting the proposed three-way interaction model.

Study 2 builds on upper echelons theory and literature on entrepreneurial orientation to examine how owner CEO narcissism may influence SMEs' post-entry speed of

internationalisation directly and indirectly through the firms' international entrepreneurial orientation (IEO) mechanism. Data from a two-step questionnaire and archival export data from 291 Chinese exporting SMEs show a significant relationship between owner CEO narcissism and exporting SMEs' decisions on the post-entry speed of internationalisation, and a significant mediating effect on firm-level IEO.

Study 3 and Study 4 conduct scenario-based experiments to explore how CEO narcissism affects middle managers' divergent strategic behaviour based on leadership theory. Study 3 integrates upper echelons theory with social identity theory to test the relations between CEO narcissism, middle managers' organisational identification, and their divergent strategic behaviour. Results across two scenario-based experiments show that CEO narcissism relates negatively to middle managers' organisational identification, which in turn affects middle managers' divergent strategic behaviour.

Study 4 introduces organisational performance feedback as a moderator and further investigates its moderated mediation effect on middle managers' divergent strategic behaviour. Results based on a between-subject experiment with six conditions of 2 (high narcissistic CEO vs. low narcissistic CEO) \times 3 (positive organisational performance vs. low organisational performance vs. neutral performance feedback) provide support for the moderating effect of performance feedback between CEO narcissism and middle managers' organisational identification.

Together, these four independent but interrelated essays make a number of original contributions to the emerging research on the influence of CEO narcissism on firms' managerial decision-making. Study 1 and Study 2 demonstrate the role of CEO narcissism in firms' internationalisation decisions and offer new insights into what drives exporting SMEs' international decision-making from a microfoundations' perspective. The results reveal that both theoretical models are supported, suggesting each model provides valuable insights to explain the impact of CEO narcissism in an international business context. Study 3 and Study 4 look inside the firm to advance the understanding of middle managers' strategic behaviour from an overlooked

perspective of CEO narcissism. The two studies also shed new light on how narcissistic CEOs' social exchange interactions with middle managers shape the firms' internal decision-making process, contributing to new knowledge of contextual conditions that mitigate the negative impact of narcissistic leadership.

Statement of Originality

I certify that this thesis entitled “Essays on CEO Narcissism and Managerial Decision-makings” is being submitted to Macquarie University and Xiamen University in accordance with the Cotutelle agreement dated 15 March 2021. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

I also certify that the thesis is an original piece of research and it has been written by me. Any help and assistance that I have received in my research work and the preparation of the thesis itself have been appropriately acknowledged. The additional authors included in Chapters 2, 3, 4 and 5, were involved in the research at a supervisory level.

In addition, I certify that all information sources and literature used are indicated in the thesis.

The research presented in this thesis was approved by Macquarie University Ethics Review Committee, Project ID: 3671, reference number: 5201836716789, on the 20th of December, 2018 and Project ID: 5789, reference number: 52019578910432, on the 17th of February, 2019.

Signature:

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Chapter 1

Introduction

This chapter introduces the research background and explains the theoretical issues and empirical phenomenon that have motivated me to join the intellectual conversation on CEO narcissism. After outlining the aims and significance of the research (why I decided to do this PhD), I discuss the scope and structure of the thesis, explaining how I conducted the research to address the research questions. Finally, I present how this thesis and its constituent chapters contribute to the relevant theoretical literature and managerial practices.

1.1 Background

The construct of narcissism has a long and fascinating research history that dates back more than a century (Braun, 2017). Originally derived from Greek mythology, ‘narcissism’ comes from a story of a beautiful young man, Narcissus, who fell in love with his own reflection in a pool of water and died in despair due to his self-preoccupation. Ellis (1898) was the first to introduce this construct into the psychology literature. By the late 1980s, over a thousand books and articles have viewed narcissism as a clinical disorder (Raskin and Terry, 1988). To date, narcissism has been viewed as part of the Diagnostic and Statistical Manual for Mental Disorders (DSM), drawing on the guidelines of the American Psychiatric Association (APA; 2013). DSM defines narcissism as a collection of grandiosities, attention-seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others (Cragun et al., 2020).

Instead of viewing narcissism as a psychological disorder, Freud (1957) was among the first to identify narcissism as a stable and normal personality trait rather than a mental illness, which may exist in all individuals to a certain extent. To reconceptualise narcissism as a personality dimension, psychologists have developed psychometric scales for measuring narcissism. The most widely recognised measurement for narcissism is the Narcissistic Personality Inventory (NPI) (Raskin and Hall, 1979), which has been used in extensive empirical tests. In a factor analysis of the NPI, Emmons (1987) identified four factors: (1) exploitativeness/entitlement

(feeling entitled to special treatment even at the expense of others' needs and interests); (2) leadership/authority (striving to exert influence over others and belief in one's superior leadership qualities); (3) superiority/arrogance (feeling better than others); and (4) self-absorption/self-admiration (seeing oneself as special). Despite the derivation of these different categorising approaches of narcissism, they cohere as a unitary personality construct (Emmons, 1987). The chief manifestations of narcissism consist simultaneously of a belief in one's superior abilities and an intense, continuous need for admiration and affirmation (Bogart et al., 2004).

With the development and validation of the NPI, increasing empirical evidence suggests that narcissism is associated with leadership emergence (e.g., Emmons, 1984, 1987; Kets De Vries and Miller, 1985; Raskin and Hall, 1979, 1981; Raskin and Terry, 1988). Narcissists possess several characteristics—such as overconfidence, feelings of personal superiority and entitlement, a desire for power and admiration, a willingness to manipulate others for personal gain, and hostility when challenged (e.g., Brummelman et al., 2016; Campbell et al., 2011; Grijalva et al., 2015)—which help them get promoted through the management ranks or hired into leadership positions (Hogan and Kaiser, 2005). There is also evidence from practice-oriented work that inspired narcissism research in the field of leadership. In *Narcissistic Leaders*, Maccoby (2007: xiv) characterises Steve Jobs, who was honoured as 'the model of CEO for the twenty-first century' in a 2006 *Fortune* Magazine article, as a 'prototypical productive narcissist'.

Until Chatterjee and Hambrick (2007), the study of narcissism at the CEO level was largely descriptive (Chatterjee, 2009). Most of the studies explore CEO narcissism through the lens of upper echelons theory and leadership theory (Cragun et al., 2020). Upper echelons theory (Hambrick and Mason, 1984) provides a logical and appropriate framing for CEO narcissism research because it connects CEOs' motivations and cognitive attributes with organisational outcomes. Leadership theory (Hoffman et al., 2011; Lord et al., 1984) serves as a natural starting place to examine the deteriorating relationships between narcissistic leaders and their followers over time (Ong et al., 2016).

First, according to upper echelons theory (Hambrick and Mason, 1984), narcissism is a fundamental personality dimension of CEOs that influences their strategic decisions (Chatterjee and Hambrick, 2007, 2011; Gerstner et al., 2013). Highly narcissistic CEOs are defined as those who have very inflated self-views and are preoccupied with continuously reinforcing those self-views (Campbell et al., 2004). Chatterjee and Hambrick (2007) propose that narcissism is both a cognitive frame and a motivational mechanism, which lead narcissistic CEOs to engage in certain types of strategic actions that are characterised as bold, quantum, highly visible initiatives, rather than incremental elaborations on the status quo. On the cognitive side, narcissists have inflated self-views and great confidence in their intelligence and abilities in challenging task settings (Campbell et al., 2004). On the motivational side, narcissism entails a continuous and intense desire to reinforce one's superiority through attention- and praise-seeking (Kets de Vries and Miller, 1985).

Narcissism has been shown to influence managerial decision-making in significant ways (Chatterjee and Hambrick, 2007; Gerstner et al., 2013; Zhu and Chen, 2015). For example, CEO narcissism can be linked to a firm's performance (Judge et al., 2006), entrepreneurial orientation (Wales et al., 2013), investment strategies (Foster et al., 2009, 2011), and research and development spending and acquisition (Ingersoll et al., 2019). Due to their overconfidence, narcissists generally show little fear of failure (Campbell et al., 2004). They believe they are extraordinarily talented and endowed with superior qualities such as intelligence, competence, innovativeness and leadership (Judge et al., 2006). Such inflated views make them particularly over-confident in their own abilities and judgement (Chatterjee and Hambrick, 2007; 2011). Meanwhile, to support their inflated ego, narcissists are continuously reaffirmed through various types of behaviour inviting applause and admiration (Chatterjee and Pollock, 2017; Judge et al., 2006). Highlighting the close relationship between narcissism and aggressive and risk-taking behaviour in managerial decision-making (Gerstner et al., 2013), empirical research shows that firms under the control of narcissists tend to pursue riskier strategies than those managed by non-narcissistic CEOs (Oesterle et al., 2016). More studies are needed to explore how CEO narcissism

may impact firms' decisions in internationalisation (Oesterle et al., 2016) because firms' international business (IB) decisions often involve more risks than domestic business expansion. This can provide narcissistic CEOs with greater opportunities to satisfy their personal desire to attract attention and admiration (Gerstner et al., 2013).

Second, due to being a 'dark side' personality trait (Resick et al., 2009), a substantial body of work utilising leadership theory has been particularly concerned with the potentially detrimental consequences of leader narcissism in the organisational context. When interacting with others, narcissists generally demonstrate patterns of behaviour that include a grandiose sense of self-importance; tendency to be boastful, aggressive and elitist; preoccupation with fantasies of power and success; excessive self-admiration; hostility towards criticism; and intolerance towards compromise (Deluga, 1997; Judge et al., 2006; Lubit, 2002; Raskin and Hall, 1981). The grandiose and arrogant disposition of narcissism may detract from top executives' ability to establish effective long-term relationships with follower-managers who can build commitment to their vision of the organisation (Hogan et al., 1990; Lubit, 2002). Further, narcissistic leaders are unlikely to promote equitable exchanges with staff (Grijalva and Newman, 2015). Instead, they may act as if they are entitled to their followers' joint efforts and loyalty, creating insecurities and dependencies among followers (House and Howell, 1992). Therefore, from the perspective of leadership theory, a significant research opportunity exists to assess narcissistic CEOs' influence on their proximal relationship with those who regularly interact with them, such as members of the organisation's management team (Waldman and Yammarino, 1999).

1.2 Aims and Significance of the Research

1.2.1 Aims of the research

This research has two primary objectives. First, building on upper echelons theory (Hambrick and Mason, 1984), this thesis aims to enhance the link between CEO narcissism and strategic decision-making and seek more evidence on the influence of CEO narcissism in the IB context. Considering narcissistic CEOs' risk-seeking tendencies, scholars have been increasingly

interested in the impact of CEO narcissism on pro-internationalisation decisions (Oesterle et al., 2016). Compared to domestic business, doing business abroad involves a higher degree of complexity, risk and threats (Souchon et al., 2016). Thus, it may provide greater opportunities to satisfy narcissistic CEOs' personal desire to attract attention and admiration (Gerstner et al., 2013). However, scholars have not fully illuminated the 'black box' of processes explaining how and when CEO narcissism matters in IB decisions (Oesterle et al., 2016). Therefore, this study's first objective is to address this issue from two distinct theoretical perspectives: trait activation theory (Tett and Guterman, 2000) and microfoundations-based theory (Chittoor et al., 2019). Specifically, from a trait activation perspective, we consider the roles of both personality and situational factors in understanding situations in which narcissistic CEOs behave differently in their strategic decision-making. Through an entrepreneurial orientation lens, we explore the mechanism of how CEO narcissism determines a firm's internationalisation decisions.

Second, drawing on narcissistic leadership (Chatterjee and Hambrick, 2007) and social exchange literature (Blau, 1964), this study aims to explore the interactions between narcissistic CEOs and middle managers in the innovation process of strategic change and renewal decisions in a company. Considering the dark-side personality characteristic, narcissism is particularly germane to the study of CEO leadership (Kets de Vries and Miller, 1985; Lubit, 2002; Maccoby, 2003). Driven by self-centredness and grandiosity (Van Dijk and De Cremer, 2006), narcissistic leaders tend to exploit others (Campbell et al., 2011), which can severely harm interactions with others in organisations (Rosenthal and Pittinsky, 2006). However, scholars focus more on lower echelons (i.e. frontline employees), not paying enough attention to the proximal influence of narcissistic leaders on the middle level of management (Sun et al., 2012). Therefore, our second objective is to address this gap from two distinct theoretical perspectives: social identity theory (Tajfel et al., 1979) and performance feedback theory (Prue and Fairbank, 1981). Specifically, based on a social identity lens, we explore the mediating mechanism that may link CEO narcissism and middle managers' strategic behaviour in the firm's strategic renewal process. Based on organisational performance feedback literature (Greve, 2003; Posen et al., 2018; Shinkle, 2012),

we explore the moderating role of performance feedback in middle managers' strategic behaviour through mitigating the negative effects of narcissistic CEOs.

1.2.2 Significance of the research

The stated aims of the thesis lead to two overarching research questions. First, from the perspective of upper echelons theory, we examine how owner CEO narcissism affects exporting small-to-medium enterprises' (SMEs) expansion into international markets. Second, from the lens of narcissistic leadership, we investigate how CEO narcissism affects middle managers' divergent strategic behaviour in the strategic renewal process. In the following paragraphs, we discuss the significance of each research question.

First, building on upper echelons theory, abundant evidence has shown top executives' narcissistic personality influences their company's strategic decisions (Chatterjee and Hambrick, 2007, 2011; Gerstner et al., 2013). Recently, a new sub-area has emerged to examine the impact of CEO narcissism on internationalisation-related decisions (Oesterle et al., 2016). So far, only a few IB-related dependant variables have been studied. For example, Oesterle et al. (2016) explored the impact of CEO narcissism on the degree of internationalisation (DOI). Agnihotri and Bhattacharya (2019) examined how CEO narcissism affects the growth in DOI, while Fung et al. (2019) investigated the impact of CEO narcissism on outward foreign direct investment (OFDI) activities. Huang et al. (2019) demonstrated how CEO narcissism shapes the pace of internationalisation and foreign-market location choice. While these recent findings indicate that narcissistic CEOs tend to pursue strategies that help gain influence from a wide range of international markets (Agnihotri and Bhattacharya, 2019), there is still a lack of attention among IB scholars on the role of CEO narcissism in a firm's IB activities (Oesterle et al., 2016).

The limited extant research on CEO narcissism in an IB context is based on panel data from large-size or publicly listed corporations with hired professional CEOs (Agnihotri and Bhattacharya, 2019). This thesis argues that research on the role of CEO narcissism will benefit from a microfoundations perspective by paying more attention to the owner CEOs who are also

the entrepreneurial founders of their exporting SMEs (Chittoor et al., 2019). Compared to professional CEOs, owner CEOs face lower agency conflicts; therefore, they are particularly influential and powerful as strategic leaders in shaping firms' internationalisation paths (Hutzschenreuter et al., 2007). Owner CEOs who have unlimited power and absolute control over their privately owned SMEs tend to exhibit higher levels of narcissism (Engelen et al., 2016). SMEs run by owner CEOs are more likely to take risks in their firms' internationalisation strategies (Oesterle et al., 2016). An original contribution of this thesis is to advance owner CEO narcissism as an important area for IB research.

Second, a substantial body of work from social-personality psychology literature (Miller and Campbell, 2008) has taken CEO narcissism as a personality disorder that may lead to detrimental consequences in the organisation (Judge et al., 2006). For example, narcissistic leaders can result in employees' work frustration and job tension (Hochwarter and Thompson, 2012), employees' moral disengagement and deviant behaviours (Zhang et al., 2018) and followers' malicious envy and counterproductive work behaviours (Braun et al., 2018). However, most of the existing studies in this stream of leader narcissism literature focus on the impact of narcissistic leaders on lower echelons (i.e. frontline employees). They do not pay adequate attention to the middle managers who have a proximal interaction relationship with narcissistic CEOs (Resick et al., 2009). This is an important gap because both top executives and middle managers serve as essential decision-makers in the process of strategic change and renewal in an established company (Quinn, 1985; Floyd and Lane, 2000; Wooldridge et al., 2008). The lack of understanding of the impact of CEO narcissism on middle managers' behaviours makes our knowledge of the role of leader narcissism in firms' internal decision-making process incomplete.

Middle managers' divergent strategic behaviour, including upward-oriented behaviour (i.e., championing alternatives) and downward-oriented behaviour (i.e., facilitating adaptability), is critical to an organisation's strategic renewal process (Burgelman, 1983; Floyd and Wooldridge, 2000). However, research on managers' divergent behaviour has not been fully explored (Pappas and Wooldridge, 2007). Due to a lack of empathy towards others and a tendency to exploit people

and situations for personal gain (Chatterjee and Pollock, 2017), narcissistic CEOs are expected to inhibit middle managers' self-enhancement and willingness to engage in the divergent strategic behaviour at the heart of strategic renewal that benefits the organisation. Considering performance feedback in organisations can provide interpretations for a complete story of strategic renewal (Tarakci et al., 2018), we further look into the interactive influence between CEO narcissism and organisations' different level of performance feedback on middle managers behaviour in the strategic renewal process.

1.3 A Schematic Overview of the Thesis

This thesis addresses the two overarching questions identified in Section 1.2 from two distinct but complementary theoretical perspectives—upper echelons theory and leadership theory—which together provides the theoretical basis for CEO narcissism (Cragun et al., 2020).

From the upper echelons perspective, this study addresses the first research question about the role of CEO narcissism in internationalisation decisions from the following two lenses. First, the thesis focuses on exporting SMEs' market expansion strategy choice as an international expansion decision affected by narcissistic owner CEOs. The literature on exporting has identified two alternative market expansion strategies: market concentration and market spreading (Ayal and Zif, 1979; Katsikea et al., 2005; Katsikeas and Leonidou, 1996). Choosing between these two strategies is one of the most crucial decisions an exporting SME makes after deciding to become involved in export activities (Katsikea et al., 2005). Given that both personality and situational factors are indispensable in understanding situations in which narcissistic owner CEOs behave differently, Study 1 develops a three-way interaction model to explore how owner CEO narcissism, firms' asset-specific investments and exporting experience jointly influence exporting SMEs' market expansion strategy choice. It does so to uncover how the micro-level influence of owner CEO narcissism could be better explained through a simultaneous analysis of firm-level situational cues. Second, this research focuses on exporting SMEs' post-entry speed of internationalisation due to international expansion resulting from owner CEO narcissism. The speed of

internationalisation is often the most important competitive weapon for SMEs (Musteen et al., 2010; Pla-Barber and Escribá-Esteve, 2006). Therefore, the rate of international market expansion once SMEs initiate activities abroad is an important decision for an exporting SME (Zahoor and Al-Tabbaa, 2020). However, individual-level personality traits may not fully account for firm-level strategic decisions. Thus, a mediation model is developed in Study 2 to examine how owner CEO narcissism influences exporting SMEs' post-entry speed of internationalisation, directly and indirectly, through the mechanism of firms' international entrepreneurial orientation (IEO).

From a leadership perspective, this research addresses the second research question by focusing on the causal relationship between narcissistic CEOs and middle managers' willingness to diverge their strategic behaviours. Middle managers perform a pivotal role in both strategy implementation and strategy formation. They are required to champion strategic alternatives and make them accessible to top executives; they are also responsible for facilitating adaptability by altering the formal structure (Floyd and Lane, 2000; Floyd and Wooldridge, 1997). Such divergent strategic behaviours spur strategic renewal efforts in the organisation (Tarakci et al., 2018). Study 3 introduces organisational identification as an important psychological construct in understanding the mediating mechanism that exerts influence over CEO narcissism in relation to middle managers' strategic behaviours. Based on Study 3, a moderated mediation model is developed in Study 4 to investigate the moderating effect of organisational performance feedback on CEO narcissism, middle managers' organisational identification, and divergent strategic behaviour. By drawing on these two distinct theoretical perspectives, this thesis deepens our understanding of how and when CEO narcissism matters in managerial decision-making (see Figure 1.1 for the schematic overview of the thesis).

To address those independent yet interrelated research questions, the thesis takes mixed methods of quantitative survey and qualitative case studies to verify the research findings and increase the robustness (Yang et al., 2020; Zhang et al., 2012). Meanwhile, scenario-based experiment design is adopted to supplement the causality between CEO narcissism and studied variables that traditional methods (i.e., survey, case study) cannot deduce.

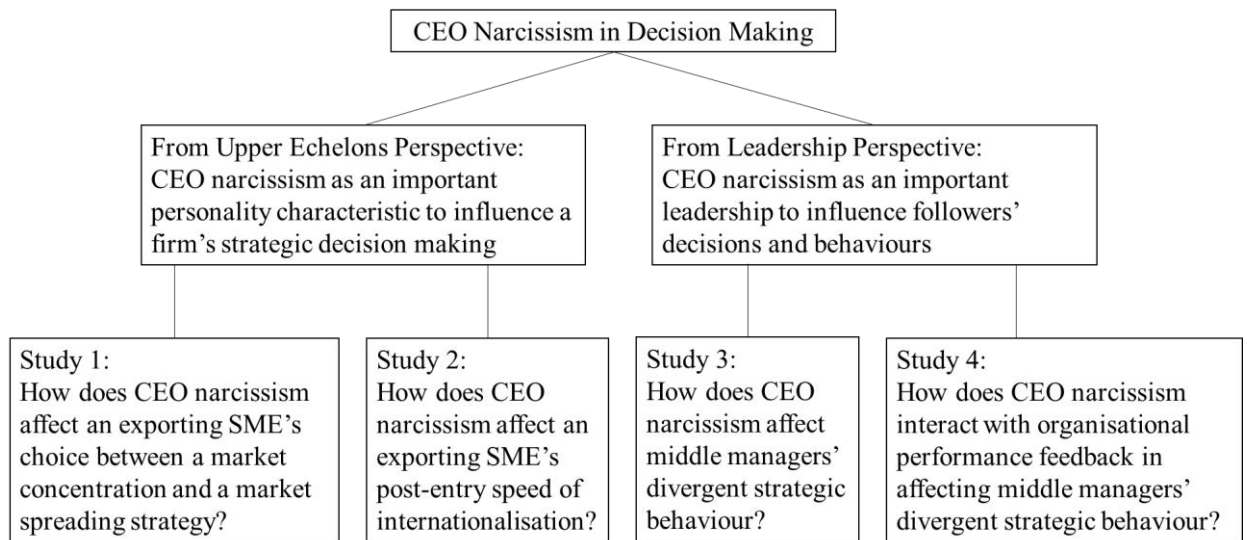


Figure 1.1 Schematic overview of the thesis.

1.4 Summary of Chapters

1.4.1 Study 1: Does owner CEO narcissism influence the market expansion strategy of exporting small-to-medium enterprises? The joint effects of asset-specific investments and firm exporting experience

With a growing body of literature building on upper echelons theory investigating the impact of CEO narcissism on firms' strategic decisions, Study 1 (see Chapter 2) extends CEO narcissism research into the IB context by linking narcissistic owner CEOs to exporting SMEs' market expansion strategy choice. Combining insights from the literature on CEO narcissism and trait activation theory, this study argues that SMEs with narcissistic owner CEOs are more likely to choose the strategy of market spreading over market concentration, depending on firm-level asset-specific investments and exporting experience. To carry out an export business, SMEs often need to make some asset-specific investments to satisfy their overseas customers' expectations and specialised requirements (Jean et al., 2010). The level of asset-specific investments has consequences in terms of the transaction costs involved in developing relationships with overseas buyers in an existing transactional exchange (Lin et al., 2017). This creates a constrained situation that attenuates the impact of their narcissism on the choice of a market expansion strategy.

However, the transaction costs associated with asset-specific investments in developing contractual relationships with overseas buyers are likely to be perceived differently by firms with different levels of exporting experience.

To test these hypotheses, a two-phase mixed method design was employed. It included quantitative research with a two-wave online and on-site survey from multiple sources in 248 exporting SMEs in China, followed by five case studies to complement the survey data. Empirical analysis supports the theoretical prediction that owner CEO narcissism has a positive impact on the choice of a market spreading strategy. Further, the results showed that a high level of asset-specific investments mitigates the positive influence of owner CEO narcissism on the choice of a market spreading strategy, although this moderating effect is weaker for SMEs with more exporting experience. The findings from the survey are supported and contextualised based on complementary data from multiple case studies.

1.4.2 Study 2: Owner CEO narcissism, international entrepreneurial orientation and post-entry speed of internationalisation: An empirical study of exporting SMEs from China

Study 2 (see Chapter 3) explores how CEO narcissism promotes an exporting SME's international market expansion speed after its initial entry. Building on upper echelons theory, a significant amount of evidence supports the close link between CEO narcissism and risky decision-making (Chatterjee and Pollock, 2017). While rapid internationalisation involves high risks for narcissistic CEOs, it also attracts global attention, catering to their need for admiration (Wallace and Baumeister, 2002). This research identifies IEO as the firm-level mechanism translated from individual-level personality traits to influence organisation decisions. As a scholarly conversation on entrepreneurial orientation (EO), IEO refers to risk-taking, innovation and proactivity incorporated into the international context domain (McDougall and Oviatt, 2000). CEOs often promote it within the organisation to stimulate their firms' rapid growth in foreign markets (Hoskisson et al., 2011). Specifically, this study examines how owner CEO narcissism influences exporting SMEs' post-entry speed of internationalisation, directly and indirectly, through the

mechanism of firms' IEO. To test these hypotheses, this study draws on data from a two-step survey of 291 Chinese exporting SMEs and archival export data provided by the sample firms' financial departments. The results support the theoretical predictions that owner CEO narcissism shapes exporting SMEs' decisions on the post-entry speed of internationalisation, both directly and indirectly, through the mediation of firm-level IEO.

1.4.3 Study 3: Did I just discourage you from performing? CEO narcissism and middle managers' organisational identification and divergent strategic behaviour

Study 3 (see Chapter 4) investigates the impact of narcissistic CEOs on middle-level managers' divergent strategic behaviour. Middle managers' search behaviour for novel initiatives beyond the boundaries of current strategy—often defined as 'divergent strategic behaviour'—lies at the heart of strategic renewal (Floyd and Lane, 2000; Floyd and Wooldridge, 1992). When middle managers initiate divergent thinking and activities, it helps the organisation overcome organisational inertia, replaces routines with tailor-made solutions, and achieves or promises lasting strategic change (e.g., Ahearne et al., 2014; Floyd and Lane, 2000; Wooldridge et al., 2008). Existing studies in strategic renewal literature have significantly contributed to a wide range of theoretical research contexts. However, there remains a poor understanding of how the interaction between top managers and their organisational members cause strategic renewal. Schmitt et al. (2018) called this the 'hierarchical disconnect' (p. 90); that is, the strategic renewal behaviour that one hierarchical level drives may be affected by other hierarchical levels.

Study 3 proposes a mediation model that middle managers' organisational identification mediates the relationship between CEO narcissism and middle managers' divergent strategic behaviour. That is, narcissistic CEOs make middle managers feel less affiliated with the organisation; consequently, they tend to distance themselves from the organisation and lose motivation for self-enhancement and commitment to strategic renewal. The mediation hypotheses were tested in two scenario-based experiments with the sample of 144 managers participating through the online platform Qualtrics and 70 managers completing a three-wave, written

questionnaire on site. In both experiments, CEO narcissism was manipulated in a controlled experiment to observe whether the manipulated variable caused changes in middle managers' attitudes and behaviours. Results show that CEO narcissism relates negatively to middle managers' organisational identification, which subsequently affects middle managers' divergent strategic behaviour.

1.4.4 Study 4: CEO narcissism in middle managers' divergent strategic behaviour: A moderated mediation model of organisational identification and performance feedback

Based on Study 3, Study 4 (see Chapter 5) further investigates how narcissistic CEOs interact with organisational performance feedback in middle-level managers' divergent strategic behaviour. The existing performance feedback of a company has been taken as a context that constrains or enhances the influence of organisational leadership (Peng et al., 2016). Often, an organisation's poor performance indicates an overall unfavourable environment for employees. Perceived insecurity and uncertainties cause employees to attribute the negative performance feedback to a consequence of CEO leadership (Ling et al., 2008; Waldman et al., 2001). Conversely, when the performance feedback is above aspirations, any plausible explanation may be acceptable to employees (Kotiloglu et al., 2019). Thus, performance feedback was proposed to weaken the relationship between CEO narcissism and middle managers' organisational identification. Further, it cannot be ignored that positive performance can also provoke inertia pervasion in the organisation (Bromiley et al., 2001). Performance exceeding other competitors signals the efficacy of the current strategy (Tarakci et al., 2018). Middle managers may be more likely to 'stay the course' instead of proposing new initiatives that diverge the strategic status quo. Thus, organisational performance feedback was proposed to weaken the relationship between middle managers' organisational identification and their divergent strategic behaviour.

The model was tested using a scenario-based experiment with 156 managers who were randomly assigned to one of the six conditions of 2 (high narcissistic CEO vs. low narcissistic CEO) \times 3 (positive organisational performance vs. low organisational performance vs. neutral

performance feedback) between-subject conditions. Results support the moderating effect of performance feedback between CEO narcissism and middle managers' organisational identification.

1.5 Contributions

Together, the four chapters of this thesis contribute to a more complete understanding of the impact of narcissistic CEOs on managerial decision-making both inside the firm and for the firm's international expansion.

1.5.1 Extending the CEO narcissism literature into the IB context based on upper echelons theory

By extending the CEO narcissism literature into an understudied context of IB, Study 1 and Study 2 contribute to both the emerging research on CEO narcissism in IB and the growing area of upper echelons research that examines firms' strategic decision-making from the perspective of CEO narcissism (Chatterjee and Pollock, 2017; Cragun et al., 2020; Gerstner et al., 2013). The major contributions are threefold.

First, by linking narcissistic CEOs and their firms' internationalisation decisions (Oesterle et al., 2016), Study 1 and Study 2 significantly expand the CEO narcissism research domain by introducing CEO narcissism to IB studies (Agnihotri and Bhattacharya, 2019; Fung et al., 2019; Huang et al., 2019). Prior research on CEO narcissism has primarily focused on explaining how narcissism is manifested in the ongoing debate around the beneficial or detrimental influence on a firm's strategic decision-making (Cragun et al., 2020). Considering the inclusive results of the debate until now, scholars have suggested that the effect of CEO narcissism could differ by context (Amernic and Craig, 2010; Gamache et al., 2015; Mannor et al., 2016). The empirical results in Study 1 and Study 2 show that owner CEO narcissism relates positively to exporting SMEs' market expansion strategy and post-entry expansion speed. These findings are consistent with previous studies that suggest more challenging IB decisions provide greater scope for both risk-seeking and

sensation-seeking behaviours (Oesterle et al., 2016). Hence, there are more opportunities for narcissistic CEOs to act on their inflated sense of their own capabilities and satisfy their intense need for attention and admiration (Galvin et al., 2010). These two studies add to the sub-area of upper echelons research on the role of CEO narcissism in the IB context (Chatterjee and Hambrick, 2011; Patel and Cooper, 2014; Zhu and Chen, 2015), which has received only limited attention recently (Agnihotri and Bhattacharya, 2019; Fung et al., 2019; Huang et al., 2019; Oesterle et al., 2016).

Second, considering top executives' narcissistic personality and situational characteristics have important implications for the upper echelon literature, Study 1 extends upper echelons research by integrating trait activation theory to further investigate the contingent factors of CEO narcissism (Busenbark et al., 2016). It is recognised that CEO narcissism has multidirectional effects, which largely depend on the situational features that enhance, repress and activate narcissistic behaviours (Cragun et al., 2020). Study 1 answers the call to incorporate trait activation theory as a conceptual foundation for understanding how the impact of CEO narcissism on export decision-making may be dependent upon organisational-level situational cues. Study 1 argues that the high transaction costs arising from asset-specific investments create a constrained situation that buffers narcissistic displays of owner CEOs. By treating asset specificity as a situational cue that triggers/constrains the expression of CEO narcissism in firms' decisions regarding marketing expansion strategies, this study extends prior IB research on asset specificity, which centres on the direct relationship between asset specificity and firms' international decision-making (Maekelburger et al., 2012). Further, Study 1 also explores how firms' exporting experience provides an important boundary condition for the proposed moderating role of asset-specific investments. The three-way interaction effects lend support to trait activation theory, the application of which helps predict that the main effect of CEO narcissism works within organisation-level situational constraints. The results yield important insights into whether CEO narcissism influences their firms' exporting decisions and in what situations such influence may be stronger or weaker.

Third, based on the extant findings on narcissistic CEOs' risk-taking tendencies on firms' strategic decisions, Study 2 extends this line of inquiry to the study of CEO narcissism vis-à-vis firms' innovation and proactivity to enhance the understanding of a combined construct of IEO. The evidence on the mediating effect of IEO enriches the literature by using a process perspective to observe how CEO narcissism exerts influence on strategic decisions (Cragun et al., 2020). Study 2 finds that narcissistic owner CEOs prompt the firm they lead to build a strategic orientation with increased innovation, risk-taking and proactivity, which drives organisational growth (Lumpkin and Dess, 1996; Wales et al., 2013). This observation supports the notion that narcissism, which is viewed as a 'dark' personality trait of the CEO, may indeed exert a 'bright' influence on the firm's growth strategies (Cragun et al., 2020).

1.5.2 Enriching the literature on the role of CEO narcissism in a firms' internal decision-making dynamic based on leadership theory

As a CEO leadership characteristic, narcissism has been described as a double-edged sword (Watts et al., 2013) and been given considerable attention in various domains of life (Roberts et al., 2018). Study 3 and Study 4 extend the previous research on narcissistic CEOs' detrimental consequences for organisational decision-making to examine the impact of leader narcissism on middle managers' strategic behaviours. The current study's experimental research supports the previous survey-based finding that narcissistic leaders' self-centredness and grandiose entitlement severely harm other organisational members (Rosenthal and Pittinsky, 2006), with specific contributions in three areas.

First, viewing narcissism as a dark personality trait of top executives, an abundant array of research has demonstrated that narcissistic leaders have harmful effects on organisations (e.g., Zhang et al., 2018; Hochwarter and Thompson, 2012). Study 3 and Study 4 extend the current understanding of the detrimental consequences of narcissistic leadership by exploring the results of their quests for acclaim and domination on the management's middle-level hierarchy. 'Hierarchical disconnect' across different levels in an organisation can be toxic to strategic renewal

efforts and processes (Angwin et al., 2015). Considering CEOs may inspire or discourage followers across different hierarchical levels, these two studies provide a better understanding of CEO narcissism's potential role in influencing middle managers' engagement in the strategic renewal process (Waldman and Yammarino, 1999).

Second, these two studies expand the current research on the consequences of narcissistic leaders by exploring middle managers' organisational identification as a potential mediator linking CEO narcissism and middle managers' strategic behaviour from the perspective of social exchange. Due to narcissistic CEOs' lack of regard and empathy towards others and tendency to exploit those around them, a lower level of identification with the organisation will follow (Edwards, 2009). Floyd and Wooldridge (1997) suggest that middle managers' willingness to see the need for strategic change and fight for it depends on their level of organisational identification. Study 3 and Study 4 introduced organisational identification to bridge the narcissistic leadership and middle managers' behaviours in the social exchange interactions.

Third, Study 4 adds more evidence to prior findings that narcissistic leaders' exhibition could be constrained within an organisational context by some restraining situational factors (Maccoby, 2003, 2007). By introducing performance feedback as a new perspective of situational moderators in predicting middle managers' strategic behaviours (Tarakci et al., 2018), Study 4 responds to the call for identifying important situational factors that can mitigate the negative consequences of narcissistic behaviours. The result finds that positive performance feedback can attenuate the negative relationship between CEO narcissism and middle managers' organisational identification. It reflects the important role that organisational performance plays in how perceptions of top executives' narcissism influence middle managers' emotions and motivations to take greater responsibility for their organisation (Xiao et al., 2018).

1.6 Concluding Remarks

Aiming to deepen the understanding of how and when CEO narcissism matters in managerial decision-making, this thesis draws on and extends upper echelons theory and

leadership theory to explore the impact of owner CEO narcissism on firms' internationalisation decisions. Further, it helps illuminate how firms' internal decision-making processes may be influenced by CEO narcissism. Table 1.1 provides a summary of the four studies that constitute this thesis.

Beginning from an upper echelons perspective, this thesis explores the influence of owner CEO narcissism on SMEs' decision on export market expansion strategies. Combining insights from the literature on CEO narcissism and trait activation theory, the results indicate that SMEs with narcissistic owner CEOs are more likely to choose a market spreading strategy over market concentration, depending on firm-level asset-specific investments and exporting experience. The empirical findings offer a more complete understanding of how CEO personality can influence SME market expansion strategies and delineate how such influence may depend on organisational-level situational factors.

Following the same deductive conclusion, the thesis then explores how CEO narcissism affects SMEs' international expansion speed after their initial entry. The results support the theoretical predictions that owner CEO narcissism shapes exporting SMEs' decisions on post-entry speed of internationalisation, both directly and indirectly, through the mediation of firm-level IEO. The empirical findings extend emerging research on the role of CEO narcissism in upper echelons literature in the international marketing context.

Lastly, this research investigates the impact of narcissistic CEOs on middle-level managers' strategic divergent behaviour. The results support the mediation effect of organisational identification and the moderating effect of performance feedback between CEO narcissism and middle managers' organisational identification. The empirical findings shed new light on CEO narcissism research by integrating narcissistic CEOs' social exchange interactions with middle managers, advancing the understanding of the moderating effects of organisational performance feedback to mitigate narcissistic leadership manifestation.

Overall, this thesis provides a comprehensive understanding of how CEO narcissism matters in managerial decision-making. The findings from four independent yet interrelated

studies add depth to the current research on CEO narcissism. They draw attention to the impact of narcissistic CEOs on SMEs' internationalisation decisions and the manifestation of CEOs' narcissistic behaviours in firms' internal decision-making dynamics by influencing middle managers' strategic behaviours. The studies in this thesis also provide a foundation for future research to explore other situational factors that could amplify or mitigate narcissistic behaviours and enrich our understanding of CEO narcissism's impact on the firm's other strategic decisions.

Table 1.1 A Summary of the Four Studies.

Studies (Chapters)	Titles	Contributions	Authorship	Method	Publications & Conference Presentations
Study 1 (Chapter 2)	Does Owner CEO Narcissism Influence the Market Expansion Strategy of Exporting Small-to-medium Enterprises? The Joint Effects of Asset-specific Investments and Firm Exporting Experience	Contributes to emerging research on the role of CEO narcissism in firm internationalisation decisions, offering a more complete understanding of how CEO personality can influence SME market expansion strategies and delineating how such influence may be dependent on organisational-level situational factors	First author Xiaoxuan Li: 70%; Yue Wang: 10%; Miles Yang: 10%; Yanzhao Tang: 10%	–Two-step survey from multi sources and archival export data of 248 exporting SMEs in China; –Multiple case studies conducted in five exporting SMEs in China;	Journal of International Management (under 3 rd round review); 2020 Academy of International Business (AIB) Conference, competitive sessions
Study 2 (Chapter 3)	Owner CEO Narcissism, International Entrepreneurial Orientation, and Post-entry Speed of Internationalisation: An Empirical Study of Exporting SMEs from China	offers new insights into what drives SMEs' international decision makings from microfoundations' perspective and complements the existing literature's focus on the direct influence of CEO narcissism on firms' internationalisation decisions by including IEO as a mediator	First author Xiaoxuan Li: 70%; Yue Wang: 10%; Miles Yang: 10%; Yanzhao Tang: 10%	Two-step survey and archival export data from 291 exporting SMEs in China	International Marketing Review (under 3 rd round review); 80th Annual Meeting of Academy of Management (AOM), paper session
Study 3 (Chapter 4)	Did I just Discourage You from Performing? CEO narcissism and Middle Managers' Organisational Identification and Divergent Strategic Behaviour	Advances the understanding of middle managers' strategic renewal behaviour from an overlooked perspective: CEO narcissism	First author Xiaoxuan Li: 70%; Yue Wang: 10%; Miles Yang: 10%; Yanzhao Tang: 10%	Two scenario-based experiments: –144 middle managers recruited from MBA alumni to complete the online questionnaire; –70 middle managers accessed from Shenzhen Career Development Centre to complete three-wave paper-and-pencil questionnaires	To be submitted to Organisation Science
Study 4 (Chapter 5)	CEO Narcissism in Middle Managers' Divergent Strategic Behaviour: A Moderated Mediation Model of Organisational Identification and Performance Feedback	Sheds new light on CEO narcissism research by integrating narcissistic CEOs' social exchange interactions with middle managers and advance the understanding of the moderating effects of organisational performance feedback	First author Xiaoxuan Li: 70%; Yue Wang: 10%; Miles Yang: 10%; Yanzhao Tang: 10%	A scenario-based experiment with 156 middle managers recruited through Credamo to complete the online questionnaires	2021 Strategic Management Society (SMS) Annual Conference

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Chapter 2 (Study 1)

Does Owner CEO Narcissism Influence the Market Expansion Strategy of Exporting Small-to-medium Enterprises? The Joint Effects of Asset-specific Investments and Firm Exporting Experience

An earlier version of this chapter has passed through the 2nd round of peer review at the *Journal of International Management*. This is the revised version under the 3rd round of review at this journal.

Abstract

This study explores the influence of owner CEO narcissism on the export market expansion strategy of small-to-medium enterprises (SMEs). Combining insights from the literature on CEO narcissism and trait activation theory, we argue that SMEs with narcissistic owner CEOs are more likely to choose a market spreading over a market concentration strategy, depending on firm-level asset-specific investments and exporting experience. Empirical analysis of a sample of 248 exporting SMEs in China supports our theoretical prediction that owner CEO narcissism has a positive impact on the choice of a market spreading strategy. In addition, the results show that a high level of asset-specific investments mitigates the positive influence of owner CEO narcissism on the choice of a market spreading strategy, but that this moderating effect is weaker for SMEs with more exporting experience. The findings from the survey are supported and contextualized based on complementary data from multiple case studies. This paper contributes to emerging research on the role of owner CEO narcissism in firm internationalisation decisions, offering a more complete understanding of how CEO personality can influence SME market expansion strategies and delineating how such influence may be dependent on organisational-level situational factors.

Keywords: Owner CEO narcissism, export market expansion strategy, asset-specific investments, exporting experience, SMEs.

2.1 Introduction

Built upon ideas from the upper echelons theory that firm strategies and outcomes are related to the personalities of top managers (Hambrick and Mason, 1984; Zahra and Pearce, 1989), there is a growing body of literature investigating the impact of narcissism—a stable and fundamental personality trait of top corporate leaders, including CEOs—that significantly influences the strategic decisions of firms (Chatterjee and Hambrick, 2011; Judge et al., 2006; Patel and Cooper, 2014; Zhu and Chen, 2015). Cragun et al. (2020) define narcissistic CEOs as those who are characterized by grandiosity, attention seeking, an inflated self-image, and the need for that self-image to be continuously reinforced through their own actions and decisions.

In a review of 121 articles on leader narcissism and organisational outcomes, Braun (2017) showed abundant evidence that the narcissistic personality of top executives influences their strategic decisions. However, the theoretical construct of CEO narcissism has not received adequate attention in international business (IB) research (Fung et al., 2020; Oesterle et al., 2016). This is a surprising and significant oversight, because firms' decisions concerning IB expansion often involve more risks than domestic business expansion, which can provide narcissistic CEOs with greater opportunities to satisfy their personal desire to attract attention and admiration (Gerstner et al., 2013). It is therefore reasonable to expect that a CEO personality trait of this sort would have significant influence on the IB expansion decisions of firms (Adomako et al., 2017).

Recently, to answer the call for microfoundations-based research in IB (Contractor et al., 2019), researchers have begun to highlight CEO narcissism as an important predictor for firm internationalisation (Agnihotri and Bhattacharya, 2019; Fung et al., 2020; Huang et al., 2019; Oesterle et al., 2016). However, these studies have focused exclusively on the impact of CEO narcissism on large firms' outward foreign direct investment (OFDI) decisions. In this

paper, we propose that the direct influence of CEO narcissism on internationalisation decisions of firms is likely to be more prominent in small-to-medium enterprises (SMEs) than in large firms, especially in exporting SMEs that are run by owner CEOs. Owner CEOs who are also the entrepreneurial founders are often characterized by independent decision making and tend to have higher levels of narcissism (Engelen et al., 2016). Compared to professional CEOs, they have virtually unlimited power in making strategic decisions concerning their firm's expansion and growth (Zhang et al., 2016), so that they are more likely to pursue strategies perceived to be riskier in the short term but with longer payoff periods, and to act on these more freely (Souder et al., 2012). In this paper, we focus on the impact of owner CEO narcissism on the IB expansion decisions of exporting SMEs to complement the existing literature's emphasis on professional CEOs in large firms (e.g., Fung et al., 2020; Oesterle et al., 2016).

Exporting is the most popular form of internationalisation undertaken by SMEs because it is less resource intensive (Dikova et al., 2016; Katsikea et al., 2005). However, despite many studies on firm internationalisation, there has been limited research on how SMEs organise their export market expansion (Zhang et al., 2016). Literature on exporting has identified two alternative market expansion strategies: market concentration and market spreading (Ayal and Zif, 1979; Katsikea et al., 2005; Katsikeas and Leonidou, 1996). Market concentration is an exporting strategy that allows SMEs to focus their resource allocation and achieve a relatively high sales ratio in a small number of carefully selected foreign markets for their IB expansion; in contrast, a market spreading strategy entails exporting to a large number of dispersed foreign markets without a particular resource focus on any specific national markets (Ayal and Zif, 1979; Katsikeas and Leonidou, 1996). Choosing between these two expansion strategies is one of the most crucial decisions for an exporting SME to make after it has decided to become involved in export activities (Katsikea et al., 2005). Therefore, our first research question is to

ascertain the degree to which owner CEO narcissism affects an exporting SME's choice between a market concentration and a market spreading strategy.

Second, drawing upon trait activation theory (Tett and Guterman, 2000), we consider the roles of both personality and situational factors in understanding situations in which narcissistic owner CEOs behave differently in their choice of market expansion strategies. Trait activation theory is well established in personality research (Endler and Magnusson, 1976; Pervin, 1985) and suggests that the impact of personality traits is situation dependent (Kenrick and Funder, 1988). Traits will turn to behaviour when they are expressed or activated, and individuals express their traits strongly depending on trait-relevant situational cues (Tett and Burnett, 2003). This theory stresses the importance of trait-situation interaction to understand trait-related behaviours, rather than focusing solely on individual differences in personality traits as predictors of behavioural outcomes (Tett and Guterman, 2000). When applied to the study of the impact of CEO narcissism, the theory predicts that narcissists express themselves differently depending on the surrounding situational cues (Amernic and Craig, 2010; Gamache et al., 2015).

Based on ideas from trait activation theory, we suggest that the influence of CEO narcissism on the choice between these two market expansion strategies depends on some key firm-level contingency factors, particularly the firm's asset-specific investments and exporting experience. In order to carry out an export business, SMEs often need to make some asset-specific investments to satisfy their overseas customers' expectations and specialized requirements (Jean et al., 2010). The level of asset-specific investments has consequences in terms of the transaction costs involved in developing relationships with overseas buyers in an existing transactional exchange (Lin et al., 2017), which create a constrained situation that attenuates the impact of their narcissism on the choice of market expansion strategy. Therefore, our second research objective is to understand how firm-level asset-specific investments

moderate the relationship between owner CEO narcissism and SMEs' choice of market expansion strategies.

Third, we examine how the moderating effect of asset-specific investments might be further bounded by an SME's exporting experience. We expect that while the asset-specific investments of SMEs may moderate the direct influence of owner CEO narcissism on their firm's choice between market expansion strategies, this moderating effect may differ depending on a firm's exporting experience. This is because the transaction costs associated with asset-specific investments in developing contractual relationships with overseas buyers are likely to be perceived differently by firms with different levels of exporting experience. A substantial body of research has found exporting experience to be an especially important factor in executives' strategic decision-making process (Cieřlik et al., 2015; Katsikeas and Morgan, 1994). Complementing these previous studies, the present study likewise treats exporting experience as another important firm-level contingency factor in our theory development.

To address these three interrelated research questions, we integrated literature on CEO narcissism, trait activation theory, and exporting market expansion strategies to theorize whether—and when—CEO narcissism will affect an SME's choice of a market concentration or market spreading strategy. We tested our theoretical predictions using a mixed-methods design (Sharma et al., 2018; Zhang et al., 2012), including a survey with two separate questionnaires completed by a sample of 248 Chinese exporting SMEs, as well as multiple case studies to supplement the quantitative research findings. Based on these two approaches, we found empirical support for our hypothesis that CEO narcissism has a positive impact on an exporting SME's choice of a market spreading strategy over a market concentration strategy. We also found that firm-level asset-specific investments act as a situational cue that constrains the positive impact of CEO narcissism on a market spreading strategy. Furthermore, the results supported our prediction that this moderating effect of asset-specific investments is stronger

when firms possess less exporting experience and becomes weaker with more exporting experience. The results therefore demonstrate the explanatory power of owner CEO narcissism with respect to an exporting SME's market expansion strategy and highlight the importance of simultaneously considering firm-level situational factors for a deeper understanding of when CEO narcissism exerts stronger or weaker influence on exporting-related decision making.

2.2 Theoretical Background

2.2.1 CEO narcissism in an IB context

The literature on CEO narcissism has been built upon insights from upper echelons theory (Chatterjee and Hambrick, 2007, 2011; Hambrick and Mason, 1984), which emphasizes the important role of top management in firm strategies and outcomes. Based on the assumption that strategic choices are made by CEOs and top managers, the upper echelons theory views firm strategies as reflections of the values and cognitive bases of powerful decision makers in the firm (Hambrick and Mason, 1984). The theory further contends that CEOs are often the central strategic decision makers and can compose the firm's top management teams (Zahra and Pearce, 1989).

The upper echelons theory has been used to explain the influence of CEO personality on firm internationalisation behaviour (Agnihotri and Bhattacharya, 2019). Because the CEO is the most powerful actor and central decision-maker in the firm, the literature holds that CEO personality traits such as narcissism would have a strong impact on their strategic decisions. Defined as a personality trait that exists in all individuals rather than a mental illness (Braun, 2017), narcissism reflects the relatively stable individual characteristics of grandiosity, self-love, and inflated confidence (Campbell et al., 2011). Past studies support that narcissism is a fundamental personality dimension of CEOs that influences their strategic decisions (Chatterjee and Hambrick, 2007, 2011; Gerstner et al., 2013).

The literature suggests that narcissistic CEOs are more willing to embrace challenging and risky strategies, which might be induced by cognitive and motivational factors (Chatterjee and Hambrick, 2007). From a cognitive perspective, narcissistic CEOs have inflated self-views and great confidence in their intelligence and abilities in challenging task settings (Campbell et al., 2004). Such overconfidence often causes them to underestimate costs and risks involved in their decisions (Galvin et al., 2010). From a motivational perspective, narcissism entails a continuous and intense desire to reinforce one's superiority through attention- and praise-seeking (Kets de Vries and Miller, 1985). This fuel for self-image reaffirmation has been labelled "narcissistic supply" (Kernberg, 1975), which provides a stimulus to undertake bold and visible activities to attract external admiration.

In the IB context, the impact of narcissism can be even stronger with respect to decisions concerning firms' international expansion. This is because when compared to expanding business activities domestically, IB expansion better fulfils narcissistic CEOs' inflated confidence in their ability to manage risky and complex business activities (Oesterle et al., 2016). Simultaneously, IB expansion may also better satisfy narcissistic CEOs' motivational needs, including intense self-admiration and a desire for attention and prestige (Huang et al., 2019; Oesterle et al., 2016). For example, based on panel data from 31 of Germany's largest manufacturing firms over the 2004–2013 period, Oesterle et al. (2016) found that CEO narcissism had a significant impact on these firms' degree of internationalisation (DOI). Agnihotri and Bhattacharya (2019) studied 218 Indian firms listed on the Bombay Stock Exchange over the 2010–2015 period and found a similar impact of CEO narcissism on Indian firms' DOI. Based on 91 listed Chinese companies in infrastructure and construction industries over the 2006–2016 period, Huang et al. (2019) showed that CEO narcissism had a significant impact on these firms' pace of internationalisation and market choice in developing countries. Using 2,985 Chinese firms listed on the Shanghai and Shenzhen

Stock Exchanges for domestic investors (i.e. the A-shares market) over the 2007–2017 period as their sample, Fung et al. (2020) found that CEO narcissism had significant impact on these firms' OFDI decisions.

These findings indicate that narcissistic CEOs are especially inclined towards internationalisation because of their overconfidence to manage bold and risky business activities and their strong desire to be in the limelight (Agnihotri and Bhattacharya, 2019). On the one hand, narcissistic CEOs' overconfidence results in their underestimating the potential risks and overestimating the potential benefits of entering international markets. On the other hand, internationalisation can give narcissistic CEOs greater satisfaction by enabling them to garner praise, admiration, and prestige outside their home country. Hence, as the recent work in this area shows, both the cognitive and the motivational aspects of narcissism can play a pivotal role in a firm's internationalisation decisions.

However, existing research on the role of CEO narcissism in firm internationalisation is subject to some problems and limitations. First, the current IB literature still views firms' internationalisation decisions predominantly from a rational economic perspective (Oesterle et al., 2016), such that the impact of the personality traits of key individual decision-makers has received scant attention; hence, only a few empirical studies have been devoted to this issue (e.g., Agnihotri and Bhattacharya, 2019; Fung et al., 2020; Huang et al., 2019; Oesterle et al., 2016). Second, built upon upper echelons theory, there is an emerging research that acknowledges the role of CEO narcissism in IB studies, but so far, the focus has been on large, publicly listed companies (e.g., Fung et al., 2020; Huang et al., 2019). In this study, we propose that it is equally if not more important to study the impact of CEO narcissism among SMEs run by owner CEOs who are also entrepreneurial founders, because they hold unlimited power in their firms and make decisions often completely based on their personal judgements (Chittoor et al., 2019). Third, although two of the studies we reviewed previously did explore

potential moderators of the purported CEO narcissism–internationalisation relationship, they used context-specific moderators such as state ownership and political connections in China (Fung et al., 2020), and business media in India (Agnihotri and Bhattacharya, 2019). While studying moderators of this sort can provide context-rich explanations of the boundary conditions for the CEO narcissism–internationalisation relationship that we too are investigating, such research is hampered by the lack of generalizability of its findings.

In this study, we have addressed these problems by focusing on exporting SMEs, most of which are direct exporters (Katsikea et al, 2005). The direct impact of CEO narcissism on internationalisation decisions is likely to be more pronounced in such firms, especially in exporting SMEs run by the owner CEOs who are also the founders. We also introduced two context-free firm-level moderators that have been identified by past IB research as important in influencing firms’ internationalisation decisions: asset-specific investments and exporting experience. Using these moderators will help to strengthen the generalizability of our findings compared to the findings of studies that used context-specific moderators.

2.2.2 Market expansion strategy

One of the first and the most crucial strategic decisions that an exporting firm needs to make concerns choosing an export market expansion strategy (Katsikea et al., 2005; Katsikeas and Leonidou, 1996). At issue is a firm’s strategic decision regarding the scope of export market expansion and the allocation of firm resources among the various targeted markets (Ayal and Zif, 1979; Lee and Yang, 1990). The exporting literature has identified two distinct choices for export market expansion: market concentration and market spreading.

Market concentration is defined as a strategy wherein firms focus on a limited number of foreign markets to undertake export operations (Ayal and Zif, 1979). This allows exporting firms to concentrate their resources to achieve a relatively high sales ratio in a small number

of foreign markets (Piercy, 1982). The market concentration strategy also allows firms to set up exchange and control mechanisms in a small number of key markets and thus avoid the dispersion of marketing efforts and resources. In this way, firms can establish communication and coordination channels with lower costs (Madsen, 1989). In contrast, a market spreading strategy targets many foreign markets without particular focus on any specific markets. The market spreading approach will increase coordination costs of conducting export operations, and result in the spread or dispersion of firm resources (Aulakh et al., 2000). However, firms using this strategy can increase their opportunities to gain access to a larger number of potential clients and suppliers across diverse export markets (Qian et al., 2008).

The exporting literature discusses the risks associated with these two strategies primarily in terms of the perceived risks for export organisations. Market concentration represents a passive or reactive approach for deeper market penetration, reflecting a risk-averse tendency, while market spreading implies a proactive approach to developing more export markets, and reflects a higher tolerance of risks (Katsikeas and Leonidou, 1996). Market spreaders face more problems with the organisation of exporting functions; for example, they have to deal with customers from a comparatively large number of foreign markets, and this diversity can create many different business requirements and expose them to a variety of export market conditions and customer characteristics (Katsikea et al., 2005). As noted previously, the relevant research consistently shows that narcissistic leaders tend to disregard or downplay the performance consequences of their actions and decisions (Braun, 2017). In our next section, we develop hypotheses to theorize how CEO narcissism may influence an exporting SME's choice between the two market expansion strategies.

The previous exporting literature has identified product, market, and firm-specific factors that influence firms' willingness and capacity to pursue a market spreading approach (Ayal and Zif, 1979; Katsikeas and Leonidou, 1996; Piercy, 1982). However, the managerial

influence from the key decision-makers has been neglected (Hutzschenreuter et al., 2007). As the extent of market spreading reflects the individual perceptions of risks instead of objective assessment of risks for export organisations, there has been a growing interest in SME CEOs' characteristics to better understand the subjective motives of market spreading (Huang et al., 2021; Kammerlander et al., 2015).

2.3 Hypotheses Development

On the basis of all else being equal, this section develops hypotheses concerning how CEO narcissism might influence exporting SMEs' market expansion strategy and how such influence may be bounded by firm-level asset-specific investments and exporting experience. The theoretical model and hypotheses are shown in Figure 2.1, below.

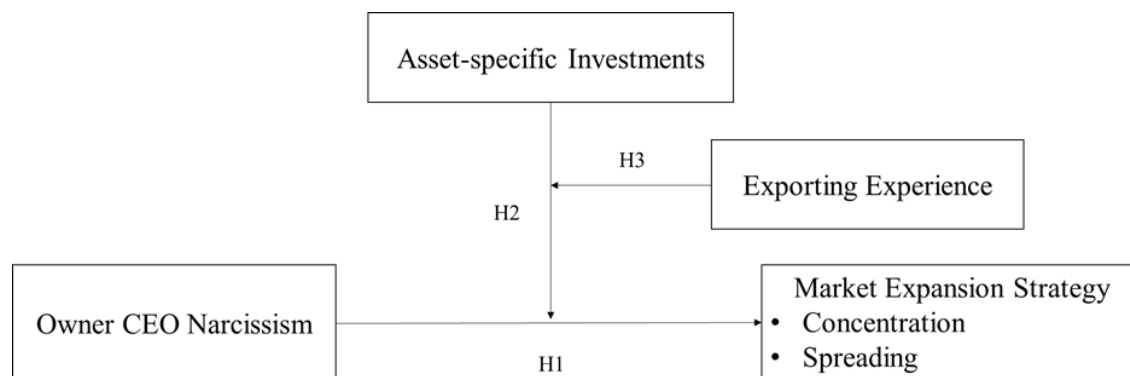


Figure 2.1. Theoretical model and hypotheses.

2.3.1 CEO narcissism and market expansion strategy

Consistent with prior research on CEO narcissism, which has described how narcissism influences CEOs' strategic choices from motivational and cognitive perspectives (Campbell et al., 2004; Chatterjee and Hambrick, 2007, 2011), this section theorizes how these two aspects of owner CEO narcissism leads to a firm's preference for market spreading over market concentration strategy for purposes of organising their export business.

First, from a cognitive perspective, the literature suggests that a narcissistic owner CEO tends to prefer choices that entail more risks and uncertainties because of their inflated self-view of their ability to deal with complex tasks (Braun, 2017). Of the two market expansion strategies, market spreading entails more risks and uncertainties in export organisation than does market concentration (Dikova et al., 2016), because exporting firms that organise sales to a large number of markets expend a significant amount of effort negotiating with customers in a diversity of foreign markets (Katsikea et al., 2005). Furthermore, these efforts are highly uncertain, because the exporting firms that engage in market spreading need to confront diverse export market conditions and different customer characteristics (Katsikeas and Leonidou, 1996). However, the organisational challenges and risks associated with a market spreading strategy may become stimuli for a narcissistic owner CEO, whose inflated self-image often makes them come across as passionate, daring, willing to take risks, and lacking fear or hesitancy (Galvin et al., 2010). A market spreading strategy thus provides a narcissistic owner CEO with an opportunity to satisfy their intense need for affirmation of their own adequacy, power, and superiority, as manifest in their ability to handle risk-laden business projects (Kets de Vries and Miller, 1985). In addition, a narcissistic owner CEO's excessive self-assurance and sense of superiority may lead them to underestimate the potential risks of, and to be over-confident about the positive payoffs of a market spreading strategy.

Second, from a motivational perspective, undertaking bold and daring activities is a stimulus to narcissists because such risky decisions and actions are highly visible and can attract external admiration. Recent studies have shown that narcissistic owner CEOs have a propensity to make high-risk decisions concerning their firms' IB because of their strong need for continuous attention and praise (Gerstner et al., 2013). In other words, narcissistic owner CEOs favour a market spreading strategy not only because it gives them an opportunity to act on their excessive confidence in their own ability to deal with risks, but also to satisfy their

desire for attention and admiration by pursuing such risky decisions and actions (Chatterjee and Hambrick, 2007).

Compared to market concentration, a market spreading strategy provides an opportunity for export firms to obtain more global visibility by acquiring the reputation of being cosmopolitan firms that actively seize IB opportunities worldwide (Oesterle et al., 2016). Spreading to numerous markets is a promising way to establish global stature, realize a personal desire to shine, and showcase vision and leadership. Therefore, this approach offers narcissistic owner CEOs greater “narcissistic supply” (Kernberg, 1975); that is, more public attention and external admiration. Thus, we argue that motivational factors also drive narcissistic owner CEOs to allocate resources and explore opportunities in dispersed foreign markets. In doing so, they feed their need for public attention, a need that would be less satisfied by exploiting opportunities within concentrated markets. Hence, we propose:

Hypothesis 1. Owner CEO narcissism in exporting SMEs is positively related to these firms’ choice of a market spreading strategy.

2.3.2 The moderating role of asset-specific investments

Personality traits are latent constructs that indicate a person’s distinct propensity to behave in some identifiable ways (Tett and Guterman, 2000). However, people who have a high propensity for narcissism do not always behave narcissistically. TAT is well established in personality research (Endler and Magnusson, 1976; Pervin, 1985) and suggests that the degree to which individuals express their traits strongly depends on trait-relevant situational cues (Tett and Burnett, 2003). This theory focuses on the importance of trait-situation interaction to understand trait-related behaviours rather than focusing solely on individual differences in personality traits as predictors of behavioural outcomes (Tett and Guterman, 2000). TAT includes different types of situational features relevant to work, such as demands,

distracter, constraint, releaser, and facilitator, all of which can help explain the variation in the narcissistic expression (Tett et al., 2021). A detailed discussion of all types of situational cues is beyond the scope of this paper. Our purpose is to use the insights of the theory to explore how firm-level asset-specific investments, a commonly researched construct in IB studies that influences firms' strategic decisions, may act as a constraint for CEO narcissism and hence provide a more nuanced understanding of the impact of CEO narcissism on market spreading strategy.

For exporting SMEs, some level of asset-specific investments is often necessary to attract and compete for overseas customers (Jean et al., 2010). This is especially the case in the supplier-buyer relationship between emerging-economy SMEs and their developed-economy customers (Wang and Nicholas, 2007). The high levels of asset-specific investments required for exporting businesses means that there is a high cost of building contractual relationships with buyers; this cost includes investments in significant product customization, in specialized equipment, and in special training for employees (Williamson, 1985). The exporting firm may also incur the costs of adapting business processes to suit specific customer needs (Zaheer and Venkatraman, 1994). Asset-specific investments are tailored to a particular customer or transactional partner such that they cannot be easily redeployed for alternative buyer-supplier relationships without a significant loss of productive value (Williamson, 1985). From a focal exporting firm's point of view, asset-specific investments have consequences in terms of the transaction costs that may be incurred in developing contractual relationships with overseas buyers. These transaction costs are not trivial for exporting SMEs, especially those from emerging economies like China, which face more resource constraints in their international expansion than large firms (Zhang et al., 2016). According to the logic of trait activation theory, we predict that the costs due to asset specificity will result in situations in which the impact of owner CEO narcissism on the choice of market expansion strategy may be constrained.

On the one hand, when a high level of asset-specific investments is required for their export business, SMEs will be stuck in a passive position within existing transactional exchanges and become more dependent on the exchange partners (Lin et al., 2017). This weakened bargaining position leads to a constrained situation for owner CEOs' narcissistic displays of grandiosity. In this case, narcissistic owner CEOs tend to defend their superior status in the existing transactional exchanges instead of pursuing more market opportunities, which enables them to maintain a desirable public image of being capable of managing export business (Morf and Rhodewalt, 2001). Thus, a high level of asset-specific investments acts as a situational cue that will demotivate narcissistic owner CEOs to realize their needs for power and prestige in a spreading strategy.

On the other hand, when the level of asset-specific investments is low, the transaction costs for business-process modification and product customization are also low. This means that narcissistic owner CEOs are less constrained by relationships with transactional partners in managing their export businesses since it is less costly to search and switch to alternative partners. In such situations, trait narcissism is more likely to be activated and narcissistic owner CEOs are more likely to behave aggressively in developing business relationships in a larger number of countries to fulfil their inflated self-view and excessive self-admiration (Gerstner et al., 2013). In other words, a low degree of asset-specific investments provides more benign and unconstrained circumstances, thereby provoking narcissistic displays of owner CEOs in pursuing a more spreading approach towards market expansion (Oesterle et al., 2016).

Based on these arguments, we propose that a high level of asset-specific investments will weaken the positive impact of owner CEO narcissism on SMEs' choice of a market spreading strategy, whereas a low level of asset-specific investments will strengthen that impact.

Hypothesis 2. Asset-specific investments moderates the positive relationship between owner CEO narcissism and exporting SMEs' market spreading strategy, such that this relationship is weaker when the asset-specific investments are higher rather than lower.

2.3.3 Joint effects of owner CEO narcissism, asset-specific investments, and exporting experience

While an exporting SME's asset-specific investments may weaken the direct influence of owner CEO narcissism on the market spreading strategy, this moderating effect may vary depending on the firm's exporting experience as the perceived constraints arising from asset-specific investments are likely to differ for firms with different levels of exporting experience. Exporting experience can be defined as the number of years a firm has been involved in exporting activities (Cieřlik et al., 2015). It reflects firms' accumulated knowledge obtained from export business activities and operations in overseas markets (Madsen, 1989). The more experience a firm accumulates, the stronger is its ability to cope with uncertainties and problems encountered in organising exporting businesses from the need for product customization (Bensaou and Anderson, 1999) to the need for business-process adaption (Zaheer and Venkatraman, 1994). Such enhanced capabilities in organising export business will help in reducing the perceived constraints associated with the transaction costs.

Firms with rich exporting experience also gives them familiarity with foreign business environments and market conditions (Cieřlik et al., 2015). Experienced firms have developed guidelines and established processes to operate abroad; relative to inexperienced firms, they are more capable of dealing with the negotiation and re-negotiation costs, and also with the switching costs associated with asset-specific investments when export contracts are terminated (Maekelburger et al., 2012). Further, firms can utilize experience from previous foreign endeavors to safeguard against potential opportunistic behaviours resulting from lock-

in relationships (Maekelburger et al., 2012). In short, the potential problems associated with organising exporting businesses become more manageable for experienced firms. In this case, narcissistic CEOs may perceive that there are less constraints from asset-specific investments to dealing with customers from many countries. Consequently, the constraining effect of asset-specific investments is likely to be weakened when firms possess abundant exporting experience.

In contrast, firms with less exporting experience have limited knowledge and skills to handle the problems across exporting businesses in many countries (Cieřlik et al., 2015). When a firm invests in specific assets with a transactional partner in exporting business, it becomes more dependent on the customer with less bargaining power due to the lock-in effect (Nair et al., 2012). If the firm has accumulated abundant exporting experience, the owner CEOs may perceive the transaction costs associated with asset-specific investments as less of a problem (Shou et al., 2013). On the other hand, the lack of exporting experience will make narcissistic owner CEOs feel more constrained by such asset-specific investments because of the perceived risks of the lock-in dependence (Heide and John, 1988). These constraints prevent them from actively seeking market opportunities across many countries to satisfy their desire for superiority and power (Oesterle et al., 2016). As a result, the constraining effect of asset-specific investments is likely to be stronger when the exporting experience is limited. Therefore, we suggest that the positive relationship between owner CEO narcissism and exporting SMEs' market spreading strategy will be weaker when the asset-specific investments are high and exporting experience is low.

Hypothesis 3a. The moderating effect of asset-specific investments on the relationship between owner CEO narcissism and exporting SMEs' market spreading strategy will be further bounded by the firm's exporting experience such that the constraining effects of a high level of asset-specific investments will be weaker when the firm exporting experience is abundant.

Furthermore, there is another perspective of the moderating role of exporting experience that is rooted in the organisational inertia theory (Hannan and Freeman, 1984). Firms with abundant experience in exporting business tend to have established routines for exporting activities and stabilized exchange relationships with the existing partners; thus, they develop organisational inertia resulting in stability in the current situation (Chen et al., 2020). As such, these firms become resistant against rapid growth or radical changes (Zhou and Wu, 2010), which attenuated the stimulating effect from the unconstrained situation due to the low level of asset-specific investments. In contrast, firms with limited exporting experience tend to be more open to unconstrained situations because of fewer constraints from the established routines and conventions (Chen et al., 2020). As a result, the facilitating effect of a low level of asset-specific investments is likely to be stronger when the firm is inexperienced. Therefore, we suggest that the positive relationship between owner CEO narcissism and exporting SMEs' market spreading strategy will be stronger when the asset-specific investments are low and exporting experience is limited.

Hypothesis 3b. The moderating effect of asset-specific investments on the relationship between owner CEO narcissism and exporting SMEs' market spreading strategy will be further bounded by the firm's exporting experience such that the activating effects of a low level of asset-specific investments will be stronger when the firm exporting experience is limited.

2.4 Research Design and Method

In a recent review of published research on CEO narcissism (Cragun et al., 2020), mixed methods have been called for to generate deeper insights into the relationships between CEO narcissism and other studied variables. A mixed method design provides the benefits to the study results including the comparisons between quantitative results and qualitative

findings, giving a voice to study sample by ensuring that study findings are grounded in qualitative data, and increasing the robustness of the findings by improving both internal and external validity. To be more specific, statistical analysis of data drawn from surveys has been criticized for offering little in-depth analysis of the impact of individual-level variables—such as the personal characteristics of entrepreneurs—on firm internationalisation (Wong and Ellis, 2002). In this study, we used a two-phase mixed method design to test our hypotheses, including quantitative research with a two-wave survey from multiple sources in 248 exporting SMEs, followed by five case studies to complement the survey data. Sequential approaches to implementing mixed method research designs, such as this, have become increasingly used in recent studies (Yang et al., 2020; Zhang et al., 2012).

In Phase I, we used a two-wave survey to examine the extent to which owner CEO narcissism was associated with their choice of market expansion strategy, contingent on two firm-level factors: asset-specific investments and exporting experience. In Phase II, we used multiple case studies to seek convergence and corroboration of our quantitative results, thereby achieving a depth of findings that would be unavailable in a quantitative study alone (Teddie and Tashakkori, 2009).

2.4.1 Phase I – survey study

Survey is one of the most widely used quantitative research methods for studying managerial decision-making processes in CEO narcissism research (e.g., Martin et al., 2016; Zhu and Chen, 2015). To avoid the potential common method bias, we conducted surveys in two waves—including online and on-site—to collect data from multiple sources (i.e. owner CEOs and manufacturing directors of each sample firm), accompanied by the secondary sales data provided by the sample SMEs.

First, the two-wave surveys are based on two questionnaires. One for the owner CEOs to rate their narcissism, the independent variable; and the other for the manufacturing directors to assess the firm-level asset-specific investments. As manufacturing directors have more operational knowledge than owner CEOs about the specific practices and investments in their company's production business process (St. John and Harrison, 1999), they are more suitable to assess the level of asset-specific investments, one of the moderators in our model. To ensure the validity and reduce the bias of both questionnaires, we undertook pretests with 30 owner CEOs and manufacturing directors from different industry sectors in China who operate their own SMEs. We refined each item based on their valuable feedback regarding the survey questions. The pretest participants were not included in our survey sample. Second, we obtained the exporting experience of the sample SMEs (the second moderating variable) and the market spreading strategy (the dependent variable) from the secondary sales data provided by the sample firms at the end of the fiscal year.

2.4.1.1 Sample and procedure

To test our hypotheses, we chose exporting SMEs from China for two reasons. First, compared to other countries, China's contribution to the growth of total global exports has increased very substantially in the past decades (UNCTAD, 2017). Additionally, China's private export firms established by owner CEOs are among the fastest growing firms in this sector (Allen et al., 2005), making them an important competitive force in the international market (Child and Rodrigues, 2005). Second, by choosing exporting SMEs from China, our results complement those of recent empirical studies that have focused on large publicly listed companies in China (e.g., Fung et al., 2020).

We used the following criteria to obtain our sample. First, the sample firms needed to meet the definition of SMEs in China. Officially in China, SME refers to a firm with less than

300 employees or revenue of no more than 200 million RMB (equal to about \$30 million US dollars). Second, we focused exclusively on manufacturing exporters who produce physical products for their customers rather than services. Prior research has reported differences in manufacturing exporters' and service exporters' choices of international expansion strategies (e.g., Morgan et al., 2004). Meanwhile, it should be noted that all manufacturing exporters began exporting from their inception, not involved in domestic business, which represents most of the privately owned SMEs in China (Tang et al., 2014). Third, the sample firms were privately owned SMEs founded by owner CEOs.

We collected data by collaborating with a top-tier university in China. Their alumni resources allowed us access to many entrepreneurs, CEOs, senior managers, and middle managers working in companies involved in export business. We pre-screened alumni who were working in or taking charge of a company doing international business according to their business registration information in the past five years. We then contacted these alumni by email and phone and asked them to participate in the survey research. In total, 279 respondents agreed to participate in our study with a response rate of 32.3%.

Data were collected through two-wave surveys in each sample firm. First, we contacted the owner CEOs directly and sent the online questionnaire to their personal social media account (WeChat) to collect information about CEO narcissism, the independent variable. This allowed us to ensure that the owner CEOs completed the online survey by themselves. The process of conducting the online survey lasted about four months from the end of 2018 to 2019. Second, an on-site survey was conducted at each firm over nine months in 2019 to understand the practical conditions of surveyed companies to double-check the validity of the online survey through a brief talk with the owner CEOs and meet the manufacturing directors. We asked them to rate the asset-specific investments of their firms. Further, we obtained the owner CEO's consent to send us the confidential sales data from their financial department's sales

reports by email at the end of 2019, including information about the their total number of export countries and the percentage of their sales in each country. As manufacturing directors have more operational knowledge than owner CEOs about the specific practices and investments in their company's production business processes (St. John and Harrison, 1999), they are the most suitable informant to assess the level of asset-specific investments, one of the moderators in our model. During the on-site surveys, we also checked the business licence of each firm, which contains information relating to the start date and main export products of each firm. After deleting 31 firms with missing data on their export markets, we ultimately had a valid sample of 248 respondents.

Table 2.1 summarizes basic information on the 248 sample firms. The sample firms spanned a wide range of industries, which increases observed variance and strengthens the generalizability of our findings (Morgan et al., 2004). Table 2.2 shows demographic information relating to the key informants, that is, the owner CEOs and manufacturing directors. The gender and age distribution of owner CEOs in our sample firms shows consistency with other researchers' studies, such as Bagheri et al.'s (2019) study on 116 SMEs in the United Kingdom. In addition, the average growth rate of the sample firms in the past two years was 11%. Based on data reported by China's State Council Information Office (Graphics Context China, 2018, 2019), the total exporting volume for all private exporters in 2018 was 7.87 trillion RMB, with a year-on-year growth rate of 10.40%, and the exporting volume in 2019 was 8.90 trillion RMB, with a year-on-year growth rate of 13%. We calculated that the average growth rate for all private exporters in China in 2018 and 2019 was 11.72%. Comparing this value to the average growth rate of our sample revealed that our sample firms were in line with and representative of the broader population of private exporters in China, improving the validity of our data.

Table 2.1 Information of the sample firms (N = 248).

	Frequency	(%)
<i>Size (number of employees)</i>		
< 50	83	33.47%
51–100	46	18.55%
101–200	64	25.81%
201–300	55	22.18%
<i>Sectors</i>		
Agricultural and food-processing	16	6.45%
Textile and clothing	88	35.48%
Furniture and household	38	15.32%
Rubber and plastic	40	16.13%
Chemical and medical machinery	18	7.26%
Other manufacturing sectors	48	19.35%
<i>Market entry mode</i>		
Direct export	72	29.03%
Indirect export	98	39.52%
Both direct and indirect export	74	29.84%
Contract entry	4	1.61%
<i>Market scope (number of foreign markets)</i>		
1	33	13.31%
2-4	143	57.66%
5-10	63	25.40%
>10	9	3.63%
<i>Entrepreneurial structure</i>		
Start up on own	183	73.79%
Start up with partners	44	17.74%
Start up in couple	21	8.47%

Table 2.2 Demographic information of respondents (N=248).

Demographic variables	Owner CEO		Manufacturing directors	
	Frequency	(%)	Frequency	(%)
<i>Gender</i>				
Male	181	72.98%	126	50.81%
Female	67	27.02%	122	49.19%
<i>Age</i>				
20–29 years	6	2.42%	46	18.55%
30–39 years	59	23.79%	130	52.42%

40–49 years	96	38.71%	62	25.00%
50 and above	87	35.08%	10	4.03%
<i>Education</i>				
Intermediate	78	31.45%	74	29.84%
Bachelor	157	63.31%	166	66.94%
Master and above	13	5.24%	8	3.23%
<i>Foreign experience</i>				
No foreign experience before	207	83.47%	223	89.92%
Foreign educational experience	13	5.24%	7	2.82%
Foreign working experience	23	9.27%	15	6.05%
Foreign educational & working experience	5	2.02%	3	1.21%
<i>Industry experience</i>				
No prior industry experience	89	35.89%	21	8.47%
Experience in the same or a similar industry	121	48.79%	154	62.10%
Experience in other industries	38	15.32%	73	29.44%

2.4.1.2 Variables and measurements

CEO narcissism

Consistent with Martin et al. (2016), we measured CEO narcissism with the 9-item narcissism subscale of Jones and Paulhus' (2014) "short dark triad" (or SD3) measurement. This measure has been repeatedly validated via correlations with the most widely used Narcissistic Personality Inventory (NPI; Ames et al., 2006; Raskin and Hall, 1979). We asked CEOs to rate their level of agreement (1 = "strongly disagree" and 5 = "strongly agree") with respect to statements such as "I know that I am special because everyone keeps telling me so," "Many group activities tend to be dull without me," and "I feel embarrassed if someone compliments me" (reverse scored). Cronbach's alpha for the scale was 0.82.

Asset-specific investments

Building on the study of Mithas et al. (2007), we measured asset-specific investments with a four-item scale. The items on the scale included: (1) product customization (Dyer, 1997; Mudambi and Helper, 1998), via the probe "Products need significant customization to meet

your customers' requirements"; (2) equipment (Walker and Poppo, 1991), via the probe "You will invest in manufacturing equipment specifically for your customers' requirements"; (3) labour skills (Zaheer and Venkatraman, 1994), via the probe "You have technical labour skills that are unique to your customers' requirements"; and, (4) business processes (Bensaou and Anderson, 1999), via the probe "You will adapt your business processes in order to satisfy all your customers' needs." The respondents were typically the manufacturing directors who were in charge of the production process and assessed their firm's asset specific investment. Cronbach's alpha for this scale was 0.87.

Market expansion strategy

In line with prior studies of export market expansion strategy (Katsikea et al., 2005; Lee and Yang, 1990), we took the established entropy measure into account to calculate the geographic diversification index (GDI) as the measurement for market expansion strategy. This entropy measure, represented as Eq. (1), considers both the number of countries to which firms export products as well as the distribution of sales among those markets.

$$GDI = \sum P_i \ln(1/P_i) \quad (1)$$

Here, P_i is the percentage of sales in country i , and $\ln(1/P_i)$ is the specific weighting of each country (Batsakis and Mohr, 2017). For a firm exporting to a single foreign market, the GDI equals zero. The higher the GDI, the more spreading there is in a firm's exporting practices.

Exporting experience

We measured exporting experience in terms of the number of years for which a firm has been involved in exporting activities, which is a well-established measure both in IB and international marketing research (Cieřlik et al., 2015; Hultman et al., 2011). It should be noted that all of our sample firms began exporting from their inception. Hence, the exporting

experience of each sample firm was equal to the firm age as well as the owner CEO's exporting experience and was calculated by the difference between the firm's establishment date—as shown on their business licence—and the date when the on-site survey was conducted.

Control variables

We controlled for the following factors, which may potentially confound both individual-level and firm-level results (Oesterle et al., 2016). First, at the individual level, we controlled for the effects of demographic characteristics of CEOs, including their gender (male = 1, female = 0), age (under 30 = 1, between 31 and 40 = 2, between 41 and 50 = 3, between 51 – 60 = 4, over 60 = 5), education level (Intermediate = 1, Bachelor's degree or equivalent = 2, Master's degree or above = 3), foreign educational experience (experience of education abroad = 1, no experience of education abroad = 0), foreign working experience (experience of working abroad = 1, no experience of working abroad = 0), and their experience of relevant industry (experience of relevant industry = 1, no experience of relevant industry = 0) and other industry (experience of other industry = 1, no experience of other industry = 0), which may be correlated with their narcissistic tendencies and exert influence on internationalisation decisions (Cui et al., 2013). Second, we controlled for firm size, type of industry and firm-performance variables, which may also be important indicators of a firm's international activities at the organisation level (Hilmersson, 2014). Firm size was measured by the total number of employees. To control for industry effects, we drew upon Geringer et al. (2000) and divided the sample firms into five industry groups based on their two-digit SIC codes: Consumer, Transport, Electronics, Industrial Materials, and Chemicals. We controlled for performance-related variables by using firms' total revenue (in \$10,000 US dollars) in 2019 and average growth rate in 2018 and 2019. In addition, considering the context that the market may play a key role in internationalisation decisions (Zucchella et al., 2007), we adopted the

Heritage Foundation's Economic Freedom Index (EFI) of each country in 2019 (www.heritage.org/index) and the equation in Wu and Park's (2019) study to calculate the institutional complexity. The formula is specified as follows: $ID_i = [\sum (EF_{ij} - \overline{EF})^2]^{0.5}$.

2.4.1.3 Common method bias

We took three steps to alleviate the concern of CMV in our study. First, multiple sources can provide more persuasive and effective information, allowing researchers to reduce or avoid potential CMV (Podsakoff et al., 2003, 2012). In this study, we combined multiple data sources from owner CEOs, manufacturing directors, firms' business licences and sales reports for our variables. Second, we followed the suggestions of Podsakoff et al. (2012) to strengthen the empirical results by decreasing the level of social desirability bias. Specifically, to obtain honest responses for the surveys, we assured respondents that their personal details, organisational roles, and responses would remain anonymous and be kept confidential. Finally, Harman's single factor test shows that the first factor with an eigenvalue of 4.32 accounted only for 28.13% of the variance. This showed that there was no one factor that was accounting for most of the variance in our results. Finally, we followed the extant studies (e.g., Richardson et al., 2003; Williams and Anderson, 1994) to conduct a post-hoc marker variable test, which involves a comparison of the correlation between a marker variable and the constructs in our model (i.e., owner CEO narcissism and asset-specific investment). Specifically, we first identified a marker variable, the manufacturing director's distrust of others, which is not theoretically related to any constructs in our theoretical model. Using this marker variable, we conducted a chi-square difference test between the base-line model ($\chi^2 = 307.13$, $df = 132$) and the CMV-adjusted model ($\chi^2 = 304.30$, $df = 131$). The results show that there is no significant difference between these two models ($\Delta\chi^2 = 2.83$, $\Delta df = 1$, $p = 0.09$). Overall, we concluded that CMV is not a serious concern in our study.

2.4.2 Phase II – case study

After the survey, multiple case studies were undertaken to provide in-depth findings that would be unavailable in a larger quantitative study. The sample selection sought representation across different product types and firm sizes in exporting SMEs. To keep the same sampling conditions as the survey, we conducted purposeful sampling strategy (Fletcher and Plakoyiannaki, 2011). Table 2.3 presents the key features of the five cases. Prior research has suggested that a CEO narcissistic personality can be observed during their interactions with others (John and Robins, 1994; Zhu and Chen, 2015). Through listening to their recounts of real experiences, narcissistic tendencies of CEOs can be observed indirectly and provide supplementary qualitative data for developing deeper and more managerially relevant insights into the observed relationships between the variables (Zhang et al., 2012).

Table 2.3 Background information of five cases.

	Case A	Case B	Case C	Case D	Case E
Product category	Polyester yarn	Sports equipment	Food additives	Toys and handicrafts	Ceramic tiles
Product customization	Standardized products	Customized products	Customized products	Customized products	Customized products
Number of employees	28	116	90	101	244
Year of establishment (Starting year of internationalisation)	2017	2011	2006	1995	2008
Entry mode	Direct export	Direct export	Direct export	Direct export	Direct & indirect export
Number of markets	10+	100+	20+	30+	80+
Current state of export business	The company has about 25–30% export business in the markets of Egypt and Bangladesh, about 10–15% in Vietnam and Indonesia, and over 10% distributed in the Philippines, Turkey, Spain, Bulgaria, India etc. In total, the company has export business in more than 10 foreign countries.	The company has about 10% export business in some northern European countries, about 15% in some southern European countries, about 10% in some central European countries, about 10% in some western European countries, about 5% in some eastern European countries, about 5% in the United Kingdom, about 10% in the United Arab Emirates, about 5% in Saudi Arabia, about 15% in some southeast Asian countries, and about 15% in some south Asian countries. In total, the company has export business in more than 100 foreign countries.	The company has about 10–15% export business in the United States, Algeria, Vietnam, and New Zealand, about 5–10% in South Korea and some southeast Asian countries, less than 5% in some South American countries and some south Asian countries. In total, the company has export business in more than 20 foreign countries.	The company has about 15–20% export business in some south European countries and some western European countries, about 10–15% in Russia and some south American countries, about 5–10% in some south Asian countries and Saudi Arabia respectively. In total, the company has export business in more than 30 foreign countries.	The company has about 10–15% export business in the United States and some Middle Eastern countries, about 10% in some south and southeast Asian countries and some Middle East countries, about 5% in Australia, Canada, Russia, some Central and South American countries, west, central and south African countries. In total, the company has export business in more than 80 foreign countries.
CEO gender	Male	Male	Male	Female	Male
CEO education	Master	Junior college	High school	Bachelor	Junior college

Five targeted exporting SMEs were accessed over a period of five weeks. We first called the owner CEOs of these SMEs to introduce the project and seek their consent to participate, and then made appointments for the following interviews. The interviews were conducted face to face with the owner CEOs at the company premises, lasting 45 minutes on average. Three researchers participated in each interview to triangulate the findings, thereby reducing potential investigator bias and ensuring the reliability and validity of the interview data in our case studies (Yin, 2003).

2.5 Analysis and Results

2.5.1 Phase I – survey study evidence

2.5.1.1 Measurement model

Table 2.4 shows the descriptive statistics, including the mean (M), standard deviation (SD), variance inflation factor (VIF), and bivariate correlations of each variable. Table 2.4 shows that the correlations between CEO narcissism and spreading market expansion strategy were positive and significant ($\beta = 0.33, p < 0.01$), providing an initial indication of the significant relationship between these two variables. CEO narcissism was also found to significantly correlate to CEO gender ($\beta = 0.18, p < 0.01$), exporting experience ($\beta = 0.16, p < 0.05$), and firm size ($\beta = 0.13, p < 0.05$). This finding was consistent with extant research that males are more narcissistic than females (Ingersoll et al., 2019), and that narcissistic CEOs tend to take charge of larger firms (Cragun et al., 2020). Additionally, evidence suggests that CEOs who are also the entrepreneurial founders tend to have a higher level of narcissism (Engelen et al., 2016). This explained why the mean value of CEO narcissism in our sample was higher than professional CEOs who have employment relationship with the owner of the company. The maximum VIF found within our models was 3.33, well below the commonly used rule of

thumb of 10 (Cohen et al., 2002). This result suggested that multicollinearity was unlikely to significantly bias our results.

We used AMOS to assess the discriminant validity of the variables measured through the questionnaire, including CEO narcissism and asset-specific investments. To check whether our research model fitted, we expected confirmatory factor analysis (CFA) and incremental fit index (IFI) values of close to 1 (Byrne, 2001), and root mean square error of approximation (RMSEA) values of 0.08 or less (DiLalla, 2000). Our results showed $\chi^2 = 185.35$ (df = 64), and $p < 0.00$, with fit indices that suggested acceptable fit to the data (CFA = 0.91; IFI = 0.91; RMSEA = 0.09; standardized root mean square residual (SRMR) = 0.07). Then we compared these results against a single-factor model in which we combined narcissism and asset-specific investments. The results of the alternative model showed $\chi^2 = 732.59$ (df = 65), and $p < 0.00$, with fit indices that suggested, in contrast to our original model, comparatively poor fit to the data (CFA = 0.49; IFI = 0.49; RMSEA = 0.20; SRMR = 0.16).

Table 2.4 Descriptive statistics, VIF, and bivariate correlations (N = 248).

	Variables	M	SD	VIF	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1	MS	0.87	0.56																		
2	CEO Nar	3.80	0.73	1.26	0.33**																
3	AS	3.38	0.97	1.15	−0.11	0.23**															
4	EE	14.60	6.63	3.33	0.04	0.16*	0.12														
5	CEO Gen	0.73	0.45	1.10	0.11	0.18**	0.09	0.06													
6	CEO Age	3.06	0.83	3.07	0.11	0.24**	0.12	0.78**	0.17**												
7	CEO Edu	1.91	0.48	1.19	−0.03	−0.06	0.07	0.09	−0.08	−0.06											
8	CEO FEE	0.07	0.26	1.20	−0.01	0.11	0.12	−0.04	−0.01	−0.06	0.22**										
9	CEO FWE	0.11	0.32	1.13	0.05	0.06	−0.05	0.15*	0.05	0.14*	0.09	0.15*									
10	CEO ERI	0.49	0.5	1.43	0.12	0.03	0.07	0.01	0.07	0.08	0.03	0.22**	0.14*								
11	CEO EOI	0.15	0.36	1.33	−0.15*	−0.15*	0.01	0.03	−0.07	−0.01	0.01	−0.08	0.06	−0.42**							
12	Dummy 1	0.26	0.44	1.15	0.00	0.02	0.08	0.08	−0.04	0.07	0.11	0.01	−0.04	0.09	−0.05						
13	Dummy 2	0.08	0.27	1.13	−0.05	0.06	−0.01	−0.02	0.08	−0.04	0.18**	0.09	0.04	−0.05	−0.00	0.20**					
14	Dummy 3	0.03	0.17	1.07	−0.02	0.07	−0.04	−0.01	−0.01	−0.04	−0.02	−0.05	−0.06	0.08	0.06	−0.10	−0.05				
15	Firm size	113.42	83.18	1.44	0.04	0.13*	0.03	−0.13*	0.03	−0.02	−0.03	−0.02	0.03	−0.10	−0.07	−0.14*	0.08	−0.04			
16	TA	1365.87	2571.74	1.36	0.13*	0.06	0.02	−0.04	0.03	0.09	−0.09	−0.05	0.07	−0.01	0.02	0.07	0.02	−0.04	0.46**		
17	AGR	0.11	0.25	1.45	0.14*	0.05	−0.07	−0.50**	−0.02	−0.39	0.03	0.17**	0.02	0.03	−0.02	−0.01	0.10	0.05	0.09	0.08	
18	IC	113.94	467.40	1.09	0.14*	−0.02	−0.14*	0.04	0.06	−0.02	−0.09	0.03	0.03	0.10	−0.10	0.07	−0.07	−0.04	−0.11	−0.03	−0.05

Note. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. MS = Market expansion strategy; CEO Nar=CEO narcissism; AS = Asset-specific investments; EE = Exporting experience;

CEO Gen = CEO gender; CEO Edu = CEO education; CEO FEE = CEO foreign educational experience; CEO FEW = CEO foreign working experience; CEO ERI = CEO experience of relevant industry; CEO EOI = CEO experience of other industries; TA = Total revenue; AGR = Average growth rate; IC = Institutional complexity.

2.5.1.2 Hypotheses Testing

We tested the proposed theoretical model via the following steps. First, we used mean-centred variables in our analysis to check the interaction effects (Aiken et al., 1991). Second, we set up eight models in total and tested the explanatory power of the variables in each model. This method facilitated the comparison of multiple models and demonstrated the reasonableness of our final research model. Third, we used ordinary least squares (OLS) regression analysis to test the main effects and moderating effects. The results of the regression analysis are shown in Table 2.5.

In model 1, we included 14 control variables and tested their effects on the market expansion strategy. Model 2 included the independent variable (owner CEO narcissism), and the explanatory power of Model 2 increased significantly from 12% to 20% compared to Model 1, revealing owner CEO narcissism to be a positive predictor of market spreading strategy choice ($\beta = 0.24$; $SE = 0.05$, $p < 0.001$). This finding supports Hypothesis 1. Model 3 included a further two moderators (asset-specific investments and exporting experience), which increased the explanatory power from 20% to 23%.

Table 2.5 Results (N = 248).

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
<i>Independent variable</i>								
Owner CEO narcissism		0.24 (0.05)***	0.27 (0.05)***	0.28 (0.05)***	0.27 (0.05)***	0.27 (0.05)***	0.25 (0.05)***	0.26 (0.05)***
<i>Moderator variables</i>								
Asset-specific investments			−0.10 (0.04)**	−0.10 (0.04)**	−0.10 (0.04)**	−0.11 (0.04)**	−0.12 (0.04)**	−0.12 (0.04)**
Exporting experience			0.00 (0.01)	0.00 (0.01)	0.01 (0.01)	0.00 (0.01)	−0.00 (0.01)	−0.00 (0.01)
<i>Interaction terms</i>								
Owner CEO narcissism × Asset-specific investments				−0.11 (0.06)*				−0.10 (0.06)
Owner CEO narcissism × Exporting experience					0.00 (0.01)			0.00 (0.01)
Asset-specific investments × Exporting experience						−0.00 (0.01)		−0.00 (0.01)
Owner CEO narcissism × Asset-specific investments × Exporting experience							0.02 (0.01)*	0.02 (0.01)*
<i>Control variables</i>								
CEO gender	0.08 (0.08)	0.03 (0.08)	0.05 (0.08)	0.06 (0.08)	0.04 (0.08)	0.05 (0.08)	0.04 (0.08)	0.05 (0.08)
CEO age	0.12 (0.05)*	0.06 (0.05)	0.06 (0.07)	0.05 (0.07)	0.06 (0.07)	0.06 (0.07)	0.05 (0.07)	0.04 (0.07)
CEO education	0.03 (0.08)	0.05 (0.07)	0.07 (0.07)	0.07 (0.07)	0.07 (0.07)	0.07 (0.07)	0.07 (0.07)	0.08 (0.07)
CEO foreign educational experience	−0.11 (0.14)	−0.20 (0.14)	−0.16 (0.14)	−0.13 (0.14)	−0.16 (0.14)	−0.16 (0.14)	−0.13 (0.14)	−0.11 (0.14)
CEO foreign working experience	0.03 (0.11)	0.01 (0.11)	−0.02 (0.11)	−0.05 (0.11)	−0.02 (0.11)	−0.02 (0.11)	−0.03 (0.11)	−0.05 (0.11)
CEO experience of relevant industry	0.04 (0.08)	0.08 (0.08)	0.10 (0.08)	0.09 (0.08)	0.10 (0.08)	0.10 (0.08)	0.10 (0.08)	0.09 (0.08)
CEO experience of other industries	−0.18 (0.11)	−0.10 (0.11)	−0.07 (0.10)	−0.06 (0.10)	−0.07 (0.10)	−0.07 (0.10)	−0.08 (0.10)	−0.07 (0.10)
Dummy 1	−0.03 (0.08)	−0.05 (0.08)	−0.03 (0.08)	−0.02 (0.08)	−0.03 (0.08)	−0.03 (0.08)	−0.07 (0.08)	−0.05 (0.08)
Dummy 2	−0.12 (0.13)	−0.14 (0.13)	−0.16 (0.13)	−0.13 (0.13)	−0.17 (0.13)	−0.16 (0.13)	−0.14 (0.13)	−0.11 (0.13)
Dummy 3	−0.06 (0.21)	−0.18 (0.20)	−0.21 (0.20)	−0.21 (0.20)	−0.21 (0.20)	−0.21 (0.20)	−0.23 (0.20)	−0.22 (0.20)
Firm size	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Total revenue	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)*	0.00 (0.00)	0.00 (0.00)*	0.00 (0.00)*	0.00 (0.00)*	0.00 (0.00)
Average growth rate	0.48 (0.15)**	0.39 (0.15)**	0.35 (0.15)*	0.31 (0.15)*	0.36 (0.16)*	0.36 (0.15)*	0.32 (0.15)*	0.30 (0.15)*
Institutional complexity	0.00 (0.00)*	0.00 (0.00)*	0.00 (0.00)*	0.00 (0.00)*	0.00 (0.00)*	0.00 (0.00)	0.00 (0.00)*	0.00 (0.00)*
<i>Reliability</i>								
R square	0.12	0.20	0.23	0.24	0.23	0.23	0.25	0.26
ΔR square	0.12	0.08	0.11	0.12	0.11	0.11	0.13	0.15
F	2.18**	3.78***	3.93***	4.00***	3.71***	3.72***	4.17***	3.80***

Note. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. Standard errors are displayed in parentheses. Unstandardized regression coefficients are shown.

In Models 4–7 we added each interaction item one by one. In Model 4, the interaction effects between CEO narcissism and firms' asset-specific investments showed significant results ($\beta = -0.11$; $SE = 0.06$, $p < 0.05$), in support of Hypothesis 2, and the explanatory power increased from 23% to 24% compared to Model 3. However, the interaction items in Model 5 and Model 6, depicting firms' exporting experience in combination with owner CEO narcissism and firms' asset-specific investments, showed insignificant results and no change in explanatory power (23%) compared to Model 3. In Model 7, we added a three-way interaction item to test Hypothesis 3, which resulted in an increase of the explanatory power of our model from 23% to 25%. The three-way interaction showed a significant impact on the choice of market expansion strategy ($\beta = 0.02$; $SE = 0.01$, $p < 0.05$), supporting Hypothesis 3. Finally, we included all variables and interaction items in Model 8. The three-way interaction ($\beta = 0.02$, $SE = 0.01$, $p < 0.05$) was significant, and the explanatory power increased to 26%.

In order to illustrate the significant interaction effects more clearly, we followed Dawson and Richter's (2006) recommendations and plotted the two- and three-way interactions graphically, as shown in Figure 2.2 and Figure 2.3, respectively. As Figure 2.2 shows, the relationship between CEO narcissism and choice of a market spreading strategy was stronger in firms with low levels of asset-specific investments than in firms with high levels of asset-specific investments.

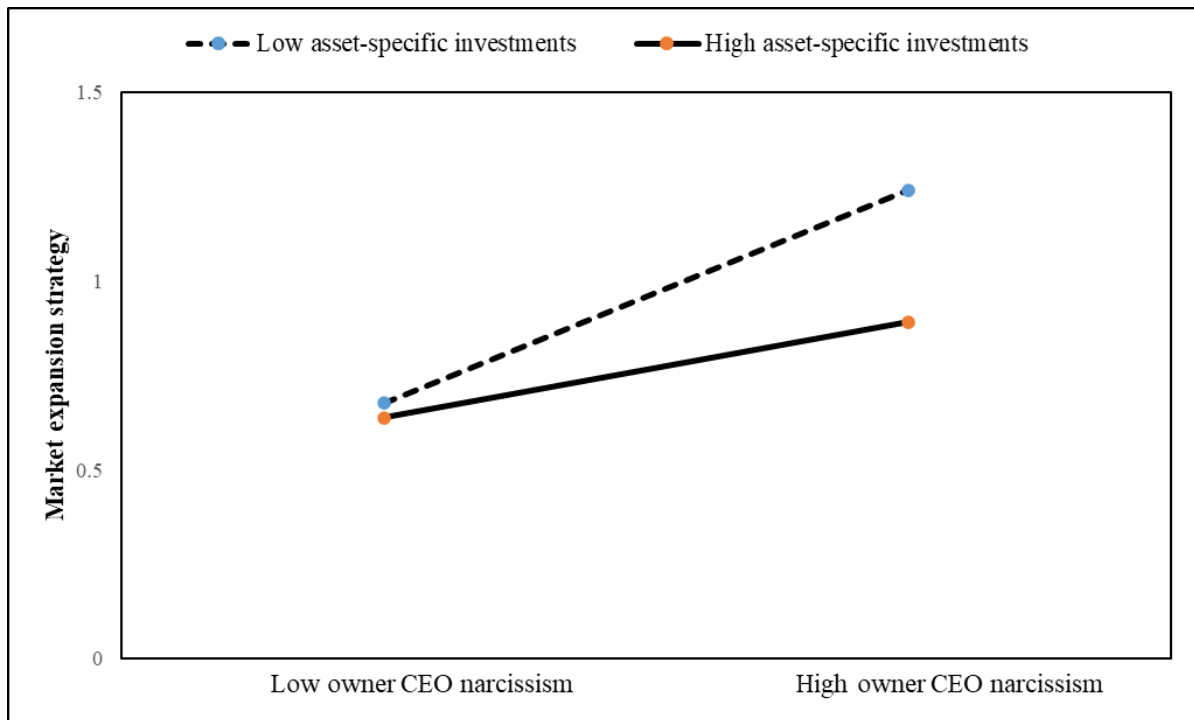


Figure 2.2 Relationship between asset-specific investments and owner CEO narcissism.

Figure 2.3 shows the three-way interactions in order to predict the probability of firms choosing a market expansion strategy (y-axis) at various levels of CEO narcissism (x-axis). In this figure, the four possible combinations of moderators (high/low asset-specific investments and high/low exporting experience) are taken into account (compare Thanos et al., 2017). All four plots slope upwards, providing evidence that CEO narcissism has a positive effect on the choice of a market spreading strategy in all the combinations of high and low levels of asset-specific investments and exporting experience. Specifically, for firms with low levels of asset-specific investments (lines 3 and 4), it seems that CEO narcissism exerts a greater impact on the choice of a market spreading strategy than for firms with high levels of asset-specific investments (lines 1 and 2).

Furthermore, following slope difference tests (Dawson and Richter, 2006), the slope differences for firms with high exporting experience (lines 1 and 3, slope difference value = 0.07) was smaller than for firms with low exporting experience (lines 2 and 4, slope difference

value = 0.46), corroborating the statistical results. This result confirms that the moderating effects of asset-specific investments are stronger for firms with less exporting experience. Furthermore, we find that line 2 has the lowest slope (slope value = 0.03), which means that the positive relationship between owner CEO narcissism and the market spreading strategy will be weakest for a firm with a high level of asset-specific investments and a low level of exporting experience. In addition, we find that line 4 has the highest slope (slope value = 0.49), which means that the positive relationship between owner CEO narcissism and the market spreading strategy will be strongest for a firm with a low level of asset-specific investments and a low level of exporting experience. All the results shown in Figure 2.3 support Hypothesis 3a and 3b.

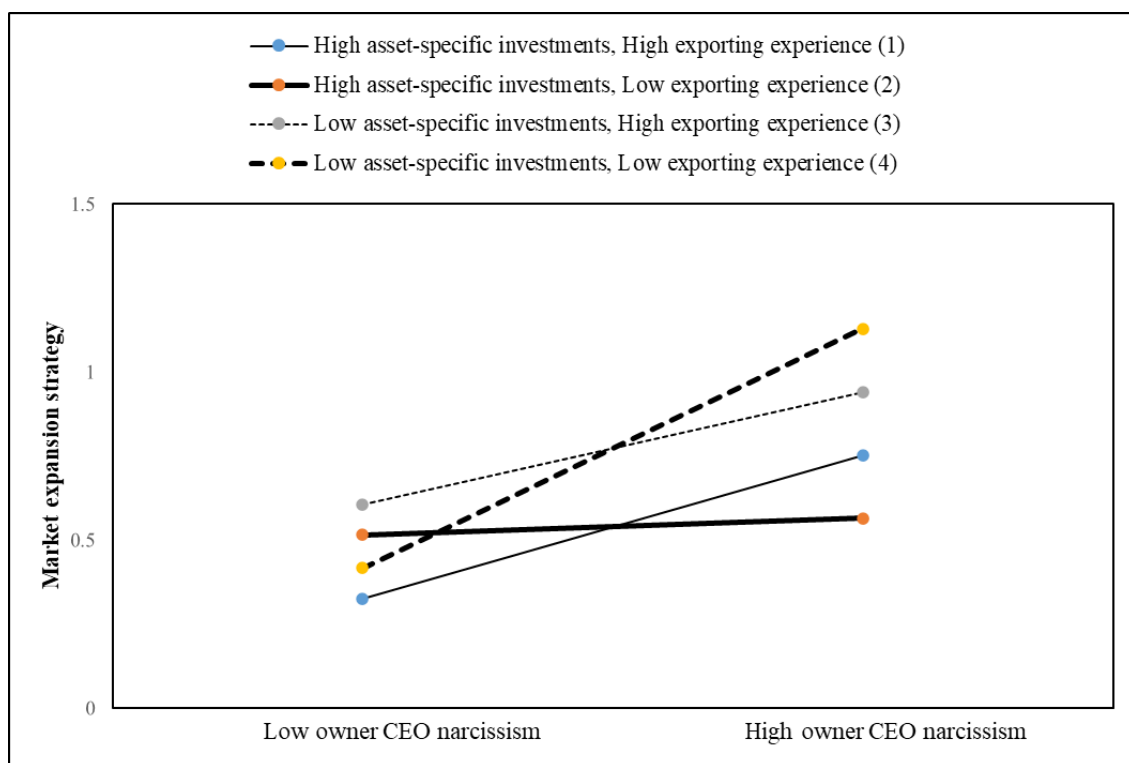


Figure 2.3 Three-way relationships between asset-specific investments, exporting experience, and owner CEO narcissism.

2.5.1.3 Additional analysis

To avoid interference and potentially misleading findings caused by control variables, we followed Becker's (2005) suggestion and repeated the analysis without control variables. The findings were similar in terms of the main positive effect of CEO narcissism on the choice of a market spreading strategy ($\beta = 0.28$, $SE = 0.05$, $p < 0.001$), the two-way interaction effects between CEO narcissism and asset-specific investments ($\beta = -0.12$, $SE = 0.05$, $p < 0.05$), and the three-way interaction effects ($\beta = 0.02$, $SE = 0.01$, $p < 0.05$).

2.5.2 Phase II – qualitative evidence

The presentation of our case data was guided by our research questions. In Table 2.6, we provide a thematic summary of the most representative quotations from the interviews. We first found that the key narcissistic traits, including: 1) a strong desire to reinforce their superiority and seek attention; 2) an inflated self-view of their ability; and 3) high risk-taking, were associated with their firm's strategic choice of market expansion. Due to inflated positive assessment of themselves and their businesses in the global market, these CEOs were ambitious to expand into foreign markets regardless of the risks. Second, the interview data revealed that four companies (Cases B, C, D, and E) have customized resource investments to meet customers' specific requirements, while the other company (Case A) has standardized products. The owner CEOs in the former four cases indicated that perceived costs due to customized investments restricted the impact of their narcissism on strategic decision-making for expansion. In addition, they acknowledged that the constrained circumstances became less influential with the accumulation of their companies' exporting experience.

Table 2.6 Representative quotations from five case studies.

Studied Variables	Expected Outcomes	Case A	Case B	Case C	Case D	Case E
Narcissism and market expansion strategy	<ul style="list-style-type: none"> Strong desire to reinforce their superiority and seek attention 	<p>"I have high-quality products and a better price in comparison to others, why not choose me? I can provide support for the approval procedure because of my experience and relationships."</p>	<p>"We have the best products and best sales."</p>	<p>"Our food additives are made of pure natural materials, better than those of most of our competitors. I hope more people will notice us and that my products can reach each corner of the world."</p>	<p>"There are so many foreign markets in the world. I expect their interest in me and my products. I like to attend exhibitions. Last year, I was interviewed by a TV station. In the interview, I said that I will not miss any chance."</p>	<p>"I can think ahead and see beyond what everyone else is seeing. I certainly expect that we can sell our products to as many countries as possible."</p>
	<ul style="list-style-type: none"> Inflated view of their own ability 	<p>"It is not hard for me to have business with customers from different markets. I should have reached more markets by now."</p>	<p>"All markets are accessible if I want to."</p>	<p>"I don't set any limitations about which markets are good to enter and which are bad. I can do business with anyone who is interested in my products."</p>	<p>"I think I'm a person who is good at selling myself and my products."</p>	<p>"I have been doing it for longer – 12 years. I've seen it come and go, change and morph, so I know that this is what I am good at."</p>
	<ul style="list-style-type: none"> High risk-taking 	<p>"Of course, there are potential risks. There is no business without risks. People who cannot take a risk are better off working for others."</p>	<p>"I believe all risks are under control."</p>	<p>"It is normal to face risks. I can handle them all."</p>	<p>"Having risks is not bad. I feel it makes me excited."</p>	<p>"I know high returns and high risks. This is normal. I cannot stop developing my business because of the potential risks.</p>

(continued)

Studied Variables	Expected Outcomes	Case A	Case B	Case C	Case D	Case E
Asset-specific investments	<ul style="list-style-type: none"> Costs due to customized investments create a constrained situation and restrict the impact of narcissism on strategic expansion decision-making 	<p>“We are exporting raw material products. Customers buy our products and process them into cloth themselves for export to other countries. I believe our raw materials are involved in standardized products. We have no costs in addition to production. Therefore, I don’t feel any constraint. I am intending to make my company stronger and bigger. I just want to take advantage of the current opportunity to explore more markets.”</p>	<p>“Customers are always right. Our company has invested a lot of resources into customized products. Although I know we are the best, I have to acknowledge the influence of resource investments in product customization. This has demotivated me somewhat.”</p>	<p>“The customized investments to satisfy customers are necessary. Otherwise, I would not do business. As for the constraining factors, I have to say these are from customized investments. It is very troublesome. Even though I believe I can handle them, I have to consider their influence when making strategic decisions.”</p>	<p>“We are selling customized products. Providing a customized service can make us more attractive in more different markets. But, simultaneously, it diverts my attention and energy. For example, some western countries have a lot of special requirements and limitations that increase costs. Of course, I know I can cover the costs, but I cannot ignore the restriction arising from the costs.”</p>	<p>“Customized products have a better price. They can satisfy the special requirements of different customers and have a high stickiness for our company. But they also have disadvantages, in that we are distracted by existing markets. In spite of my confidence in further development of our exporting business, such constraints have impeded the realization of my vision.”</p>
Exporting experience	<ul style="list-style-type: none"> Exporting experience can alleviate the perceived constraints due to asset-specific investments 	<p>“Of course, the accumulation of experience can help. But until now I feel little constraint around us, and we are only three years old, so it's fine.”</p>	<p>“With increasing experience, the influence of the constraining factor we talked about just now is perceived to be less.”</p>	<p>“When we obtained more exporting experience, things turned out to be fine. Now I'm familiar with the skills of bargaining and coordinating with customers.”</p>	<p>“Having more experience, I know how to figure out some troublesome customers and their tough requirements. The constraints become less and less.”</p>	<p>“Experience certainly can help. The extent of the constraints that I now perceive is lower than before.”</p>

Note. Keywords of the quotations are highlighted in bold.

The representative quotes from the case studies in Table 2.6 collectively provided supporting evidence for our theoretical model and the findings of the survey. The results from our mixed-method study increased our confidence in the data and findings (Sharma et al., 2018; Yang et al., 2020) and significantly improved the external validity of the findings (Zhang et al., 2012).

2.6 Discussion and Conclusions

2.6.1 Theoretical implications

This paper makes several theoretical contributions. First, this paper contributes to an emerging but still limited literature on upper echelons research that considers the driving forces of strategic decision-making from the lens of owner CEO narcissism (Chatterjee and Pollock, 2017; Cragun et al., 2020; Gerstner et al., 2013). Specifically, by providing empirical evidence for the link of owner CEO narcissism and exporting SMEs' tendency of market spreading strategy, we extended the important but under-researched area of the research on CEO narcissism in IB context (Agnihotri and Bhattacharya, 2019; Fung et al., 2019; Huang et al., 2019; Oestele et al., 2016).

Second, we answer the call to incorporate TAT to examine contingent factors that may activate or constrain the manifestation of narcissistic owner CEOs' behaviours (Cragun et al., 2020). While most research emphasizes the understanding of the narcissistic behaviour triggers (e.g., Amernic and Craig, 2010; Chatterjee and Hambrick, 2011; Petrenko et al., 2016), we followed Maccoby's (2003, 2007) research to identify the role of asset-specific investments as the constraining situational factor of narcissistic behaviours based on TAT. The findings of the moderating effects also advance the extant research on narcissism and asset-specific investments. Further, contrary to the assertion that narcissists are less likely to be influenced by the external situational risks (e.g., Patel and Cooper, 2014), we show that owner CEOs with

a similarly high level of narcissism may approach different levels of market spreading in the international market due to their firm-level asset specific investments. Thus, the knowledge of firm-specific situations can improve our understanding of how CEO narcissism affects their decision-making in internationalisation. A more likely scenario is that narcissist CEOs' sense of self-importance leads them to seek out situations in which they can dominate (Hogan et al., 1990). In addition, by treating asset-specific investment as a situational cue that moderates the impact of owner CEOs' narcissism on their firms' export decisions, the paper goes beyond most prior IB research on asset specificity centered on the direct relationship between asset specificity and firms' international decision-making (Maekelburger et al., 2012).

Third, we tested firm-level exporting experience as a second moderator that can weaken the perceived risks associated with transaction costs due to asset-specific investments. Consistent with the previous studies (e.g., Delios and Henisz, 2000; Maekelburger et al., 2012), our findings confirmed that inexperienced firms are significantly more vulnerable to the risks and uncertainties of asset specificity than experienced firms. We further expand this knowledge by introducing the joint effects of asset-specific investments and exporting experience, thereby offering more comprehensive findings on the influence of owner CEO narcissism in the IB context.

Finally, we answered the increasing call for micro-foundations-based research in IB by considering the owner CEO as a key micro-foundation of IB strategy (Contractor et al., 2019; Chittoor et al., 2019). First, while past evidence has suggested that owner CEOs exhibit a higher level of narcissism than professional CEOs (Engelen et al., 2016), we further explored how owner CEO narcissism influenced the market spreading strategy in an IB context. Second, our findings supported the idea that a micro-foundations-based approach to IB and strategy research will be counterproductive if it disregards contextual factors. Further, a meaningful micro-foundations-based explanation of IB decisions should recognize that decisions are

shaped by contexts as well as individuals (Foss and Pedersen, 2019). Previous research on CEO narcissism has recognized that the influence of individual personalities can be constrained by situational and environmental factors (Amernic and Craig, 2010; Gamache et al., 2015). Therefore, we developed a three-way interaction model to uncover how the micro-level influence of owner CEO narcissism could be better explained through a simultaneous analysis of firm-level situational cues, demonstrating that organisational context is a meaningful explanatory factor in a micro-foundations-based approach to IB (Foss and Pedersen, 2019).

2.6.2 Practical implications

The study has several practical implications. First, the study helps owner CEOs of exporting SMEs to understand how their personality may influence their firms' decisions. We suggest that owner CEOs conduct a self-evaluation of their narcissistic tendencies, such as by using the survey we used for this research. For narcissistic CEOs, understanding the impact of their own personality on their decision-making may temper their potential for impulsive decision-making and help them avoid costly consequences (Braun, 2017). With a better understanding of the impact of their own narcissistic personality, CEOs can take into account the potential risks associated with meeting the needs and requirements of customers who are dispersed in global markets (Katsikea et al., 2005). Less narcissistic CEOs, meanwhile, can benefit from a better understanding of why some rival firms adopt a riskier market spreading strategy, even when they do not seem to possess the necessary experience and skills. A greater understanding of what drives narcissistic rivals can reduce the possibility of mistakenly following their strategy when an alternative market expansion strategy might be more suitable.

Second, the moderating effects of firm-level asset-specific investments and exporting experience revealed the importance of the investment and experience profiles of exporting firms in alleviating the perceived transaction costs that may be incurred through developing

contractual relationships with many overseas buyers in different countries. With a good understanding of the potential organisational constraints on their own influence, CEOs can purposely manipulate the levels of asset-specific investments that they commit to their exporting businesses to pursue the strategy they desire.

It should be noted that the existing literature has not found a conclusive link between market expansion strategy and export performance (Katsikea et al., 2005). However, it has been suggested that a market spreading strategy can offer long-term benefits to exporting SMEs, because this strategy may afford the knowledge and experience needed to develop competency at exporting products to dispersed overseas markets. At the same time, market spreading can also help SMEs to identify more business opportunities and further exploit existing resources in a wider range markets, facilitating higher levels of profitability (Katsikea et al., 2005; Lee and Yang, 1990). Therefore, we suggest that if owner CEOs can gain an enhanced understanding of the impact of their personality on their decisions, this knowledge may help them better implement their chosen strategy and, as a result, improve firm performance.

2.6.3 Limitations and future research

Several limitations of this study point to the need and opportunities for future research. First, as noted earlier, choosing Chinese SMEs as our sample provided a “conservative” test for our theory and hypotheses (Fung et al., 2020). Studies using a single-country sample, however, always raise questions about the generalizability of their findings. Accordingly, our account of the role of owner CEO narcissism in firms’ export strategy choice will benefit from more research using samples from other countries.

Second, we used a relatively short measure of CEO narcissism: nine items of Jones and Paulhus’ (2014) SD3 instead of other longer measures (e.g., Ames et al., 2006; Raskin and Hall, 1979) to ensure the validity due to its good psychometric properties and also to avoid reluctance

in completing longer or more intrusive measures of narcissism. However, we acknowledged that the brevity of nine-item measures may limit their predictive power compared to other lengthier measures. As an alternative, the NPI measure is an option for future research.

Third, we measured asset-specific investments in terms of the degree to which an exporter's resource commitments in four main areas (products, equipment, labour skills, and business processes) were tailored to a particular business relationship rather than a particular type of export product. Although it is common to assess asset-specificity at level four of the Standard Industry Classification (SIC), such as the clothing and furniture industries in which our sample firms were involved, the level of asset-specific investments required may differ further depending on the specific types of clothing or furniture products. Future research could develop more fine-tuned measurements for asset-specific investments based on a narrower classification of product categories and taking different exporting stages into account.

Fourth, the measure of firms' exporting experience was based on the single indicator of the firm-level length of such experience from the sample firms' inception. However, the accumulated length of exporting experience may differ depending on each firm's export relationship with each foreign customer. Future attempts should be made to develop improved measures of exporting experience, such as collecting time series data based on a longitudinal observation, to enhance the power of empirical findings.

Fifth, the study focused on the impact of CEO narcissism on export market expansion strategies. We did not include the influence of other potential factors on export strategy choice, such as market saturation (Cui and Jiang, 2010), industry competition (Cui and Jiang, 2009, 2012), institutional environment (Hu et al., 2019), or organisational performance (Cui and Xu, 2019). Future studies that consider both CEO narcissism and other potential factors will advance our understanding of the relative weight of the influence of narcissism in firms' export decision making.

Finally, although much care was taken in the collection of data from multiple sources, multiple phases, and multiple studies in a mixed method design, we acknowledge that our three-way interactions model poses a challenge to replicate. Future research intending to test the complex interactions in this study will need a larger sample size. Despite the limitations, the study has generated some new theoretical and practical insights into the influence of owner CEO narcissism on SME export market expansion strategy and opens avenues for future research in this area.

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Chapter 3 (Study 2)

Owner CEO Narcissism, International Entrepreneurial Orientation, and Post-Entry Speed of Internationalisation: An Empirical Study of Exporting SMEs from China

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Abstract

This study explores the impact of owner chief executive officers' (CEO) narcissism on small-to-medium sized enterprises' (SMEs) international market expansion speed after their initial entry. Specifically, we examine how owner CEO narcissism may influence SMEs' post-entry speed of internationalisation (PSI) directly and indirectly through the mechanism of firms' international entrepreneurial orientation (IEO). To test our hypotheses, we draw on data from a two-step questionnaire as well as archival export data from 291 Chinese exporting SMEs in three municipalities and 17 provinces, during the period of 2019–2020. The results support our theoretical predictions that owner CEO narcissism shapes exporting SMEs' decisions on PSI, both directly and indirectly, through the mediation of firm-level IEO. The study extends emerging research on the role of owner CEO narcissism in upper echelons literature into the international marketing (IM) context. It also offers new insights into what drives exporting SMEs' international decision makings from microfoundations' perspective. Furthermore, we include IEO as a mediator to complement the existing literature's focus on the direct influence of CEO narcissism on firms' internationalisation decisions.

Keywords: Owner CEO narcissism, China, export market, international entrepreneurial orientation, international marketing, SMEs, post-entry speed of internationalisation.

3.1 Introduction

Building on the upper echelons theory (Hambrick and Mason, 1984), scholars have recognised narcissism as a fundamental personality trait prevalent among chief executive officers (CEOs), which plays a decisive role in a firm's strategic decision-making process (Chatterjee and Hambrick, 2007, 2011; Chatterjee and Pollock, 2017; Cragun et al., 2020; Gerstner et al., 2013). Highly narcissistic CEOs refer to those who have inflated self-views and who are preoccupied with having those self-views continuously reinforced (Chatterjee and Hambrick, 2007). They tend to engage in behaviours and make decisions with high risk-taking propensity to garner attention and admiration (Chatterjee and Pollock, 2017).

Considering the evidence of the link between CEO narcissism and risky decision-making, scholars have recently started to examine the influence of CEO narcissism on pro-internationalisation decisions (Oesterle et al., 2016), which involve a higher degree of complexity, risks, and threats than decisions relating to domestic business expansion (Souchon et al., 2016). Empirical evidence suggest that CEO narcissism affects a range of a firm's international business (IB) activities, such as growth of the degree of internationalisation (DOI; Agnihotri and Bhattacharya, 2019; Oesterle et al., 2016), pace of internationalisation (Huang et al., 2019), outward foreign direct investment (OFDI; Fung et al., 2019), and foreign-market location choice (Huang et al., 2019).

However, extant research has examined the effect of business leaders' narcissistic tendencies in IB context based on panel data from large-size or publicly listed corporations (Agnihotri and Bhattacharya, 2019). Limited attention has been paid to small-to-medium sized enterprises (SMEs) that are run by owner CEOs who exert absolute power over their firms' decision-making (Coviello and McAuley, 1999). This is surprising given that owner CEOs of such privately owned SMEs tend to exhibit higher levels of narcissism (Engelen et al., 2016). Moreover, SMEs often take exporting as the first step of internationalisation and continue their

participation in IB through exporting only (Zhang et al., 2016). By focusing on exporting SMEs, we extend the knowledge of the role of CEO narcissism from large firms' international marketing (IM) decisions (Agnihotri and Bhattacharya, 2019; Oesterle et al., 2016) to SMEs.

Among all IM-related decisions, the speed of internationalisation is a key issue that SMEs must face (Kuivalainen et al., 2012). Speed of internationalisation is often the most important competitive weapon for SME internationalisation (Musteen et al., 2010; Pla-Barber and Escribá-Esteve, 2006). It is one of the most important decisions for SME internationalisation and has received increasing attention in IM literature (Zahoor and Al-Tabbaa, 2020). A distinction needs to be made, however, between initial-entry speed of internationalisation and post-entry speed of internationalisation (PSI; Prashantham and Young, 2011). In comparison to the initial-entry internationalisation speed, PSI, which is defined as firms' average pace of international market expansion once they initiate activities abroad (Prashantham and Young, 2011), has received significantly less attention in the empirical literature until recently (Hsieh et al., 2019).

PSI is important because recent research demonstrates that PSI has significant impact on various SMEs' outcomes (Ibeh et al., 2018), including internationalising success (Chetty et al., 2014) and export performance (Hilmersson and Johanson, 2016; Sadeghi et al., 2018). There are also a few conceptual and empirical studies exploring what determines PSI, such as market-specific knowledge (Zahoor and Al-Tabbaa, 2020) and network building (Prashantham et al., 2019). But the extant studies on the antecedents of SMEs' PSI focus on firm-level factors with limited attention to individual-level factors (Li et al., 2015). Recently, strategy scholars have pointed out the importance of the owner CEOs in SMEs' internationalisation based on the microfoundations' perspective (Chittoor et al., 2019). While rapid internationalisation involves high risks, it also attracts global attention catering to the narcissistic needs of CEOs (Wallace

and Baumeister, 2002). Therefore, we raise our first question: *to what extent does owner CEO narcissism influence exporting SMEs' PSI.*

In the meantime, existing literature acknowledges that CEO narcissism alone is not sufficient to fully account for firm decisions; rather, individual-level personality traits must be translated into firm-level strategic behaviours for them to influence organisation decisions (Nemkova et al., 2012; Wales et al., 2013). In this research, we identify international entrepreneurial orientation (IEO) as the firm-level mechanism placed between owner CEO narcissism and exporting SMEs' PSI. IEO, defined as “a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organisations” (McDougall and Oviatt, 2000, p. 903), is often promoted by CEOs within the organisation to stimulate their firms' rapid growth in foreign markets (Hoskisson et al., 2011).

Commonly regarded as a firm-level phenomenon (Covin and Miller, 2014), IEO is heavily influenced by a firm's owner CEO who can play a significant role in encouraging his or her firm to adopt proactive and innovative methods and engage in risk-taking activities aimed at identifying and capturing opportunities in the foreign markets (Sundqvist et al., 2012; Zhang et al., 2012, 2016). This is particularly likely to happen in exporting SMEs, where owner CEOs have a decisive role in decision-making processes related to exports (Chittoor et al., 2019). We argue that SMEs with narcissistic CEOs are more likely to be innovative, risk-taking and proactive in seeking export opportunities, thus influencing PSI to a greater degree than SMEs with less narcissistic CEOs. Our second research question therefore concerns *how IEO might mediate the relationship between owner CEO narcissism and exporting SMEs' PSI.*

To address the above research questions, we develop a theoretical framework by connecting the upper echelons research on CEO narcissism with IM literature. We test the theoretical framework using a unique dataset of 291 Chinese exporting SMEs from two-wave surveys by both online and on-site collection, and archival data of sample firms' annual sales

report. We find empirical support for our hypotheses that CEO narcissism has a direct effect on exporting SMEs' PSI and that the mediating effects of IEO of the firm is significant.

Our study makes three contributions to the relevant literature. First, we extend the upper echelons research on CEO narcissism to investigate the impact of an owner CEO's narcissistic personality on SMEs' IM strategies. Second, this study provides empirical evidence to the microfoundation literature's assertion that owner CEOs and their personality traits have explanatory power in understanding SMEs' internationalisation decisions. Third, by introducing IEO as a mediator between owner CEO narcissism and a SME's PSI, our research complements the existing literature's focus on the direct influence of CEO narcissism on firms' internationalisation decisions.

3.2 Literature Review

3.2.1 CEO narcissism in IB context

Hambrick and Mason (1984) introduced UET to highlight the significant role top executives play in firms' strategic decisions and outcomes. Since then, scholars have been seeking a variety of theoretical applications of UET to explore whether and how corporate executives' characteristics influence firms' strategic decisions and outcomes (Carpenter et al., 2004; Hambrick, 2007). The initial emphasis was on executives' demographic characteristics, such as age, tenure, functional background, education, and financial status (Wiersema and Bantel, 1992). Later, more complex psychological characteristics were incorporated into this line of research, which by and large confirmed the importance of executives' personal characteristics to decision-making (Chatterjee and Hambrick, 2007; Hambrick, 2007). More recently, based upon UET, narcissism – a common personality trait in CEOs – has been recognized as an important impetus to a range of organisational behaviours (Cragun et al., 2020). CEO narcissism has been found to have a significant influence on acquisitions and

capital expenditures (Chatterjee and Hambrick, 2011), mergers and acquisitions (Aktas et al., 2016), innovation outcomes (Kashmiri et al., 2017), investments in discontinuous technology (Gerstner et al., 2013), and volatility in firm performance (Wales et al., 2013).

Built upon upper echelons research on CEO narcissism, a few IB scholars have started to incorporate CEO narcissism as one of the important explanatory variables for strategic decisions for international operations (Fung et al., 2019; Oesterle et al., 2016). To our knowledge, only four recent studies (see Table 3.1) have investigated how CEO narcissism affects firms' strategic behaviours in foreign markets. Oesterle et al. (2016) used panel data from 31 largest German manufacturing companies and found CEO narcissism as a driver of the growth of a company's DOI, but this was not related to the foreign sales growth in psychologically distant markets. Based on data from 218 publicly listed firms in India, Agnihotri and Bhattacharya (2019) showed that firms with narcissistic CEOs experience higher growth in their DOI. Fung et al. (2019) found that firms with narcissistic leaders engage in more OFDI activities based on a database of all listed Chinese firms and their foreign subsidiaries. Focusing on listed construction firms in China, Huang et al. (2019) demonstrated that narcissism of board members had a positive impact on their firms' rapid growth in international markets and increasing foreign sales. Consistent with the predictions of upper echelons theory, these empirical IB studies show that due to their inflated views of themselves, narcissistic CEOs are more likely to overestimate the benefits and underestimate the costs of their IB decisions, and in many cases, are apt to use their IB expansion to satisfy their own desires and preferences (Gerstner et al., 2013).

Table 3.1 Empirical studies on CEO narcissism in IB context.

Study	Conceptualization of Narcissism	Theory	Predictors	Mediators	Moderators	Outcomes	Empirical settings	Empirical Findings
Oesterle et al., 2016	Narcissistic individuals show absolute self-confidence, excessive self-admiration, intense need for power and prestige, strive after positions of authority and leadership.	Upper echelons theory	CEO narcissism	/	/	Firm's internationalisation: 1) Growth of the DOI; 2) Growth of the share of foreign sales in markets with high psychic distance;	31 largest German manufacturing companies recorded in the WELT 500 list	CEO narcissism has been found as a driver of the growth of a company's DOI but has not been identified as a predictor to the growth of foreign sales in psychologically distant markets.
Agnihotri and Bhattacharya, 2019	Narcissistic individuals are largely driven by self-interest, overconfidence, and high-risk propensity.	Upper echelons theory	CEO narcissism	/	1) CEO power; 2) CEO celebrity status;	Firm's growth in DOI	218 A and B publicly traded firms listed on Bombay Stock Exchange, India	Firms with narcissistic CEOs experience higher growth in their DOI, and this relationship becomes stronger when a CEO achieves celebrity status or gains power in the organisation.
Fung et al., 2019	Narcissism reflects a collection of psychological attributes including overconfidence, feelings of personal superiority and entitlement, a desire for power and admiration, as well as willingness to manipulate others for personal gains.	Upper echelons theory	Leader narcissism	/	1) State ownership; 2) Political connections;	Firms' OFDI	2, 985 Chinese firms listed on the Shanghai and Shenzhen Stock Exchanges and their foreign subsidiaries	Firms with narcissistic leaders engage in more OFDI activities and state ownership and political connections enhance the positive relationship between leader narcissism and firm-level OFDI.

(to be continued)

Study	Conceptualization of Narcissism	Theory	Predictors	Mediators	Moderators	Outcomes	Empirical settings	Empirical Findings
Huang et al., 2019	Narcissism has multiple manifestations, including self-admiration, self-aggrandizement, and the tendency to see others as self-extensions.	Upper echelons theory;	Leader narcissism	/	1) Overseas listing; 2) Anticorruption;	1) Pace of internationalisation; 2) Foreign-market location choices;	91 listed construction firms covering infrastructure construction industries such as construction, transportation, environment, and electricity.	Narcissistic leaders cause high levels of growth in international markets and increasing foreign sales, while overseas listing and anticorruption has no effects on the relationship between them. Meanwhile, narcissistic leaders prefer to entering markets in developing countries, while overseas listing and strong anticorruption in home country reduce the relationship between them.

A review of the emerging, but limited, research on the role of CEO narcissism in firms' international expansion decisions also identifies some research gaps. First, existing research has exclusively focused on large firms or publicly listed companies operated by professional CEOs, neglecting privately owned exporting SMEs operated by owner CEOs. Due to owner CEOs' unlimited power in privately-owned SMEs (Zhang et al., 2016), decisions of such SMEs are more likely to reflect the impact of CEO personality. In particular, narcissists are more inclined to start their own firms (Engelen et al., 2016; Navis and Ozbek, 2016), narcissistic tendencies of owner CEOs are more pronounced and easily observable.

Second, the existing literature examining the impact of CEO narcissism on large firms' pro-internationalisation decisions, including OFDI-related (e.g., Fung et al., 2019; Huang et al., 2019) and IM-related operations (e.g., Agnihotri and Bhattacharya, 2019; Oesterle et al., 2016). For SMEs, exporting is often not only the first step of their internationalisation but also the main or only mode of their participation in IB (Zhang et al., 2016). Therefore, focusing on exporting SMEs, we not only can help to extend the knowledge of the role of CEO narcissism to the area of IM but also contribute to a new angle to examine SME internationalisation.

Third, due to the challenges in directly measuring CEO narcissism, scholars have heavily relied on panel data from public database (Huang et al., 2019). However, using narcissism index from panel data has two major limitations: one is that the index cannot be directly linked to the multifaceted characteristics of narcissism; the other is that the index could be influenced by other factors outside the CEO's control (Cragun et al., 2020). In this study, we address this deficiency in the current literature by considering psychometrically valid scales as alternative direct measures of CEO narcissism and use multiple-source data to examine the link between CEO narcissism and firms' IM behaviours.

Finally, as existing studies have focused on the direct impact of CEO narcissism on firms' international expansion decisions, there remains a lack of understanding of the potential

mediation mechanisms through which CEO narcissism may exert its influence on firms' international decision-making (Huang et al., 2019). Our study aims to address the above research gaps and examine how narcissistic owner CEOs influence exporting SMEs' decisions on PSI.

3.2.2 IEO

As a scholarly conversation pertaining to entrepreneurial orientation (EO), risk taking, proactiveness, and innovative behaviours have been incorporated into the domain of international entrepreneurship (IE; McDougall and Oviatt, 2000). Risk taking signifies that the firm is willing to pursue opportunities and commit resources even if there is a reasonable risk of a costly failure (Miller and Friesen, 1982; Lumpkin and Dess, 1996). Innovativeness can materialize both in the creation of new resources and search for new ways of combining available resources for particular innovation process outcomes, such as new product introduction (Covin and Miller, 2014; Zahra et al., 1999). Proactiveness refers to firms' propensity to anticipate future market needs and changes in the operating environment, which would enable the firm to take the initiative to seek opportunities and gain first-mover advantages (Jantunen et al., 2005; Lumpkin and Dess, 1996). Due to the additional risks resulting from an unknown general and competitive environment in the international markets (Souchon et al., 2016), entering foreign markets requires an innovative and proactive attitude and willingness to take on controlled risks in firms (Knight and Cavusgil, 2004; Ripollés-Meliá et al., 2007).

IEO appears to be a different and dynamic approach to explain why companies internationalise and how they can manage the internationalisation process (e.g., Freeman and Cavusgil, 2007; Sundqvist et al., 2012). A substantial number of empirical studies show the importance of IEO and its connection to various organisational outcomes in the IB context. For

example, IEO has been identified as a predictor for exporting firms' product innovation success (Boso et al., 2012), born-global firms' international success and performance (Knight and Cavusgil, 2004; Kuivalainen et al., 2007), international entrepreneurial firms' pace and performance of early internationalisation (Zhou, 2007), family-owned companies' competitive strategy and international performance (Hernández-Perlines et al., 2016), and large multinational corporations' (MNCs) performance (Chen et al., 2020). A few studies have also examined how IEO drives emerging market SMEs' internationalisation (Zhang et al., 2012, 2016). Moreover, typical internationalisation outcomes have also been examined from IEO perspective, including DOI (Ripollés-Meliá et al., 2007), the breadth or scope of internationalisation (Dai et al., 2014), and the speed of internationalisation (Acedo and Jones, 2007). However, the extant empirical findings on IEO and internationalisation speed commonly centre on the speed of the first international market entry and neglect internationalisation activities that occur after the initial market entry (Hsieh et al., 2019). Therefore, our study attempts linking IEO, owner CEO narcissism, and PSI in exporting SMEs' internationalisation process.

3.2.3 PSI

PSI, a part of a firm's international market expansion strategy, has been viewed as a critical issue in the IM and SME literature (Prashantham and Young, 2011; Zahoor and Al-Tabbaa, 2020). Differing from the initial-entry speed, PSI includes the time needed for firms to achieve their current number of foreign markets (Chetty et al., 2014). Since a rapid market expansion requires a balance between organisational resources dispersion and international opportunities seeking, it is a particularly relevant decision for SMEs due to their limited resources and foreign liabilities (Chetty et al., 2014). Thus, it is important to understand the factors that would determine PSI as a growing number of SMEs become international.

Recently, scholars have explored some firm-level driving forces for PSI. For example, Prashantham and Young (2011) proposed theoretical assumptions on the relationship between market knowledge and PSI. Other empirical findings show the importance of network building (Prashantham et al., 2019), foreign market knowledge (Zahoor and Al-Tabbaa, 2020), information and communication technologies as well as diversification and sales channels within the firm (Morgan-Thomas and Jones, 2009) in driving PSI. However, the empirical evidence for antecedents of PSI continues to be limited (Zahoor et al., 2020).

Li et al. (2015) distinguished individual- and firm-level forces driving internationalisation speed, paving the way for studying personal attributes of owner CEOs as a microfoundation for firm internationalisation (Chittoor et al., 2019). Microfoundations-based theory work in strategy focuses on individuals, which could supplement macrolevel explanations and offer alternative explanations in driving strategic decisions and firm-level outcomes (Barney and Felin, 2013). There is now expanding literature that explores various microfoundations for various macro-constructs in large MNCs, while studies that consider microfoundations in the context of SMEs are more limited (Laufs et al., 2016). Due to their lower agency conflicts and unlimited power in decision-making, owner CEOs of SMEs are more likely to display their own propensities in shaping their SMEs' internationalisation paths; their personalities tend to have a strong effect on their SMEs' internationalisation processes (Chittoor et al., 2019; Griffith et al., 2008). Therefore, this study adopts microfoundations' lens to explore the role of owner CEO narcissism in determining exporting SMEs' PSI.

3.3. Hypotheses Development

Based on the extant findings that observe a positive relationship between narcissistic CEOs and firms' development in international markets (e.g., Oesterle et al., 2016), we expect that owner CEO narcissism will have a direct impact on their SMEs' PSI. Nonetheless, there

is limited understanding of how narcissism may manifest itself through firms' strategic behaviours to increase PSI. Considering the important role that EO may play in changing the fate or direction of a company (Hoskinsson et al., 2011), we posit that the tendency of narcissistic owner CEOs to endorse firm-level IEO helps explain why their SMEs experience a higher level of PSI. Further, the decision to accelerate market expansion should match the firms' strategic orientation, which cannot be independent from the founder CEO, who has a unique and crucial role in the organisation's decision-makings, particularly in SMEs (Zucchella et al., 2007). Therefore, the present study proposes a linkage between owner CEO narcissism and firm-level IEO, and specifically questions whether IEO may be a key firm-level mechanism that enables narcissistic owner CEOs to lead their SMEs to experience a higher level of PSI.

3.3.1 Owner CEO narcissism and PSI

The upper echelons theory argues that narcissistic CEOs prefer bold and highly visible initiatives from both motivational and cognitive perspectives (Chatterjee and Hambrick, 2007). We expand this theoretical reasoning to argue that CEO narcissism is positively associated with SMEs' PSI.

First, narcissistic CEOs' desire for power, prestige, and excessive admiration achievement can motivate a high level of PSI (de Vries and Miller, 1985). A better global visibility providing multifaceted opportunities can satisfy narcissistic CEOs' desires to attract public attention and admiration on the global stage as well as to showcase their vision and leadership (Gerstner et al., 2013). Rapid expansion provides narcissistic CEOs with additional benefits, such as global reputation that they can gain, great market power that they can master, and huge amounts of opportunities that they can exploit (Huang et al., 2019). By virtue of

prioritizing self-interest, narcissistic CEOs are more attuned to speedy expansion after the initial entry in order to garner attention and admiration (Morf and Rhodewalt, 2001).

Second, due to their inflated self-views (Cragun et al., 2020), narcissistic CEOs may overestimate their problem-solving abilities and competence, become overconfident about the chance of success, and underestimate the probabilities of failure in rapid expansion (Chatterjee and Hambrick, 2011). They believe that their knowledge and judgement in organising export activities are superior, which encourages them to pursue a high level of PSI. Despite the growing risk exposure with increasing foreign markets, narcissistic CEOs tend to believe that operations on a fast pace are manageable and all challenges can be conquered (Agnihotri and Bhattacharya, 2019). In contrast, less narcissistic CEOs are more likely to objectively calculate risks as well as opportunities, and hence adopt a more careful and judicious approach in assessing the feasibility of export opportunities after the initial foreign entry. Building on the above arguments, we hypothesize the following:

Hypothesis 1. The higher the level of owner CEO narcissism, the higher the level of SMEs' PSI.

3.3.2 Owner CEO narcissism and IEO

Previous research also recognises that CEO personality alone is insufficient to fully explain firms' outcomes and it needs to be translated into specific firm-level strategic behaviours (Nemkova et al., 2012). For example, Wales et al. (2013) proposed that the risk-seeking and admiration-pursuing characteristics of narcissistic personality increase the likelihood that narcissistic CEOs' actions will be closely aligned with their firms' EO. In this study, we further explore how CEO narcissism may be linked to a firm's EO toward international operations.

First, there are extensive empirical evidence that narcissism is a spur to risk-taking propensity (e.g., Campbell et al., 2004; Chatterjee and Hambrick, 2007, 2011; Gerstner et al., 2013;). With a strong belief in one's own superiority, intelligence, and competitiveness (Campbell et al., 2004), narcissistic CEOs display overconfidence in their talents and abilities to address potential challenges and risks and show limited fear of failure (Chatterjee and Hambrick, 2007). When they make strategic decisions, narcissistic CEOs are more likely to ignore plausible and counterfactual information associated with opportunity costs (Judge et al., 2006). Hence, SMEs under their control tend to exhibit risk-taking tendency and prefer grandiose and bold actions (Eisenhardt, 1989).

Second, narcissists crave attention and approbation, which may be enacted by innovation-seeking activities (Zhang et al., 2017). Psychological literature shows that narcissistic CEOs are eager to hold the limelight and need constant and excessive attention to reinforce their self-image due to their assertive orientations (Cragun et al., 2020). They tend to endorse unconventional ideas for surprise and excitement and are attracted to a sense of novelty (Jausi and Dionne, 2003), which provides the requisite force for innovative behaviours. Promoting the innovativeness of their firms provides avenues for narcissistic CEOs to showcase their vision, invite applause from their followers, and foster the image building (Chatterjee and Pollock, 2017). Innovation has been considered as an avenue for narcissistic CEOs to showcase their vision, invite applause from their followers, and foster the image building (Gerstner et al., 2013) by developing new products, services, markets, methods of production process, or management systems (Zhang et al., 2017). Therefore, in the process of formulating IB strategies, SMEs exhibit an innovative orientation inspired by narcissistic CEOs.

Third, rooted in their drive for superiority and arrogance (Emmons, 1987), narcissistic CEOs tend to take forward-looking, opportunity-seeking initiatives to achieve a leadership position instead of being a follower regarding market opportunities (Lumpkin and Dess, 1996).

Building their own company empire with an overwhelming competitive advantage allows narcissistic CEOs to hold their superior status and prestige (Tang et al., 2014). When they utilize proactive behaviours in anticipation of future demand, they may be the first or the only ones to profit from the market opportunity, while competitors are still working to fit into the business (Engelen et al., 2016). This approach enhances narcissists' competitive positioning in relation to other firms (Porter, 1980), which satisfies their intense need for superiority and power. As such, CEO narcissism can induce proactiveness in their firms' strategic orientation. Overall, we propose that CEO narcissism enhances a firm's risk-taking tendency, innovation orientation, and proactiveness, which collectively results in a high level of IEO.

Hypothesis 2. The owner CEO's narcissism is positively associated with the exporting SME's IEO.

3.3.3 IEO and PSI

Considering that expansion into each foreign market can be considered as an entrepreneurial act which involves risk-taking, innovation, and proactive behaviour (Ellis, 2011), we now examine how PSI reflects the degree to which an SME develops an IEO in its international activities. First, a high tolerance for risk-taking can foster rapid international expansion (Pérez-Luño et al., 2011). Although a higher level of PSI can help a firm to obtain sustained competitive advantages from the decline of production costs due to the economies of scale, considerable operational risks and uncertainties are the inevitable complements (Chetty et al., 2014). For example, differences in the endowments of resources, governance quality requirement, and institutional diversity, can leave exporters with high operational costs and barriers when trying to enter into foreign markets (Deng and Sinkovics, 2018). However, an SME with a high risk-taking orientation tends to be optimistic and may perceive opportunities as more imperative than threats (Dai et al., 2014). Consequently, high risk-taking SMEs tend

to expend their resources to exploit opportunities in a wide range of foreign markets at a rapid speed (Lumpkin and Dess, 1996). In comparison to their risk-averse counterparts, such SMEs are more likely to adjust their routines to address different barriers and seek market opportunities globally and rapidly (Sapienza et al., 2005).

Second, the demand patterns of overseas customers often differ from those in SMEs' domestic market, requiring exporting SMEs to produce innovative products to meet different demands (Zhang et al., 2012). Hence, innovativeness constitutes a key competence for an exporting SME (Genc et al., 2019). In practice, Cassiman and Golovko (2011) indicate that some innovative approaches of exporting SMEs include producing tailored products and services, improving segmentation of potential clients, and introducing innovative adaptations on marketing techniques and promotions to appeal to heterogeneous overseas demand patterns (Hughes et al., 2018, 2019). As a result, innovative SMEs are better equipped to reach a wider range of foreign markets within a relatively short time (Hsieh et al., 2019). Furthermore, the innovativeness required to meet different demands overseas implies many upfront costs, which can be amortized faster by pursuing export opportunities rapidly in a more diverse range of markets (Zahra and Garvis, 2000). Thereby, SMEs' innovative orientation fosters PSI.

Third, the proactiveness dimension of IEO is related to a firm's intrinsically aggressive nature of pursuing opportunities well ahead of its competitors despite its resource limitations (Tang et al., 2014; Zahra and Dess, 2001). Such an orientation is particularly important for SMEs from emerging economies as they venture internationally (Yiu et al., 2007; Zhang et al., 2012). Proactive SMEs are sensitive to foreign market needs and identify opportunities faster than their competitors (Zahra and Covin, 1995), and constantly initiate opportunity-seeking and forward-seeking moves to gain a competitive advantage, regardless of the resources they currently control (Ripollés-Meliá et al., 2007). Research shows that SMEs characterized by a high degree of proactiveness will start internationalisation quickly and undertake rapid

expansion (Rasmussen et al., 2009). On the contrary, SMEs with low proactiveness are more likely to focus on servicing their existing key customers and more reluctant to adopt a proactive stance to develop new opportunities (Rosenbusch et al., 2011). Overall, we argue that SMEs with a higher level of IEO will be able to identify new IB opportunities more quickly and exploit those identified opportunities more rapidly as well (Ripollés-Meliá et al., 2007).

Hypothesis 3. An exporting SME's IEO is positively associated with its PSI.

3.3.4 Owner CEO narcissism, IEO, and PSI

In general, the owner CEO's narcissism determines the strategy development processes of an SME, which then reflect on its IM outcomes (Oliveira et al., 2018). Based on Hypothesis 2 and Hypothesis 3, we suggest a mediation effect of IEO. In pursuit of competitive advantages in the global market as well as attention and acclaim, narcissistic owner CEOs encourage and enable their SMEs to engage in continuous risk-taking, innovativeness, and proactiveness. Such a high level of IEO will in turn facilitate a rapid international expansion after their initial market entry. Therefore, we propose that IEO will serve as a mediator between owner CEO narcissism and exporting SMEs' PSI.

Hypothesis 4. IEO mediates the relationship between owner CEO narcissism and exporting SME's PSI.

3.4. Data and Method

3.4.1 Sample and procedure

To test our hypotheses, we chose exporting SMEs from China as our sample for two reasons. First, China is the world's largest exporter, whose contribution substantially facilitates the growth of global exports (World Trade Organisation, 2019). Second, private SMEs have

significantly contributed to the share of the country's exports (Sharma et al., 2020) and have become an important competitive force in the international market (Child and Rodrigues, 2005).

As collecting data from China is challenging without having personal contacts (Takeuchi et al., 2007), we conducted surveys with the assistance of recent alumni of the Master of Business Administration (MBA) centre, the Executive Master of Business Administration (EMBA) centre, and the Executive Development Programs (EDP) office based at a top-tier university in China. Due to the social status and professional relationships of the faculty and staff associated with these units, we gained access to a diverse sample of manufacturing exporting firms. In total, we conducted two surveys involving 291 exporting SMEs with fewer than 250 employees (Bagheri et al., 2019). Table 3.2 reports the detailed characteristics of the sample firms.

Table 3.2 Background information of the sample SMEs (N = 291).

	Frequency	(%)
<i>Firm Size (number of employees)</i>		
<50	106	36.43%
50–100	54	18.56%
100–150	31	10.65%
150–200	33	11.34%
200–250	67	23.02%
<i>Firm Age</i>		
<5	41	14.09%
5–10	35	12.03%
10–15	43	14.78%
15–20	54	18.56%
20–25	76	26.12%
25–30	42	14.43%
<i>Years of internationalisation</i>		
<5	79	27.15%
5–10	58	19.93%
10–15	65	22.34%
15–20	59	20.27%
>20	30	10.31%

<i>Industry groups</i>		
Consumer	192	65.98%
Transport	7	2.41%
Electronics	13	4.47%
Industrial materials	66	22.68%
Chemicals	13	4.47%
<i>International expansion rate</i>		
<0.1	39	13.40%
0.1–0.5	144	49.48%
0.5–1	41	14.09%
>1	67	23.02%
<i>Market entry mode</i>		
Direct export	115	39.52%
Indirect export	75	25.77%
Both direct and indirect export	87	29.90%
Contract entry	14	4.81%

We draw on data from a two-phase questionnaire, as well as archival export data, during the period 2019–2020 in three municipalities (i.e. Beijing, Tianjin, and Shanghai) and 17 provinces. The respondents were owner CEOs of the sample firms. We first contacted these owner CEOs and sent them the online questionnaires to collect information on narcissism, the independent variable. Then, we conducted on-site surveys at each firm, during which we held brief meetings with the owner CEOs and used hard-copy questionnaires to collect information about their firms' IEO. We also obtained their consent to access their firms' archival data, which was later provided by the companies' operations or financial departments. At the beginning of 2020, using the sample firms' business licences and the 2019 annual reports, we collected further information about the founding date of the sample firms, the date when they first engaged in export business, and details about their export markets. The firms included in our sample are mainly involved in downstream manufacturing industries, including agriculture and food processing, textile and clothing, furniture, education and entertainment products, and rubber and plastic products, among others.

3.4.2 Variables and measurements

CEO narcissism

We measured CEO narcissism with the 9-item narcissism subscale adopted from Jones and Paulhus's (2014) "short dark triad" (or SD3) measure, which is based on prior versions of the Narcissistic Personality Inventory (Ames et al., 2006; Raskin and Hall, 1979). We asked the owner CEOs to rate their level of agreement (1 = "strongly disagree" and 5 = "strongly agree") with respect to statements included on the questionnaire. The detailed items are listed in Appendix A. Cronbach's α for the scale was 0.86.

IEO

For IEO, we adopted the three dimensions of IEO same as Swoboda and Olejnik's (2016) study, including innovativeness, proactiveness, and risk-taking (Miller, 1983). Differently, we followed Felzenszterin et al.'s (2015) 8-item measures. This scale of three dimensions can collectively form the higher-order entrepreneurial orientation construct to capture the strategic orientations of SMEs (George, 2011) and is consistent with the definition of IEO in our study, which is defined as a reflection of a firm's propensity to proactively engage in innovative and risk-taking behaviour to achieve its strategic objectives in international markets (Knight, 2001).

Specifically, the respondents were presented with two statements relating to attitudes toward risk-taking in IM contexts, three statements relating to innovativeness in those contexts, and three statements relating to proactiveness about launching international markets. Each statement was followed by two opposite possible responses. We asked the owner CEOs to evaluate each statement by circling the appropriate number (1 = "prefer to the left response" and 5 = "prefer to the right response"). The detailed items are listed in Appendix B. The Cronbach's alphas relating to the international risk-taking, innovativeness, and proactiveness

statements were 0.82, 0.85, and 0.88, respectively. In total, the Cronbach's alpha for the IEO scale was 0.93.

We did not include the dimensions of competitive aggressiveness and autonomy (Lumpkin and Dess, 1996) due to the following reasons. First, competitive aggressiveness is often seen as a parallel and highly related concept to proactiveness. The difference between them is that proactiveness is about markets, while competitive aggressiveness focuses on actions towards competitors (Rasmussen et al., 2009). In our study, we focused on the mechanisms of how narcissistic owner CEOs speed up their firm's international market expansion through their impact on firms' propensity in pursuing its international strategy. That is, we focused more on markets instead of competitors. Second, the latent construct autonomy proposed by Lumpkin and Dess (1996) is manifested in employees' behaviours. Our study focused on the influence of owner CEOs' personality trait on such firms' IB expansion. Given the absolute power owner CEOs have in these firms (Chittoor et al., 2019), we assume that employees' activities do not significantly influence these SMEs' internationalisation strategies (Li et al., 2015).

PSI

PSI indicates how many new foreign markets a firm has expanded to in a certain period after its initial internationalisation (Vermeulen and Barkema, 2002). To measure this speed, we computed the average number of foreign markets per year for each firm (i.e. the number of foreign markets divided by the number of years since the firm's first foreign expansion (Hilmerson and Johanson, 2016)). A large (average) number of expansions per year indicates a rapid post-entry international expansion rate.

Control variables

To test the relationships among narcissism, IEO, and internationalisation speed, we control for three individual-level variables and two firm-level variables that may affect the dependent variable. At the individual level, we controlled for CEO age (age under 30 = 1, age between 31 and 40 = 2, age between 41 and 50 = 3, age between 51 and 60 = 4, age over 60 = 5), gender (male = 1, female = 0), and education level (less than a Bachelor's degree = 1, Bachelor's degree or equivalent = 2, Master's degree or above = 3) as these demographic characteristics may influence the CEO's decision-making process (Reina et al., 2014). At the firm-level, we controlled for firm size and type of industry as both these variables may influence internationalisation speed because differently sized firms and firms in different industries may exhibit different organisational characteristics and forms of resource deployment (D'Angelo and Buck, 2019). The possible effect of firm size is measured based on the total number of employees in the firm (less than or equal to 50 employees = 1, more than 50 and less than 100 employees = 2, more than 100 and less than 150 = 3, more than 150 and less than 200 = 4, more than 200 and less than 250 = 5). To control for industry effects, we used dummy variables to control for such effects. Drawing on Geringer et al. (2000), we divided the sample firms into five industry groups based on their two-digit SIC codes: Consumer, Transport, Electronics, Industrial Materials, and Chemicals.

3.4.3 Common method variance (CMV)

Following Podsakoff et al. (2003), we sought to limit potential sampling CMV by collecting data on two separate occasions (i.e. online and on-site survey with more than a 6-month gap between them) and from two different sources (i.e. owner CEOs' survey and archival sales data provided by the financial departments of the sample firms). We also adopted measures to alleviate concerns relating to potential CMV in our study. For example, we followed Podsakoff et al. (2012) to decrease the potential social desirability bias during the

online survey process. More specifically, we assured the respondents that their personal details, organisational information, and responses would remain anonymous and be kept confidential. Further, a few reverse items were included within the survey, in order to ensure that the respondents did not identify items that corresponded to the same underlying construct. Finally, following Hultman et al. (2009), we conducted a post-hoc marker variable test (Lindell and Whitney, 2001) involving a comparison of the correlation between a marker variable and the constructs in our study (i.e. narcissism and IEO). More specifically, we first identified a marker variable: owner CEOs' psychopathy, which is not theoretically related to any constructs in our theoretical model. Using this marker variable, we conducted a chi-square difference test between the base-line model ($\chi^2 = 879.10$, $df = 297$) and the CMV-adjusted model ($\chi^2 = 876.88$, $df = 296$). The results show that there is no significant difference between these two models ($\Delta\chi^2 = 2.22$, $\Delta df = 1$, $p = 0.14$). Overall, we concluded that CMV is not a concern in our study.

3.5. Data Analysis

3.5.1 Measurement model

Table 3.3 shows the descriptive statistics, such as means (M), standard deviations (SD), variance inflation factors (VIF), and bivariate correlations of all the studied variables. As expected, CEO narcissism has significant positive correlations with IEO ($r = 0.45$, $p < 0.01$), and IEO has significant positive correlations with PSI ($r = 0.60$, $p < 0.01$).

Table 3.3 Variable means (M), standard deviations (SD), variance inflation factors (VIF), and bivariate coefficients.

No.	Variables	M	SD	VIF	1	2	3	4	5	6	7	8	9	10	11
1	CEO Nar	3.61	0.83	1.32											
2	IEO	2.78	1.01	1.28	0.45**										
3	PSI	0.93	1.82		0.36**	0.60**									
4	CEO Gen	0.73	0.45	1.09	0.14*	0.02	0.04								
5	CEO Age	2.92	0.97	1.22	0.19**	0.06	0.00	0.24**							
6	CEO Edu	1.90	0.48	1.10	-0.03	0.05	0.08	-0.05	-0.23**						
7	Firm Size	2.66	1.60	1.09	-0.04	-0.02	-0.10	0.04	0.21**	0.03					
8	Dummy1	0.27	0.45	1.07	0.04	0.02	0.13*	-0.04	-0.04	0.10	0.10	-0.12*			
9	Dummy2	0.09	0.28	1.09	0.03	-0.06	-0.04	0.11	-0.03	0.17**	0.17**	0.08	0.17**		
10	Dummy3	0.02	0.15	1.02	0.01	0.01	0.00	-0.00	-0.08	-0.01	-0.14	-0.01	-0.10	-0.05	

Note. N = 291. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. CEO Nar = CEO narcissism; CEO Gen = CEO gender; CEO Edu = CEO education.

We assessed the discriminant validity of our variable measures using AMOS to conduct a confirmatory factor analysis (CFA) with all the latent variables in the questionnaire, including CEO narcissism and IEO. While assessing the goodness of fit of our research model, we expected the CFA and incremental fit index (IFI) values to be close to 1 (Byrne, 2001) and root mean square error of approximation (RMSEA) values of 0.08 or less (DiLalla, 2000). This analysis generated $\chi^2 = 369.62$ (df = 118), $p = 0.00$ with fit indices that suggest acceptable fit with the data (CFI = 0.91; IFI = 0.91; RMSEA = 0.09; standardized root mean square residual (SRMR)=0.06). We compared our full measurement model to a single-factor model in which we combined CEO narcissism and IEO. These analysis generated $\chi^2 = 1001.08$ (df = 119), $p = 0.00$ with fit indices that suggest comparatively poor fit with the data (CFI = 0.68; IFI = 0.68; RMSEA = 0.16; SRMR = 0.14). The results of the CFA are shown in Table 3.4.

Table 3.4 The results of confirmatory factor analysis.

Model	Factors	χ^2	DF	CFI	IFI	RMSEA	SRMR
Two-factor model	CEO narcissism, IEO	369.62	118	0.91	0.91	0.09	0.06
Single-factor model	Combine CEO narcissism and IEO	1001.08	119	0.68	0.68	0.16	0.14

In addition, we calculated the factor loadings of each construct, and then calculated the average variance extracted (AVE) and composite reliability (CR) on this basis. Table 3.5 shows the factor loadings (ranging from 0.60 to 0.86), the values of AVE (0.52 and 0.68, respectively), and the values of CR (0.90 and 0.94, respectively).

Table 3.5 Loading factors and reliabilities for the measurement model.

Variable	Item	Factor loading	AVE	CR
CEO Narcissism	Nar1	0.86	0.52	0.90
	Nar2	0.65		
	Nar3	0.80		
	Nar4	0.63		
	Nar5	0.75		
	Nar6	0.60		
	Nar7	0.60		
	Nar8	0.67		
	Nar9	0.65		
IEO	IEO1	0.85	0.68	0.94
	IEO2	0.82		
	IEO3	0.81		
	IEO4	0.82		
	IEO5	0.82		
	IEO6	0.82		
	IEO7	0.83		
	IEO8	0.83		

3.5.2 Hypotheses testing

Table 3.6 presents the results of hypotheses testing. Model 1 contains all the control variables. In model 2, Hypothesis 1 is tested using ordinary least square (OLS) regressions. As forecasted, CEO narcissism is positively associated with PSI ($\beta = 0.80$, $t = 6.52$, $p < 0.00$), supporting Hypothesis 1.

Table 3.6 Results of the regression analysis.

	Model 1 PSI	Model 2 PSI	Model 3 IEO	Model 4 PSI	Model 5 PSI
Control variables					
CEO gender	0.22 (0.25)	0.09 (0.23)	−0.07 (0.12)	0.20 (0.20)	0.16 (0.20)
CEO age	0.06 (0.12)	−0.07 (0.11)	0.00 (0.06)	−0.04 (0.10)	−0.10 (0.10)
CEO education	0.34 (0.23)	0.32 (0.22)	0.17 (0.12)	0.15 (0.19)	0.14 (0.19)
Firm size	−0.10 (0.07)	−0.07 (0.06)	0.01 (0.04)	−0.08 (0.06)	
Dummy1	0.50 (0.25)*	0.44 (0.23)	0.03 (0.12)	0.43 (0.20)*	0.45 (0.20)*
Dummy2	−0.48 (0.39)	−0.54 (0.37)	−0.31 (0.20)	−0.19 (0.32)	−0.28 (0.32)
Dummy3	0.14 (0.70)	0.03 (0.65)	0.03 (0.35)	0.03 (0.56)	−0.00 (0.56)
Predictor variables					
CEO narcissism		0.80 (0.12)***	0.56 (0.07)***		0.27 (0.12)*
IEO				1.06 (0.09)***	0.97 (0.10)***
R²	0.04	0.16	0.22	0.38	0.38
F value	1.49	6.81	9.68	21.38	22.03
P value	0.17	0.00	0.00	0.00	0.00

Note. N=291. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. Unstandardized regression coefficients (SEs) are shown.

Further, we tested Hypothesis 2 in model 3. The results show that the relationship between CEO narcissism and IEO is significantly positive ($\beta = 0.56$, $t = 8.46$, $p < 0.00$), supporting Hypothesis 2.

Likewise, we tested Hypothesis 3 in model 4. The results show that the relationship between IEO and PSI is also significantly positive ($\beta = 1.06$, $t = 12.45$, $p < 0.00$), supporting Hypothesis 3.

Finally, we analysed the mediating role of IEO in model 5 (Hypothesis 4). To avoid the limitations of traditional approaches to assessing mediation or indirect effects (Preacher et al., 2007), we used the PROCESS Model 4 (Hayes, 2013). On the basis of 10,000 bootstrapping samples, this model generated 95% bootstrap bias-corrected intervals for the indirect effect between CEO narcissism and PSI. This approach to analysing mediation is considered to have advantages over the traditional Sobel test, insofar as it makes no assumption of normality (Preacher et al., 2007). The results show a positive significant effect of CEO narcissism on IEO ($\beta = 0.56$, $p < 0.00$, 95% CI: from 0.43 to 0.69), a positive significant effect of IEO on PSI ($\beta = 0.97$, $p < 0.00$, 95% CI: from 0.78 to 1.16), and a positive significant mediating effect of IEO (Effect = 0.54, 95% CI: from 0.34 to 0.80), providing support for Hypothesis 4. Simultaneously, the direct effect of CEO narcissism on PSI is still significant (Effect = 0.26, 95% CI: from 0.03 to 0.49), suggesting that IEO partially mediates the relationship between CEO narcissism and PSI. In addition, it should be noted that model 4 ($R^2 = 0.38$) and model 5 ($R^2 = 0.38$) have considerably more power than model 1 ($R^2 = 0.04$), model 2 ($R^2 = 0.16$), and model 3 ($R^2 = 0.22$).

3.5.3 Additional test

We conducted an additional split-sample analysis (Angrist and Krueger, 1995; Beaulieu et al., 2009; Kim et al., 2010) to verify the appropriateness of the model and test the robustness

of our results. First, we split the sample based on the mean value of narcissism ($M = 3.61$) into two sub-samples, including low-level narcissism ($N = 140$) and high-level narcissism ($N = 151$), and tested all the hypotheses again. In Table 3.7, we find significant relationships in model 2–model 5 supporting Hypothesis 1–Hypothesis 4 in both the sub-samples. Second, we split the sample based on the median ($M = 3.67$) into two sub-samples, including low-level narcissism ($N = 145$) and high-level narcissism ($N = 146$). Similarly, we tested all the hypotheses again and find supporting evidence to all the hypotheses in both the sub-samples (see Table 3.8 for more details). Therefore, the results of this analysis show that our hypotheses were supported by the results from the subsamples, which indicate that our model is appropriate and robust.

Table 3.7 Results of the split-sample analysis divided by the mean value of CEO narcissism.

The 1st sub-sample: Low-level narcissism ($N = 140$)							
	M	SD	Model 1 PSI	Model2 PSI	Model 3 IEO	Model 4 PSI	Model 5 PSI
Control variables							
CEO gender	0.68	0.47	-0.06 (0.07)	-0.07 (0.07)	-0.15 (0.14)	-0.03 (0.06)	-0.03 (0.06)
CEO age	2.70	0.97	-0.05 (0.04)	-0.04 (0.04)	-0.07 (0.07)	-0.02 (0.03)	-0.02 (0.03)
CEO education	1.92	0.47	0.06 (0.07)	0.07 (0.07)	0.10 (0.14)	0.04 (0.06)	0.04 (0.06)
Firm size	2.64	1.66	-0.03 (0.02)	-0.03 (0.02)	-0.06 (0.04)	-0.01 (0.02)	-0.01 (0.02)
Dummy1	0.27	0.45	-0.01 (0.08)	0.03 (0.08)	-0.14 (0.15)	0.06 (0.06)	0.07 (0.06)
Dummy2	0.09	0.28	-0.18 (0.12)	-0.15 (0.12)	-0.25 (0.23)	-0.08 (0.10)	-0.08 (0.10)
Dummy3	0.02	0.15	-0.28 (0.24)	-0.23 (0.23)	-0.86 (0.45)	0.02 (0.20)	0.02 (0.20)
Predictor variables							
CEO narcissism	2.89	0.53		0.22 (0.06)**	0.50 (0.12)***		0.07 (0.06)
IEO	2.41	0.79				0.29 (0.04)***	0.29 (0.04)***
R²			0.08	0.15	0.19	0.42	0.42
F value			1.53	2.94	3.78	11.65	10.60
P value			0.16	0.01	0.00	0.00	0.00
The 2nd sub-sample: High-level narcissism ($N = 151$)							
	M	SD	Model 1 PSI	Model2 PSI	Model 3 IEO	Model 4 PSI	Model 5 PSI
Control variables							
CEO gender	0.77	0.42	0.25 (0.48)	0.14 (0.47)	-0.09 (0.21)	0.30 (0.38)	0.26 (0.38)
CEO age	3.13	0.94	-0.04 (0.23)	-0.18 (0.23)	0.02 (0.10)	-0.16 (0.19)	-0.20 (0.19)

CEO education	1.88	0.49	0.58 (0.43)	0.55 (0.41)	0.18 (0.19)	0.31 (0.34)	0.31 (0.34)
Firm size	2.68	1.56	-0.15 (0.13)	-0.06 (0.13)	0.07 (0.06)	-0.19 (0.11)	-0.16 (0.11)
Dummy1	0.27	0.45	1.01 (0.47)*	0.58 (0.47)	0.12 (0.21)	0.56 (0.37)	0.43 (0.39)
Dummy2	0.09	0.28	-1.16 (0.76)	-1.40 (0.74)	-0.52 (0.33)	-0.62 (0.60)	-0.73 (0.60)
Dummy3	0.03	0.16	0.19 (1.21)	0.03 (1.17)	0.44 (0.53)	-0.52 (0.96)	-0.54 (0.96)
Predictor variables							
CEO narcissism	4.28	0.37		1.80 (0.55)**	0.91 (0.25)***		0.63 (0.47)
IEO	3.12	1.07				1.35 (0.15)***	1.29 (0.15)***
R²			0.07	0.13	0.12	0.42	0.43
F value			1.48	2.70	2.38	12.98	11.79
P value			0.18	0.01	0.02	0.00	0.00

Note. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. Unstandardized regression coefficients (SEs) are shown.

Table 3.8 Results of the split-sample analysis divided by the median of CEO narcissism.

The 1st sub-sample: Low-level narcissism (N = 145)							
	M	SD	Model 1 PSI	Model 2 PSI	Model 3 IEO	Model 4 PSI	Model 5 PSI
Control variables							
CEO gender	0.68	0.47	-0.06 (0.07)	-0.07 (0.07)	-0.14 (0.14)	-0.02 (0.06)	-0.02 (0.06)
CEO age	2.69	0.95	-0.06 (0.04)	-0.04 (0.04)	-0.07 (0.07)	-0.02 (0.03)	-0.02 (0.03)
CEO education	1.93	0.47	0.07 (0.07)	0.08 (0.07)	0.12 (0.14)	0.04 (0.06)	0.04 (0.06)
Firm size	2.66	1.68	-0.04 (0.02)	-0.04 (0.02)	-0.06 (0.04)	-0.02 (0.02)	-0.02 (0.02)
Dummy1	0.26	0.44	-0.01 (0.08)	0.03 (0.08)	-0.14 (0.14)	0.06 (0.06)	0.07 (0.06)
Dummy2	0.08	0.28	-0.19 (0.12)	-0.15 (0.12)	-0.25 (0.23)	-0.08 (0.10)	-0.07 (0.10)
Dummy3	0.02	0.14	-0.30 (0.24)	-0.24 (0.24)	-0.86 (0.45)	0.02 (0.20)	0.02 (0.19)
Predictor variables							
CEO narcissism	2.92	0.54		0.22 (0.06)**	0.50 (0.12)		0.06 (0.05)
IEO	2.43	0.80				0.32 (0.03)***	0.30 (0.04)***
R²			0.08	0.16	0.20	0.44	0.44
F value			1.72	3.19	4.22	13.11	11.85
P value			0.11	0.00	0.00	0.00	0.00

The 2nd sub-sample: High-level narcissism (N = 146)							
	M	SD	Model 1 PSI	Model 2 PSI	Model 3 IEO	Model 4 PSI	Model 5 PSI
Control variables							
CEO gender	0.77	0.42	0.24 (0.50)	0.13 (0.49)	-0.12 (0.22)	0.33 (0.40)	0.30 (0.40)
CEO age	3.15	0.94	-0.06 (0.24)	-0.18 (0.24)	0.01 (0.11)	-0.17 (0.19)	-0.20 (0.19)
CEO education	1.87	0.49	0.62 (0.44)	0.55 (0.43)	0.16 (0.19)	0.35 (0.35)	0.33 (0.35)
Firm size	2.66	1.53	-0.13 (0.14)	-0.06 (0.14)	0.09 (0.06)	-0.20 (0.11)	-0.18 (0.11)
Dummy1	0.28	0.45	0.97 (0.48)	0.58 (0.48)	0.13 (0.22)	0.51 (0.38)	0.41 (0.39)
Dummy2	0.09	0.29	-1.20 (0.77)	-1.40 (0.75)	-0.52 (0.34)	-0.64 (0.61)	-0.72 (0.61)
Dummy3	0.03	0.16	0.14 (1.23)	0.03 (1.20)	0.46 (0.54)	-0.56 (0.97)	-0.57 (0.97)
Predictor variables							

CEO narcissism	4.30	0.36		1.80 (0.58)**	0.97 (0.26)***		0.53 (0.50)
IEO	3.12	1.08				1.37 (0.15)***	1.32 (0.16)***
R²			0.07	0.13	0.13	0.43	0.43
F value			1.40	2.50	2.47	12.64	11.37
P value			0.21	0.02	0.02	0.00	0.00

Note. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. Unstandardized regression coefficients (SEs) are shown.

3.6 Discussion and Conclusions

3.6.1 Theoretical and practical implications

First, we contribute to the emerging area of upper echelons research that examines firms' strategic decision-making from the perspective of CEO narcissism (Chatterjee and Pollock, 2017; Cragun et al., 2020; Gerstner et al., 2013). In particular, by focusing on the relationship between owner CEO narcissism and exporting SMEs' PSI, we add to limited literature on the role of CEO narcissism in IB decision-making, a subarea of research on CEO narcissism that has received only limited attention recently (Agnihotri and Bhattacharya, 2019; Fung et al., 2019; Huang et al., 2019; Oestele et al., 2016).

Second, we extend the current literature's focus on the impact of CEO narcissism on large firms' IM-related decisions (e.g., Agnihotri and Bhattacharya, 2019; Oesterle et al., 2016) to exporting SMEs' IM decisions. Since owner CEOs of exporting SMEs have virtually unlimited power in making strategic decisions concerning their expansion and growth (Zhang et al., 2016), it is more reasonable to observe the impact of owner CEOs' personality on internationalisation decisions in SMEs. Therefore, by explaining how narcissistic owner CEOs lead to a rapid expansion in exporting SMEs, our study expands the findings of the important role of CEO narcissism in various types of international enterprises.

Third, by explaining how narcissistic owner CEOs lead to a high level of PSI, our study answers the call for a more nuanced understanding of the drivers of SMEs' international expansion through a microfoundations lens (Chittoor et al., 2019; Kunisch et al., 2019). Using a microfoundations approach in this context is particularly important as a number of studies

have argued that accelerated international expansion is motivated by risk-taking tendencies of decision-makers (Freeman and Cavusgil, 2007; McDougall and Oviatt, 2000). The research on microfoundations is fast evolving, but much of the extant work underlines its connection to international strategic choices of MNCs (Foss and Pedersen, 2019). We highlight a key explanatory factor behind the rapid international expansion witnessed in the case of exporting SMEs—namely the role of owner CEO. Given the fact that a significant number of exporting SMEs are led by narcissistic owner CEOs, this also provides opportunity for a new stream of research on the possible consequences of such leadership. Therefore, this paper is useful in understanding the microfoundations of SMEs' internationalisation decisions.

Fourth, we identified IEO as a firm-level mechanism that mediates the relationship between owner CEO narcissism and exporting SMEs' international expansion decisions with three specific contributions. Firstly, we found that narcissistic owner CEOs prompt the firm they lead to build a strategic orientation with increased innovativeness, risk-taking, and proactiveness, which together drive organisational growth (Lumpkin and Dess, 1996; Wales et al., 2013). This observation supports the notion in narcissism research that narcissism, viewed as a “dark” personality trait of CEO, may indeed exert “bright” influence on the firm's growth strategies (Cragun et al., 2020). Secondly, the present study provides robust evidence that high-level IEO provide SMEs with a greater stimulation to internationalise (Felzensztein et al., 2015). In IB literature, a high level of IEO has been recognised and explored to be associated with a firm's internationalisation outcomes, such as DOI and international scope (Ripollés-Meliá et al., 2007). We enrich the literature in this area by using a process perspective to observe how CEO narcissism may influence an exporting SME's strategic choice between a fast (and furious) process and slow (and cautious) process to expand its foreign business (Meschi et al., 2017). Thirdly, existing studies pertaining to the influence of owner CEO narcissism on firms' IB activities focus on the implication of CEO narcissism on their firms' risk-taking tendencies

(e.g., Agnihotri and Bhattacharya, 2019; Oesterle et al., 2016). We extend this line of inquiry to the study of CEO narcissism vis-à-vis firms' innovativeness and proactiveness to enhance the understanding on the overall importance of IEO. Our findings on the partial mediating effect of IEO offer an improved understanding of how owner CEO narcissism influences an exporting SME's PSI.

Finally, our findings have practical implications. Since owner CEOs are the key decision makers in SMEs, their psychological traits are highly consequential for such firm's strategic decisions and may result in the ultimate success or failure of the firm. To the extent that speed is a crucial source of competitive advantage for small exporting firms (Zahoor and Al-Tabbaa, 2020), we show that narcissism, being one of the so-called dark triad of personality traits identified by Paulhus and Williams (2002), does not necessarily have negative implications for SMEs. Our findings suggest that the narcissistic tendencies of self-confidence and desire for prestige and attention can produce positive outcomes by fostering risk-taking, innovative, and proactive behaviours at the firm-level, thereby contributing to firms' rapid market expansion.

3.6.2 Limitations and future research

The study has a few limitations which also provide avenues for future research. First, our findings may not be generalizable to other countries. As such, future research can use samples from different economies to test the proposed model. Second, this research represents the first empirical attempt to examine how CEOs' "dark" personality traits influence their SMEs' exporting behaviour. It will be interesting for future research to examine how other dark traits (e.g., Machiavellianism or psychopathy) may affect firms' internationalisation behaviours. Third, there are some alternative measurement approaches towards IEO (e.g., Boso *et al.*, 2012, 2017; Swoboda and Olejnik, 2016). Future research can be conducted with

different scales and measures of IEO to seek more evidence of the impact of IEO on SMEs' international market expansion. Finally, our results reveal that IEO partially mediates the relationship between CEO narcissism and PSI, which suggests that there may be other potential firm-level mediators. We call for future research to explore additional firm-level mechanisms that may further explain how CEO narcissism affects SMEs' internationalisation speed.

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Appendix A. Measures of CEO Narcissism.

1. People see me as a natural leader.
2. I hate being the centre of attention. (R)
3. Many group activities tend to be dull without me.
4. I know that I am special because everyone keeps telling me so.
5. I like to get acquainted with important people.
6. I feel embarrassed if someone compliments me. (R)
7. I have been compared to famous people.
8. I am an average person. (R)
9. I insist on getting the respect I deserve.

Appendix B. Measures of IEO.

1. When confronted in the international marketplace with decision-making situations involving uncertainty, my firm typically adopts a _____.

cautious posture

bold posture

2. In general, we believe that owing to the nature of the environment it is best to achieve the firm's objectives in the international marketplace via _____.

low risk projects

high risk projects

3. With regard to the activities of my firm in the international marketplace, we generally favour _____.

tried and tested

innovations

4. Again thinking about new lines of products/ services, what extent of changes has your firm marketed in the international marketplace in the past years?

Minor

Major

5. How many new lines of products/ services has your firm marketed in the international marketplace in the past years?

No

Very many

6. When confronted in the international marketplace with decision-making situations involving uncertainty, my firm typically adopts an approach of a ____ posture to avoid competitive clashes.

‘live-and-let-live’ posture

‘beat-the-competitors’ posture

7. In dealing with its competitors in the international marketplace, my firm is _____ the first firm to introduce new products/ services, administrative techniques and operating technologies.

very seldom

very often

8. In dealing with its competitors in the international marketplace, my firm typically _____ to actions which competitors _____.

responds ... initiate

initiates ... respond

Chapter 4 (Study 3)

Did I Just Discourage You from Performing? CEO Narcissism and Middle Managers' Organisational Identification and Divergent Strategic Behaviour

Abstract

Middle managers, sitting in positions amid operational realities and organisational strategy, play a critical role in an organisation's strategic renewal processes. This study investigates the impact of narcissistic CEOs on middle-level managers' strategic divergent behaviour. Specifically, we test the relations between CEO narcissism, middle managers' organisational identification, and their divergent strategic behaviour. Results across two scenario-based experiments show that CEO narcissism relates negatively to middle managers' organisational identification, which in turn affects middle managers' divergent strategic behaviour. Our findings advance the understanding of middle managers' strategic renewal behaviour from an overlooked perspective: CEO narcissism.

Keywords: CEO narcissism, divergent strategic behaviour, middle managers, organisational identification, strategic renewal process.

4.1 Introduction

Key organisational actors such as top and middle managers influence the process and outcomes of strategic renewal (Balogun and Johnson, 2004, 2005; Floyd and Lane, 2000). In particular, middle managers play a critical role in the strategic renewal process (Floyd and Lane, 2000; Wooldridge et al., 2008; Wooldridge and Floyd, 1990). Their search behaviour for novel initiatives beyond the boundaries of current strategy, often defined as ‘divergent strategic behaviour’, lies at the heart of strategic renewal (Floyd and Lane, 2000; Floyd and Wooldridge, 1992). When middle managers initiate divergent thinking and activities, it helps the organisation overcome organisational inertia, replaces routines with tailor-made solutions, and achieves or promises lasting strategic change (e.g., Ahearne et al., 2014; Floyd and Lane, 2000; Wooldridge et al., 2008). Given the important role of middle managers’ strategic renewal behaviour, our study deliberately focuses on this critical construct.

Existing studies in strategic renewal literature have significantly contributed to a wide range of theoretical research contexts. However, there remains poor understanding of how the interaction between top managers and their organisational members cause strategic renewal. Schmitt et al. (2018) called this the ‘hierarchical disconnect’ (p. 90). That is, the strategic renewal behaviour that one hierarchical level drives may be affected by other hierarchical levels. Cross-level relationships may play a decisive role in strategic renewal efforts. Surprisingly, we know very little based on existing studies. Prior studies see middle managers as ‘boundary-spanners’ working to promote strategic renewal throughout all levels of the organisation (Floyd and Lane, 2000; Pappas and Wooldridge, 2007; Tippmann et al., 2014). However, we contend that it is also important to explore how factors at different hierarchical levels may influence middle-managers’ efforts in the strategic renewal process, factors such as the CEO’s personality and leadership style.

Drawing from upper echelons theory (Hambrick and Mason, 1984) and research literature on CEO narcissism (Chatterjee and Hambrick, 2007, 2011), we contend that CEO personality has a strong impact on middle managers' strategic renewal behaviour (i.e. divergent strategic behaviour) (Ou et al., 2014). More importantly, scholars have shown a growing interest in how CEO personality traits—in particular, narcissism—shape different organisational outcomes (e.g., Chatterjee and Hambrick, 2007; Cragun et al., 2019; Gerstner et al., 2013; O'Reilly III et al., 2014; Zhu and Chen, 2015). Narcissistic CEOs inhibit followers' motivation and subsequent task performance, especially for middle managers engaged in complex, heuristic thought processes (Gagné and Deci, 2005). Drawn from the above-mentioned literature, we examine the devastating effect of the narcissistic CEO on middle managers' divergent strategic behaviour.

Prior research (e.g., Chatterjee and Hambrick, 2007; Hiller and Hambrick, 2005) has observed that narcissistic CEOs have a central self-concept and excessively high self-regard, and thus predominantly revolve around self-focus and drawing attention from others to heighten their need for self-enhancement. Narcissistic CEOs always like to hold the dominant position and lack empathy for those around them (Chatterjee and Hambrick, 2007, 2011; Sedikides et al., 2002; Zhu and Chen, 2015), a characteristic that may not help fulfil the needs and aspirations of their followers (Galvin et al., 2010). Thus, we argue that these narcissism-led tendencies on the part of CEOs make middle managers feel less affiliated with the organisation and, as a result, they tend to distance themselves from the organisation. Eventually, middle managers lose their motivation for self-enhancement and their commitment to strategic renewal. We test our mediation hypotheses in two scenario-based experiments using 144 managers (Phase I) and 70 (Phase II) as the sample. The theoretical mediation model used to guide this study is shown in Figure 4.1.

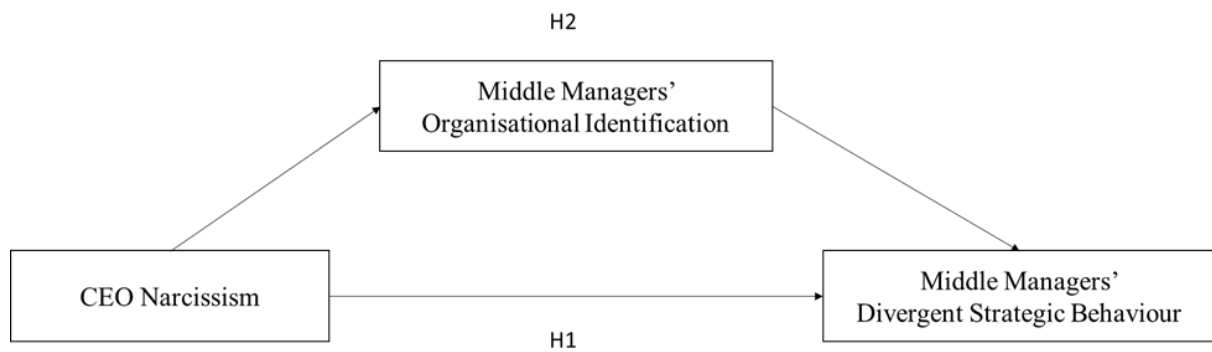


Figure 4.1 Theoretical Model.

The present study contributes to the existing literature in the following ways. First, we follow Waldman et al. (2004) and expand upper echelons theory by adding a new application. Building on prior findings regarding how CEO personality influences firm strategy and performance, we focus exclusively on potential performance-stimulating factors such as strategic renewal behaviour. Such research provides a better understanding of the effects of CEO personality on organisations and bring benefits through combining micro and macro perspectives. We believe that the field now fosters more studies that fully explore the upper echelons perspective.

Second, our findings extend previous research on CEO narcissism and its detrimental consequences in an organisational context (Braun et al., 2018). To the best of our knowledge, our research is the first to propose that CEO narcissism prohibits middle managers' divergent strategic behaviour through its negative impact on managers' identification with the organisation. In addition, the findings could advance our understanding of the psychological processes by which the 'dark side' of CEO personality — narcissism — may potentially influence the strategic behaviour of the organisation's middle managers.

Third, while the strategic renewal literature has a strong focus on top managers' leadership roles on organisational strategic renewal, our study advances the literature by addressing the recent call for research about the impact of cross-level cognitive tensions on

strategic renewal behaviour (Schmitt et al., 2018). Specifically, we show how the personality traits of upper hierarchical levels (e.g., CEOs) create lower hierarchical level cognitive tensions, and consequent divergent strategic behaviour.

Fourth, our study expands the traditional perspective of organisational identification as a predictor of organisational outcomes to a mediator in order to explain the relationship between CEO narcissism and middle managers' strategic behaviour from the perspective of middle managers' psychological attachment to the organisation.

Lastly, this study provides a novel example of a research design using scenario-based experiments. This research method helps overcome the respective limitations of traditional research methods (e.g., survey, case study) that have often been utilised in prior studies of relevant research topics (e.g., narcissistic CEO, strategic renewal behaviour).

4.2 Theoretical Background

4.2.1 CEO narcissism

Narcissism, defined as 'the degree to which an individual has an inflated sense of self and is preoccupied with having that self-view continually reinforced' (Chatterjee and Hambrick, 2007), has been recognised as a potential 'dark-side' personality construct for CEOs (Zhang et al., 2017). Grandiosity and vulnerability constitute two important dimensions of narcissism (Wink, 1991). Most prior research has demonstrated that grandiose narcissism, but not vulnerable narcissism, is the key factor related to a variety of strategic outcomes among CEOs (Chatterjee and Hambrick, 2007, 2011; Patel and Cooper, 2014; Resick et al., 2009). Given our interest in understanding how narcissistic CEOs—i.e. those who have a need for acclaim and to dominate decision-making—impact on organisational outcomes, we focus exclusively on CEO grandiose narcissism in this paper.

Among all the CEO characteristics examined in the literature, grandiose narcissism is one of the most perplexing ‘dark-side’ personality constructs, one that exhibits a key role in company strategy behaviour (Chatterjee and Hambrick, 2007). Grandiose narcissists tend to emerge as leaders (Brunell et al., 2008) in an organisation, but they are not effective as leaders. They have little concern for others, are full of their own superiority, and only strive on behalf of their own interests (Kets de Vries and Miller, 1985; Rosenthal and Pittinsky, 2006) rather than developing equitable exchanges with their organisational members or recognising others’ efforts and accomplishments (Braun et al., 2018).

Table 4.1 summarises recent articles regarding how leaders’ narcissism affects their followers’ behaviour and performance. For example, CEO narcissism imposes on the board of directors and top management team (Chatterjee and Pollock, 2017; Reina et al., 2014), as well as field managers (Resick et al., 2009). In particular, narcissistic leaders cause negative behaviour, such as employees’ work frustration and job tension (Hochwarter and Thompson, 2012), moral disengagement and deviant behaviour (Zhang et al., 2018), malicious envy and counterproductive work behaviour (Braun et al., 2018), and a decrease in prosocial and voice behaviours (Liao et al., 2019; Liu et al., 2017). Likewise, narcissistic managers perceived as ineffective may erode their followers’ job attitude and engagement (Nevicka et al., 2018; Owens et al., 2015), or they might give rise to subordinates’ organisational deviance and counterproductive behaviour (Hoffman et al., 2013; Martin et al., 2016) so as to hinder organisational performance (Nevicka et al., 2011). Given the review in recent studies of leaders’ and CEOs’ narcissism, we conclude that some progress has been made in understanding the effect of CEO narcissism on followers’ behaviour and consequent performance. However, we identified a few research gaps.

Table 4.1 Summary of the empirical evidence for the follower outcomes of leader narcissism.

Source	Predictors	Outcome Variables	Main findings
Resick, Whitman, Weingarden, & Hiller, 2009	CEO narcissism	Field managers' turnover	Narcissistic CEOs are less likely to engage in contingent reward leadership, which was negatively related to field manager turnover.
Nevicka, Velden, Hoogh, & Vianen, 2011	Group leader narcissism	Group members' perceptions of narcissists' effectiveness	Narcissistic group leaders would inhibit information sharing among group members and thereby hinder group performance.
Hochwarter & Thompson, 2012	Supervisor narcissism	Subordinate perceived frustration, tension, resource availability, and performance	Supervisor narcissism significantly increases subordinates' work frustration and tension and decreases resource availability and job performance. Conversely, supervisor narcissism has no significant effect on high levels of enactment employees on any outcomes.
Hoffman, Strang, Kuhnert, Campbell, Kennedy, & LoPilato, 2013	Manager narcissism	Subordinate perceptions of ethical leadership and leadership effectiveness	Narcissistic managers are perceived as ineffective and unethical by subordinates in highly ethical contexts.
Reina, Zhang, & Peterson, 2014	CEO narcissism	TMT behavioural integration	CEO (grandiose) narcissism is positively related to TMT behavioural integration when CEOs show high organisational identification. There is an interaction effect of CEO grandiose narcissism on firm performance via TMT behavioural integration.
‘	Leader narcissism	Perceived leader effectiveness, followers' job engagement, and performance	Humility can counteract the potentially harmful effects of leader narcissism on perceived leader effectiveness, followers' job engagement, and performance.
Martin, Cote, & Woodruff, 2016	Leader narcissism	Followers rated effectiveness, followers' citizenship behaviour, and counterproductive behaviour	Parental income is indirectly associated with individuals' reduced engagement in relational-oriented, task-orientated, and change-oriented leader behaviour through higher levels of narcissism.
Chatterjee & Pollock, 2017	CEO narcissism	Structure and management of the board of directors and TMT	Narcissistic CEOs' need for public acclaim and dominance affect the structure and management of the board and TMT or external stakeholders like the media, which can affect organisational outcomes, including firm performance.
Liu, Chiang, Fehr, Xu, & Wang, 2017	Leader narcissism	Follower team prosocial and voice behaviours	There is a positive relationship between narcissistic leaders and their self-interested behaviour in relation to the perceived fairness received from their service company. In turn, their self-interested behaviour can decrease subordinates' pro-social and voice behaviours.

Source	Predictors	Outcome Variables	Main findings
Braun, Aydin, Frey, & Peus, 2018	Leader narcissism	Employees' malicious envy, benign envy, and supervisor-targeted counterproductive work behaviour	Leader narcissism relates positively to followers' negative emotions (i.e. malicious envy), which in turn mediates the positive relation between leader narcissism and supervisor-targeted counterproductive work behaviour, but negative relations between leader narcissism and positive emotions (i.e. benign envy) were only partly supported.
Zhang, Li, Liu, Han, & Muhammad, 2018	Supervisor narcissism	Employees' moral disengagement and organisational deviance	Perceived narcissistic supervision will lead to employees' organisational deviance via moral disengagement, and employees' moral identity will moderate the link between perceived narcissistic supervision and employees' moral identity.
Nevicka, Vianen, & Voorn, 2018	Leader narcissism	Followers' perceived leadership effectiveness and job attitude	Leaders' visibility to their followers can influence followers' assessment of a narcissistic leader and job attitudes. When followers have more chances to observe narcissistic leaders, they are more likely to experience these leaders' toxic behaviour. In that case, followers are less likely to view their leaders as effective.
Liao, Zhu, Guo, & Li, 2019	Supervisor narcissism	Subordinate voice behaviour	The subordinates' perception of leader narcissism is negatively related to their perception of leader pro-social behaviour and positively related to self-serving behaviour. In turn, these management impressions will impact on leader-member exchange quality and consequent voice behaviour.

First, those studies of the impacts of narcissistic CEOs in an organisation range from the top management team (TMT) to front-line employees but have not focused on middle managers. In most organisations, middle managers are prominent members of the management team because these individuals have responsibility for organisational strategy formation and translating strategy into operational activity. It is important to explain the behaviour of middle managers from the perspective of narcissistic CEOs. Second, most studies on CEO narcissism use archival data, surveys, and case interviews to capture CEO personality traits, even though there are well-known limitations when using these methods such as common method bias and ambiguous causality (Dalal and Hakel, 2016). Third, perceived narcissistic CEOs have been demonstrated to negatively affect employees' working attitudes or behaviour, resulting in a final detrimental impact on firm performance. According to upper echelons theory, both firm

strategy and performance can be explained by CEO personality traits. Yet how narcissistic CEOs interact with other managers in the hierarchy and enact a role in the strategy process has not been considered. To address the above-mentioned gaps, the present study uses an experimental method to investigate the impact of CEOs' narcissism on middle managers' engagement in divergent strategic behaviour.

4.2.2 The role of middle managers in the strategy process

The term 'middle managers' is used to refer to those individuals located below top managers and above first-level supervisors in the hierarchy (Dutton et al., 1997). According to some researchers, there is a bottom-up development process in the corporate strategy (Bower, 1970; Burgelman, 1983; Mintzberg, 1990; Mintzberg and Waters, 1985; Wooldridge et al., 2008), which means middle managers take on a pivotal role in both strategy implementation and strategy formation.

As the lynchpin between the strategic apex and operating core of the firm, middle managers operate at the intersection of autonomous (bottom-up) and induced (top-down) strategic initiatives. They not only champion strategic alternatives and make them accessible to senior executives but also facilitate adaptability by altering the formal structure. These strategic roles are distinguished by a unique combination of cognitive and behavioural components and are defined as divergent strategic behaviour (Floyd and Lane, 2000; Floyd and Wooldridge, 1997) that spurs strategic renewal efforts in the organisation.

Stimulated by questions about why middle managers act in particular ways (Healey and Hodgkinson, 2015), the upper echelons perspective is proposed to provide evidence of the relationship between top management and middle management. Within the same management team, the CEO, representing the leader of all managers, can shape the strategic context to influence the selection of initiatives, which may spark or extinguish middle managers' strategic

initiatives (De Clercq et al., 2011; Lechner and Floyd, 2012). That is, any support or discouragement from CEOs may greatly affect the motivation of middle managers to engage in strategic initiatives. For example, Song et al. (2014) indicate that CEOs who exhibit caring, task-orientated behaviour can boost middle managers' motivation to achieve and pursue career ambitions by extra-role activities and more involvement in organisational strategy; in contrast, CEOs' authoritative behaviour can demotivate middle managers' motivation to enhance their competencies or abilities. Therefore, this study seeks to examine the cascading effects of CEOs' personality traits, as a salient source of contextual information, on middle managers' behaviour in the strategy process.

4.3 Hypotheses Development

4.3.1 CEO narcissism and middle managers' divergent strategic behaviour

Recent research in upper echelons theory places CEO narcissism among the most critical biases (Hiller and Hambrick, 2005). Because middle managers' divergent strategic behaviour is the core of the strategic renewal process and is expected to be influenced by senior management of the firm such as the CEO (Floyd and Lane, 2000), a critical question is to understand how and why a narcissistic CEO affects middle managers' motivation to engage in their divergent strategic behaviour. Following the typology of two overarching drivers of narcissistic CEO behaviour (Chatterjee and Pollock, 2017) — the need for acclaim and the need to dominate — we suspect that CEO narcissism negatively impacts on middle managers' divergent strategic behaviour for two reasons.

First, narcissistic CEOs show a strong and constant desire to gain widespread attention and affirmation from the firm's stakeholders (Campbell et al., 2004). Thus, narcissistic CEOs need their 'narcissistic supply' to be filled by personal demonstrations of their superiority (Bogart et al., 2004). In striving to satisfy their need for power and admiration, they tend to be

callous and unfeeling toward others (Baumeister et al., 1996; Bushman and Baumeister, 1998). Such needs are so salient that CEOs will overlook middle managers' needs for self-enhancement even though middle managers' self-enhancement is a critical factor in encouraging them to search for novel initiatives and champion those initiatives to CEOs (Tarakci et al., 2018). Moreover, narcissistic CEOs lack communal consciousness and so do not actively endorse middle managers through cooperation and affiliation (Bradlee and Emmons, 1992). Thus, when middle managers feel ignored and inferior as a result of narcissistic CEOs' egocentric behaviour, their motivation to initiate strategic renewal decreases accordingly.

Second, narcissistic CEOs tend to have a strong dominance orientation (Back et al., 2013; Emmons, 1987; Raskin et al., 1991; Ruiz et al., 2001), which makes it easier for them to feel comfortable exploiting and controlling their subordinates. Strategic renewal initiatives put forward by middle managers have been classified as a kind of innovative behaviour within the firm (Kanter, 1988), but the dominant behaviour of CEOs is more likely to activate subordinates' submissive rather than innovative behaviour (Grijalva and Harms, 2014). Due to the heightened levels of dominance for control, narcissistic CEOs inhibit organisational learning and information sharing. As a result, middle managers' motivation to initiate and perform innovatively in the strategic renewal process will be restrained. Instead, middle managers will engage more in existing routines instead of exploring new opportunities. Furthermore, to keep their dominant position, narcissistic CEOs are excessively sensitive to perceived challenges from people around them, which has the effect of silencing middle managers (Dutton and Ashford, 1993).

Given the reasoning above, we argue that narcissistic CEOs' needs for acclaim and dominance lead to an unfavourable direct relationship with middle managers, and in turn suppress middle managers' motivation to explore innovative ideas for strategic initiatives.

Therefore, we hypothesise that narcissistic CEOs will inhibit middle managers from engaging in more divergent strategic behaviour.

Hypothesis 1. CEO narcissism is negatively associated with middle managers' divergent strategic behaviour.

4.3.2 Middle managers' organisational identification (OID) as a mediator

Next, derived from social identity theory (Tajfel et al., 1979), we propose that OID is an important psychological construct in understanding the mediating mechanism that exerts an influence over CEO narcissism in relation to middle managers' strategic behaviour. Previous research has viewed individuals' identification with the organisation as an important component that influences followers' attitudes and behaviours (Lord and Brown, 2003). OID is defined as a set of statements that members of an organisation perceive to be central, distinctive, and enduring to their organisation (Albert and Whetten, 1985). The insights of social identity theory (Tajfel et al., 1979) show that OID is an important factor for analysing the psychology of individuals in organisations (Haslam, 2004).

Previous studies have indicated that the behaviour of positive leaders increases organisational members' self-esteem and strengthens their identification with the organisation (Dutton et al., 1994; Pratt, 1998), because the treatment from top leaders conveys that everyone in the organisation is valued and respected (Tyler, 1997). Recent studies have indicated that the behaviour of despotic leaders, on the other hand, which is characterised as autocratic, controlling, and lacking ethical norms (Naseer et al., 2016), decreases organisational members' psychological safety and reduces their OID (Erkutlu and Chafra, 2018). Likewise, narcissism is viewed as a 'dark-side' personality trait that is mostly reflected and exhibited in CEOs' questionable behaviour (Cragun et al., 2019) — i.e. unethical, deceitful, illegal, reckless, and purely selfish behaviours. Because narcissistic CEOs tend to exploit, dominate, and unfairly

treat their followers for a self-serving purpose, we argue that such CEOs exhibit low willingness to cooperate with other managers, including both top and middle management, which in turn lowers middle managers' perceived OID.

According to social identity theory, OID research includes both cognitive and affective components (Haslam, 2004; Van Dick, 2001), which indicate two paths to link CEO narcissistic behaviour with middle managers' psychological identification with the organisation. First, because individuals within the organisation form their self-concept as well as self-definition from how others treat them (McAllister and Bigley, 2002), the interaction with narcissistic CEOs may influence middle managers' cognitions of who they are. Narcissistic CEOs lack regard and empathy toward others and have a tendency to exploit those around them for personal gain. From the social exchange perspective, a lower level of identification with the organisation will follow (Edwards, 2009). Second, narcissistic CEOs' self-serving behaviour provides situational cues. With a lack of respect and support from top management, middle managers may express negative feelings and reduce their psychological attachment to their organisation (Ngo et al., 2013). Owing to CEOs' key role in representing the values of the organisation, narcissistic CEOs' inflate self-view, and their self-focus behaviour indicates that self-interest is a distinctive characteristic of the organisation. Under such non-collective circumstances, middle managers focus on their own self-concept and stay away from the organisation's success and failure, which consequently reduces the affective attachment to and identification with the organisation. Thus, this study proposes that middle managers are affected by the sets of behaviour exhibited in narcissistic CEOs in both cognitive and affective ways that decrease middle managers' OID.

Then we would take two paths to demonstrate how middle managers' OID fosters their strategic renewal behaviour, because divergent strategic behaviour includes championing new initiatives for upward influence and facilitating adaptability for downward influence. First,

integrating their self-concepts with the organisation provides intrinsic motivation for middle managers to conduct in-depth synthesis of strategically relevant information and consideration of the overall business (Floyd and Wooldridge, 1997). In this case, middle managers are more likely to be exposed to novel information and problems, which provides new insights into strategic issues (Pappas and Wooldridge, 2007). On behalf of their organisation's interests, middle managers are more inherently concerned with their organisation's welfare and therefore likely to bring the initiatives forward to top managers. Second, taking the organisation and themselves as overlapping psychological entities, middle managers are more likely to devote more effort to facilitating the success of the organisation (Baruch and Cohen, 2007). When thinking and acting from an organisation's perspective, they prompt information sharing and organisational learning to facilitate trial projects or experimental programmes (Currie and Procter, 2001).

However, when middle managers lack a strong sense of affective attachment to and identification with the organisation, 'I' does not equal 'we' (Brewer, 1991). Under such circumstances, middle managers may show poor or low interest in the success of their company and will consider strategic behaviour as a means to develop their own agenda rather than advocate a strategic renewal process. This may hinder their motivation for divergent initiatives. On this basis, therefore, we theorise a positive link between middle managers' OID and their divergent strategic behaviour.

Based on the above logic, we propose that OID plays the role of mediator in the relationship between narcissistic CEOs and middle managers' divergent strategic behaviour. That is, CEO narcissism undermines middle managers' identification with the organisation, and subsequently inhibits their commitment to strategic renewal efforts.

Hypothesis 2. Middle managers' organisational identification will mediate the relationship between CEO narcissism and middle managers' divergent strategic behaviour.

4.4 Method and Results

4.4.1 Overview of the studies

We conducted two experimental studies ($N = 144$ managers and 70 managers) to test the proposed mediation model between CEO narcissism, middle managers' OID, and their divergent strategic behaviour. In Phase I, we widely recruited participants from MBA alumni. We conducted a scenario-based experiment using the online questionnaire platform *Qualtrics* and sent the link to those who agreed to participate. In Phase II, we replicated the findings of Phase I in a more controlled environment and restricted participants to middle managers. Moreover, we collected the data with paper-and-pencil questionnaires and conducted a three-wave experiment to deal with the potential concern of common method variance.

We used the scenario-based experiments to test our mediation model for several reasons. First, it gave us a higher degree of control in the experiment design on the independent and extraneous variables. We randomly assigned participants to treatments, which minimised threats to internal validity and provided supporting evidence for the expected causal relationships (Campbell and Stanley, 1963; Cook and Campbell, 1976, 1979). Second, we manipulated CEO narcissism in a controlled experiment to observe whether the manipulated variable caused changes in middle managers' attitudes and behaviours. Therefore, the method provided higher operational validity than self-reports of personality traits so as to avoid the inflation of self-ratings and influence of social desirability bias (Dalal and Hakel, 2016). Finally, echoing Colquitt's (2008) call for experiment-based studies in the field of management, we employed a scenario-based experimental method to develop a better understanding of the complex world in which we live.

4.4.2 Phase I

4.4.2.1 Sample and procedure

We conducted a between-subject experiment to test whether CEO narcissism affected middle managers' OID and their consequent divergent strategic behaviour. To reach participants from a broad spectrum of industries and occupations, we recruited people from the MBA alumni pool. Targeted participants were those who had graduated from the MBA program at Xiamen University within the past seven years. Finally, 230 participants were recruited in this study and 144 of them (81 males and 63 females) completed the survey, for a response rate of 61%; 18% were aged between 20 and 30, 55% between 30 and 40, 17% between 40 and 50, and 10% between 50 and 60. Further, 26% of them worked in consumer discretionary and medical treatment, 20% in banking and real estate, 17% in industrial engineering, 16% in information technology and telecommunications, 12% in consumer necessities, and 9% in basic materials and energy. Each participant received a reimbursement of US\$15.

Through the online survey platform *Qualtrics*, we invited participants to take part in an experiment called 'Middle Managers' Strategic Behaviours at Work'. After reviewing the consent document and agreeing to take part, participants were randomly assigned to the alternative manipulated scenarios (high CEO narcissism vs. low CEO narcissism). To examine narcissistic CEOs' influence on middle managers, we followed a prior study (Braun et al., 2018) and manipulated high and low CEOs' narcissism in the written scenario. In the high-level narcissistic condition, the CEO played down middle managers' contributions to a new strategy proposal and underscored his own intelligence and efforts to facilitate the whole project; while in the low-level narcissistic condition, the CEO brought participants' contributions to the fore, implying it was joint work and providing opportunities to present the participants themselves to the board. The information about the base condition and detailed descriptions of these two manipulated factors are provided in Appendix C.

To avoid or minimise cultural difference in translations, we followed the Brislin (1980) guidelines on the re-translation method. Accordingly, the scenarios were first translated into Chinese and then translated back into English. When the original and the re-translated version were carefully compared, discrepancies were rectified. After the translations were finalised, we sent them to three professors to review and revise. Then the scenarios were piloted with 20 native Chinese speakers; questions raised from them were also resolved. Finally, the length of the scenarios remained constant in both conditions (high CEO narcissism: 389 words in Chinese; low CEO narcissism: 352 words in Chinese). To ensure the accuracy of the experiment, this re-translation method was used for all the variable measures.

After reading the scenario, participants completed a questionnaire containing manipulation, measures of mediator, dependent variables, and control variables. At the end of the experiment, participants were asked to answer a series of quality-control questions, including the extent of participants' perceived realism of the scenario ($M = 4.73$, $SD = 1.27$), the extent to which they were aware of their role in the scenario ($M = 5.35$, $SD = 1.11$), whether they had come across a similar scenario in the real world ($M = 4.34$, $SD = 1.75$), and whether they understood the aim of the study ($M = 4.49$, $SD = 1.46$). The results of the scenario realism questions provided strong and supporting evidence to show that they perceived the realism of the experiment scenario as high ($M = 4.73$, $SD = 1.27$). On average, they took 15 minutes to complete the questionnaire.

4.4.2.2 Manipulation check and other variable measures

To test our manipulation of CEOs' narcissism, participants were asked to evaluate the CEO behaviour using eight adjectives: arrogant, assertive, boastful, conceited, egoistical, self-centred, show-off, temperamental (O'Reilly III et al., 2014). Participants were then required to indicate their ratings on a seven-point Linkert scale from 1 = 'completely disagree' to 7 =

‘completely agree’. The average of the eight items was taken to form an overall scale (Cronbach’s $\alpha = 0.94$).

We measured OID with a three-item scale adapted from Mael and Ashforth (1992): ‘When someone praises or criticises my company, it feels like a personal honour or insult’; ‘I am very interested in what others think about my company’, and ‘The company’s successes are my successes’. Responses ranged from 1 ‘completely disagree’ to 7 ‘completely agree’. Cronbach’s α of this measure was 0.64. Detailed items are listed in Appendix D.

We measured middle managers’ divergent strategic behaviour with a six-item scale adapted from Floyd and Lane (2000) and Floyd and Wooldridge (1997), including championing and facilitating adaptability. Participants rated on a seven-point Likert scale from 1 ‘completely unwilling’ to 7 ‘completely willing’. We asked them: ‘To what extent do you have the willingness to perform the following activities?’. Sample items included: ‘Are you willing to keep proposing novel programmes or projects to the CEO?’ and ‘Are you willing to keep providing a safe haven for experimental programmes in your team and encourage information sharing within your team?’. Cronbach’s α of this measure was 0.95. Detailed items are listed in Appendix D.

The participants also completed a demographic questionnaire asking their gender (male = 1, female = 0), age (age under 30 = 1, age between 31 and 40 = 2, age between 41 and 50 = 3, age between 51 and 60 = 4, age over 60 = 5), and years of working before reading the scenario which serve as control variables in the model. Furthermore, the participants need complete Raskin and Terry’s (1988) 16-item Narcissistic Personality Inventory (NPI-16) (Cronbach’s $\alpha = 0.86$). NPI-16 served as a control variable to ensure the observed results were attributable to the manipulated CEOs’ narcissism rather than their own narcissistic personality. The participants rated their agreement on a scale from 1 ‘strongly disagree’ to 7 ‘strongly agree’. Full items for each variable are listed in Appendix D.

4.4.2.3 Results and discussion

Table 4.2 shows the means, standard deviations, and bivariate correlations of the variables. As expected, the manipulation check showed that more participants in the high narcissistic scenario perceived the CEO as more narcissistic ($N = 72$, $M = 4.32$, $SD = 1.16$) than those in the low narcissistic scenario ($N = 72$, $M = 2.74$, $SD = 1.09$), $F(1, 142) = 69.98$, $p < 0.00$.

Table 4.2 Means, standard deviations, and bivariate correlations for Phase I.

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6
1. Gender	0.56	0.50						
2. Age	2.19	0.86	0.23**					
3. Working Yr	2.80	1.10	0.16	0.85**				
4. Self-Nar	4.06	0.71	0.07	-0.12	-0.07			
5. CEO Nar	0.50	0.50	-0.01	-0.08	-0.10	-0.10		
6. OID	4.04	1.09	0.00	0.02	-0.03	0.12	-0.38**	
7. DSB	5.17	1.16	-0.02	-0.08	-0.00	0.02	-0.29**	0.54**

Note. $N = 144$. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. CEO Nar = CEO Narcissism, OID = Middle Managers' Organisational Identification, DSB = Middle Managers' Divergent Strategic Behaviour, Working Yr = Working Year, Self-Nar = Self-Narcissism.

Next, we used one-way between-subject analysis of variance (ANOVA) for the direct effect about whether middle managers' divergent strategic behaviour differed significantly between the manipulated conditions. We coded high (low) narcissistic condition as 1 (0). As expected, a significant effect of CEO narcissism on middle managers' divergent strategic behaviour was observed. Participants in the high narcissistic condition reported lower divergent strategic behaviour ($M = 4.83$, $SD = 1.25$) than those in the low narcissistic condition ($M = 5.51$, $SD = 0.96$), $F(1, 142) = 13.15$, $p < 0.00$. Hypothesis 1 was supported.

Then we tested the mediation model with the PROCESS Macro in SPSS (Preacher and Hayes, 2004), which used bootstrapping techniques with 5000 random samples to establish a 95% confidence interval around the estimated indirect effect. Our results significantly supported the mediation hypothesis: CEO narcissism was negatively related to OID ($\beta = -0.81$, $t = -4.66$, $p < 0.00$, 95% CI: from -1.15 to -0.46), and OID was positively related to divergent strategic behaviour ($\beta = 0.54$, $t = 6.71$, $p = 0.00$, 95% CI: from 0.38 to 0.70). The indirect effect of narcissism on divergent strategic behaviour through OID was -0.44 . Because lower and upper 95% bootstrapped confidence intervals did not contain zero (-0.71 , -0.21), OID statistically mediated the negative indirect effect of CEO narcissism onto middle managers' divergent strategic behaviour. Thus, Hypothesis 2 was supported in Phase I. Table 4.3 presents the estimates of the path coefficients and the indirect effects.

Table 4.3 Path coefficients and indirect effects for the mediation model (Phase I).

	Path coefficients		Indirect effects	
	To OID	To DSB	Estimate	Bias-corrected bootstrap 95% confidence interval
Gender	-0.02 (0.18)	0.04 (0.17)		
Age	-0.01 (0.19)	-0.38 (0.18)		
Working Yr	0.00 (0.15)	0.21 (0.14)		
Self-Nar	0.12 (0.12)	-0.11 (0.12)		
CEO Nar	-0.81 (0.17)***	-0.25 (0.18)		
OID		0.54 (0.08)***		
CEO Nar \rightarrow OID \rightarrow DSB			-0.44 (0.13)	-0.70, -0.21

Note. 95% Confidence Interval. Bootstrap sample size = 5, 000; CEO narcissism coded as 0 = low CEO narcissism, 1 = high CEO narcissism. N = 144. Two-tailed significance. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.00$. Working Yr = Working Year, Self-Nar = Self-Narcissism, CEO Nar = CEO Narcissism, OID = Middle Managers' Organisational Identification, DSB = Middle Managers' Divergent Strategic Behaviour. Unstandardized coefficients. Standard errors are displayed in parentheses. Total effect model: $R^2 = 0.33$.

The first study shed light on the question whether CEOs' narcissism relates to middle managers' divergent strategic behaviour. As hypothesised, middle managers confronted with

high-level narcissistic CEOs would not engage in divergent strategic behaviour. Those who worked with low-level narcissistic CEOs preferred to engage in divergent strategic behaviour. The negative relationship is fully mediated by middle managers' organisational identification.

4.4.3 Phase II

While the results of Phase I confirm and provide supporting evidence to our proposed theoretical model, we conducted another study to replicate the findings from Phase I for three reasons. First, the replication reduces variability in experimental results. Reducing variability helps us to provide validity for and increase the confidence level of our proposed model. Second, using a different sample population increases the generalisability of our study. By doing so, our study can decrease the possibility of biased results based on a sample selection (i.e. Phase I). Third, we employed a web-based experiment in Phase I that may have had weaker experimental controls compared to laboratory-based experiments and encountered greater difficulties in ensuring reliability and internal validity given the limited controls in the procedure (Anderhub et al., 2001; Hergueux and Jacquemet, 2015; Reips, 2002). For these three reasons, we conducted another study to address these concerns.

4.4.3.1 Sample and procedure

In Phase II, we recruited participants of the strategic management class in the middle managers' degree course at Shenzhen Career Development Centre, China. This class consists of three sessions with a one-day interval. Participation in this laboratory study was rewarded by a 20% course credit in their final score. All participants were in a middle-level management team in their company. In total, there were 74 middle managers in this class, but two of them were absent in the second session and another two were absent in the third session. After excluding those four participants, the final sample was 70 middle managers, comprising 33

males (mean age = 33, SD = 4.31) and 37 females (mean age = 31, SD = 4.09). All of them had an above bachelor's degree and at least two years' working experience (mean working years = 9.4, SD = 4.53). Further, participants were from various industries. Fifteen worked in the manufacturing industry; 13 in real estate and relevant construction business; 11 in public services; 12 in information technology and software; 9 in finance and insurance industry; 6 in consumer services; and the remaining 4 worked in education, culture, and entertainment.

The experiment was conducted in a pen-and-paper questionnaire format, and a written informed consent form was provided. Participants completed the experimental tasks at individual workstations in a classroom setting in three waves in three sessions of the strategic management class in the following order. In the first wave, a short introduction to the study was provided for them to read. It told them that this study was concerned with middle managers' pivotal role in their organisation's strategic renewal processes. Then they completed demographic information, followed by a self-report of the Narcissistic Personality Inventory. In the second wave, participants were randomly assigned to one of the two conditions (high CEO narcissism vs. low CEO narcissism), the same as in Phase I. Then they completed a questionnaire containing the manipulation check, mediation variable, and dependent variables. In addition, participants were asked about their level of commitment to the experiment, and how real they perceived the scenario to be. In the third wave, participants were instructed to complete a questionnaire measuring their personality traits, such as Dark Triad (i.e. narcissism, Machiavellianism, psychopathy), and the Big Five (i.e. openness, conscientiousness, extroversion, agreeableness, neuroticism). On average, participants took eight minutes to complete the questionnaire in each wave and a one-day interval was arranged to involve participants periodically. We did not inform them about our manipulations or the purpose of the study either before or after the experimental sessions. We matched the three questionnaires received from each participant by the last four digits of their phone number.

4.4.3.2 Manipulation check and other variable measures

To check our manipulation, participants were asked, as in Phase I, to describe the CEO presented in the scenario using eight adjectives (Cronbach's $\alpha = 0.96$). Participants were required to rate their CEO on a seven-point Likert scale from 1 'completely disagree' to 7 'completely agree'. Detailed items are listed in Appendix D.

The same measures as in Phase I were used for OID (3 items, Cronbach's $\alpha = 0.71$) and divergent strategic behaviour (6 items, Cronbach's $\alpha = 0.95$). Participants indicated their ratings on a 7-point Likert scale from 1 'completely disagree' to 7 'completely agree' and 1 'completely unwilling' to 7 'completely willing', respectively. Detailed items are listed in Appendix D.

In the first wave, participants completed the demographic questionnaire asking their gender, age, and years of working as control variables, and also completed Raskin and Terry's (1988) 40-item Narcissistic Personality Inventory (Cronbach's $\alpha = 0.94$), and Jonason and Webster's (2010) 12-item Dirty Dozen psychometric properties (Cronbach's $\alpha = 0.81$). NPI-40 and Dark Triad items including narcissism served as control variables to ensure the detrimental effects on middle managers' strategic behaviour were attributable to the manipulated CEOs' narcissism rather than their own narcissistic personality. We also added Costa and MacCrae's (1992) 60-item (12 per domain) NEO Five Factor Inventory (NEO-FFI) (Cronbach's $\alpha = 0.60$) as another control variable to test whether the observed results were attributable to CEOs' narcissism rather than their own personality traits. The participants rated their agreement on a scale from 1 'strongly disagree' to 7 'strongly agree'. Detailed items are listed in Appendix D.

4.4.3.3 Results and discussion

Table 4.4 shows the means, standard deviations, and bivariate correlations of the variables. As expected, the results of the manipulation check show that participants in the high narcissistic condition perceived the CEO as more narcissistic ($N = 35$, $M = 4.26$, $SD = 0.99$) compared with those in the low narcissistic condition ($N = 35$, $M = 1.94$, $SD = 0.76$), $F(1, 68) = 122.09$, $p < 0.00$.

Table 4.4 Means, standard deviations, and bivariate correlations for Phase II.

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8
1. Gender	0.47	0.50								
2. Age	31.70	4.38	0.26*							
3. Working Yr	9.42	4.56	0.21	0.90**						
4. Self-Nar	4.54	0.67	0.06	0.00	0.09					
5. Self DT	3.45	0.78	0.15	-0.15	-0.15	0.31**				
6. NEO-FFI	3.92	0.21	-0.13	0.04	0.08	0.36**	0.12			
7. CEO Nar	0.50	0.50	-0.09	-0.02	-0.04	-0.03	0.21	-0.04		
8. OID	4.51	1.20	-0.04	-0.07	-0.11	0.15	-0.05	-0.09	-0.47**	
9. DSB	5.49	0.94	0.02	-0.12	-0.17	0.15	-0.07	-0.07	-0.38**	0.54**

Note. $N = 70$. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. Working Yr = Working Year, Self-Nar = Self Narcissism, Self DT = Self Dark Triad, NEO-FFI = NEO Five Factor Inventory, CEO Nar = CEO Narcissism, OID = Middle Managers' Organisational Identification, DSB = Middle Managers' Divergent Strategic Behaviour.

To test Hypothesis 1, we used one-way between-subject analysis of variance (ANOVA) for the direct effect about whether middle managers' divergent strategic behaviour differed significantly between the manipulated conditions. We also coded high (low) narcissistic condition as 1 (0). As expected, a significant effect of CEO narcissism on middle managers' divergent strategic behaviour was observed. Participants in the high narcissistic condition reported a lower level of divergent strategic behaviour ($M = 5.14$, $SD = 1.06$) compared with those in the low narcissistic condition ($M = 5.84$, $SD = 0.65$), $F(1, 68) = 11.11$, $p < 0.00$. Thus, Hypothesis 1 was supported.

As in Phase I, we tested this indirect effect via bootstrapping using the PROCESS Macro with 5000 random samples (Preacher and Hayes, 2004). Using PROCESS model 4, a significant path coefficient for the indirect effect of middle managers' OID between CEOs' narcissism and middle managers' divergent strategic behaviour provided support ($\beta = 0.37$, $t = 4.11$, $p < 0.00$, 95% CI: from 0.19 to 0.55). Because the 95% confidence interval did not include zero, evidence of mediation was provided for Hypothesis 2. Table 4.5 presents the estimates of the path coefficients and indirect effects. No statistically significant direct effect emerged between CEO narcissism and divergent strategic behaviour ($\beta = -0.29$, $t = -1.34$, $p > 0.05$, 95% CI: from -0.71 to 0.14), which suggests that OID fully mediated the indirect effect of CEO narcissism on middle managers' divergent strategic behaviour. Phase II acts as an important replication of Phase I and the same pattern of results was found with a different sample and a different experimental context.

Table 4.5 Path coefficients and indirect effects for the mediation model (Phase II).

	Path coefficients		Indirect effects	
	To OID	To DSB	Estimate	Bias-corrected bootstrap 95% confidence interval
Gender	-0.29 (0.27)	0.08 (0.21)		
Age	0.08 (0.07)	0.03 (0.05)		
Working Yr	-0.10 (0.07)	-0.06 (0.05)		
Self-Nar	0.43 (0.22)	0.23 (0.17)		
Self DT	0.01 (0.18)	-0.10 (0.14)		
NEO-FFI	-1.08 (0.65)	-0.30 (0.51)		
CEO Nar	-1.16 (0.26)***	-0.31 (0.23)		
OID		0.32 (0.10)**		
CEO Nar → OID → DSB			-0.38 (0.18)	-0.78, -0.08

Note. 95% Confidence Interval. Bootstrap sample size = 5, 000; CEO narcissism coded as 0 = low CEO narcissism, 1 = high CEO narcissism. N = 70. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. Working Yr = Working Year, Self-Nar = Self Narcissism, Self DT = Self Dark Triad, NEO-FFI = NEO Five Factor Inventory, CEO Nar = CEO Narcissism, OID = Middle Managers' Organisational Identification, DSB = Middle Managers' Divergent Strategic Behaviour. Unstandardized coefficients. Standard errors are displayed in parentheses. Total effect model: $R^2 = 0.35$.

4.5 General Discussion

Middle managers play important strategic roles in the organisational strategic renewal process (e.g., Floyd and Lane, 2000; Wooldridge, Schmid, and Floyd, 2008). In this study, we investigated how CEO narcissism affected middle managers' identification with the firm, and their consequent divergent strategic behaviour. Based on the results of the two experiments, we showed that CEOs' narcissism leads to lower middle managers' OID, which in turn results in a decline in their divergent strategic behaviour.

This study makes several contributions to the relevant literature. First, we integrate research on CEO narcissism with upper echelons theory to better understand the important role of CEOs in organisations. As the most important and visible strategic manager, CEOs may inspire or discourage followers across different hierarchical levels to initiate organisational change (Waldman and Yammarino, 1999). Such interaction between different hierarchical levels provides strong motivation for researchers to better understand the effects of CEO personality on organisational change.

Second, our findings extend and support the notion that narcissistic CEOs' self-centredness and grandiose entitlement severely harm other organisational members (Rosenthal and Pittinsky, 2006), and examine their detrimental consequences for organisational functioning, divergent strategic behaviour in particular. Previous studies have shown that CEO personality may affect organisational decisions and behaviours (e.g., Chatterjee and Hambrick, 2007; Finkelstein et al., 1996; Hambrick, 2007; Hambrick and Mason, 1984; Sanders, 2001). Following a considerable amount of studies focusing on CEOs' narcissism (e.g., Chatterjee and Hambrick, 2007; Cragun et al., 2019; Tang et al., 2018; Wales et al., 2013), we propose that CEO's narcissism is a nonnegligible and potential factor influencing the engagement of middle management in the strategic renewal process. Surprisingly, it is underexplored in existing

studies. To the best of our knowledge, our study is the first one to test how CEO narcissism inhibits middle managers' divergent strategic behaviour through the impact of middle managers' OID.

Third, we extend the strategic renewal literature by considering the 'hierarchical disconnect' between organisational members at different hierarchical levels (Angwin et al., 2015). In particular, we examine how a higher hierarchical level's (e.g. CEO's) personality traits create tensions and affect a lower hierarchical level's perceived cognitions. In turn, the strategic renewal behaviours of lower hierarchical level managers are biased accordingly. That is, we suspect that exchanges across different levels in an organisation can be toxic to strategic renewal efforts and processes. Our study advances the strategic renewal literature by studying this very little-known relationship.

Fourth, our study takes OID as a mediator — that is, OID is the link between CEOs' dark-side personality and middle managers' strategic behaviour. The traditional view taken with OID is to study its performance implications, in particular its negative manner (Chang et al., 2009). Different from this view, we expand the literature by examining OID's behavioural implications. Based on Floyd and Wooldridge's (1997) findings, middle managers' willingness to see the need for strategic change and fight for it depends upon their level of OID. Moreover, from the perspective of psychological attachment to the organisation, our study takes a further step to identify CEO narcissism as a psychological influencer decreasing middle managers' intrinsic motivation, then inhibiting their willingness to be involved in conducting divergent strategic initiatives.

Lastly, the methodological approach combining scenario-based experiments with specific middle manager samples advances the study of middle managers' behaviour in an organisation, as well as CEO narcissism research. Our experimental approach took written scenarios to manipulate CEO narcissism, which provided convincing evidence for causal

conclusions about the impact of CEO narcissism on middle managers' psychological and behavioural activities. This research method helps overcome the respective limitations from the traditional research methods (e.g. survey, case study) that have often been utilised in prior studies in relevant research topics (Dalal and Hakel, 2016).

From a practical perspective, our study provides two managerial implications. First, considering that middle managers serve as a source of novel ideas and input to strategic renewal processes, the CEO should pay more attention to the effects on these organisational 'strategic contributors'. The CEO should play a supportive and encouraging role instead of a self-serving one to stimulate middle managers to be more innovative in their strategic behaviour. As suggested by Rousseau (1998), individuals' OID can be fostered by a firm's care and support for them. Therefore, CEOs should promote others' psychological attachment with the organisation through encouragement, praise, and rewards.

Second, our study also underscores the role CEOs' dark personality plays in the firm's strategic renewal process. This finding is particularly important for an organisation that needs to seek an innovative strategy to face fierce competition. In this case, the board can make better recruitment decisions and structure the management hierarchy more effectively.

4.6 Limitations and Future Research

This study has some limitations and avenues for future research. First, our focus on CEO personality is on a single dimension — narcissism — without also considering other traits. The reason we paid attention to CEO narcissism is that it is a dominant trait prevalent in CEOs, and has long been studied in strategy and leadership research (Deluga, 1997; Maccoby, 2000; Rosenthal and Pittinsky, 2006). However, Zaccaro (2007) has suggested multiple traits may come together to affect behaviour, and any one trait does not function in isolation. Hence, we

encourage future research to explore how CEO narcissism combines with other personality traits to affect middle managers' behaviour and organisational strategic outcomes.

Second, we do not explore other potential mediating mechanisms that may connect CEO narcissism and middle managers' behaviour, such as individuals' changing attitudes and emotions (Hansbrough and Jones, 2014). Those may also link CEO personality to followers' outcomes in an organisation. Future research may consider these mechanisms between CEO narcissism and middle managers' strategic behaviour.

Third, we contend other cross-level factors may independently or jointly affect middle managers' strategic renewal behaviour. For example, in view of performance feedback theory, organisational performance serving as a context may enhance or constrain the influence of top leaders in the company (Peng et al., 2016). Therefore, we suggest there should be research opportunities to include performance feedback as another explanatory variable for middle managers' strategic behaviour. Because middle managers can fuel strategic renewal activities when they recognise the attainment discrepancy, how well performance fulfilment may hinder or motivate them to search for strategic changes is another avenue of research.

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Appendix C

Base Condition

Suppose you are manager of the marketing/ product communication department of a certain company. The CEO, Liu, organises a management meeting once a month and invites board members to attend. Recently, your company is busy planning to launch a new product. Your team has come up with a novel communication strategy for the launch of the new product. The goal of this strategy is to crowd out potential competitors in the market with an effective tactics. During the past two months, you and every member of your team have been working overtime every day under constant pressure, craving for a perfect strategy that will win the support of the board of directors and persuade all manager peers leading their teams to join in. You usually work closely with Liu and have spent a large amount of time and energy on this project.

High-level Narcissism Scenario

At this month's meeting, Liu presented the communication strategy to all the board members and managers but did not mention your contribution or the efforts of your team members. He implied that the strategy was the crystallization of his own wisdom and hard work. Even during the private conversation after the meeting, he did not introduce you or any member of your team to others. When the meeting was over, everyone went back to work. Liu assigned the next task normally to each manager as if nothing had happened.

Low-level Narcissism Scenario

At this month's meeting, Liu showed the communication strategy to all the board members and managers. He greatly praised and expressed gratitude for your efforts and contributions, implying that this strategy was joint work of your team, which needed supports

from every manager to implement together. After the meeting, Liu introduced you to the board members in an informal conversation.

Appendix D

Measures of OID (for Phase I and Phase II)

In such condition, being the direct subordinate of Liu, please indicate to what extent you agree with the following statements.

1. When someone praises or criticizes my company it feels like a personal honour or insult.
2. I am very interested in what others think about my company.
3. The company's successes are my successes.

Measures of Middle Managers' Divergent Strategic Behaviour (for Phase I and Phase II)

The following questions are related to your current role in your company's strategy process. In the above-mentioned condition, to what extent are you willing to perform the following activities?

Championing.

1. I am willing to keep searching for new strategic opportunities for my company.
2. I am willing to keep proposing new programs or projects to higher level managers.
3. I am willing to keep justifying and defining new strategic programs and evaluate the merits of new strategic proposals.

Facilitating adaptability.

4. I am willing to keep relaxing procedures to get new projects started in my team.
5. I am willing to keep locating and providing resources for trial projects in my team.
6. I am willing to keep encouraging informal discussion and information sharing within my team.

Measures of Narcissism (16-item) for Phase I

1. I really like to be the centre of attention.
2. I think I am a special person.
3. Everybody likes to hear my stories.
4. I insist upon getting the respect that is due me.
5. I like having authority over people.
6. I am going to be a great person.
7. I can make anybody believe anything I want them to.
8. I expect a great deal from other people.
9. I like to be the centre of attention.
10. I am an extraordinary person.
11. I always know what I am doing.
12. I find it easy to manipulate people.
13. People always seem to recognise my authority.
14. I know that I am good because everybody keeps telling me so.
15. I am apt to show off if I get the chance.
16. I am more capable than other people.

Measures of Narcissism (40-item) for Phase II

1. I have a natural talent for influencing people.
2. I am not a modest person.
3. I would do almost anything on a dare.
4. I know that I am good because everybody keeps telling me so.
5. If I ruled the world it would be a better place.

6. I can usually talk my way out of anything.
7. I like to be the centre of attention.
8. I will be a success.
9. I think I am a special person.
10. I see myself as a good leader.
11. I am assertive.
12. I like to have authority over other people.
13. I find it easy to manipulate people.
14. I insist upon getting the respect that is due me.
15. I like to show off my body.
16. I can read people like a book.
17. I like to take responsibility for making decisions.
18. I want to amount to something in the eyes of the world.
19. I like to look at my body.
20. I will usually show off if I get the chance.
21. I always know what I am doing.
22. I sometimes depend on people to get things done.
23. Everybody likes to hear my stories.
24. I expect a great deal from other people.
25. I will never be satisfied until I get all that I deserve.
26. I like to be complimented.
27. I have a strong will to power.
28. I like to start new fads and fashions.
29. I like to look at myself in the mirror.
30. I really like to be the centre of attention.

31. I can live my life in any way I want to.
32. People always seem to recognise my authority.
33. I would prefer to be a leader.
34. I am going to be a great person.
35. I can make anybody believe anything I want them to.
36. I am a born leader.
37. I wish somebody would someday write my biography.
38. I get upset when people don't notice how I look when I go out in public.
39. I am more capable than other people.
40. I am an extraordinary person.

Measures of Dark Triad for Phase II

Machiavellianism.

1. I tend to manipulate others to get my way.
2. I have used deceit or lied to get my way.
3. I have used flattery to get my way.
4. I tend to exploit others towards my own end.

Narcissism.

5. I tend to want others to admire me.
6. I tend to seek prestige or status.
7. I tend to expect special favours from others.
8. I tend to want others to pay attention to me.

Psychopathy.

9. I tend to lack remorse.
10. I tend to be unconcerned with the morality of my actions.

11. I tend to be callous or insensitive.

12. I tend to be cynical.

Measures of Big Five for Phase II

Neuroticism.

1. I am not a worrier (R).

2. I seldom feel angry and resentful (R).

3. When I'm under a great deal of stress, sometimes I feel like I'm going to pieces.

4. I rarely feel lonely or blue (R).

5. I often feel tense and jittery.

6. Sometimes I feel completely worthless.

7. I rarely feel fearful or anxious (R).

8. I often get angry at the way people treat me.

9. Too often, when things go wrong, I get discouraged and feel like giving up.

10. I am seldom sad or depressed (R).

11. I often feel helpless and want someone else to solve my problems.

12. At times, I have been so ashamed, and I just wanted to hide.

Extraversion.

13. I really like to have a lot of people around me.

14. I laugh easily.

15. I usually prefer to do things alone (R).

16. I really enjoying talking to people.

17. I like to be where the action is.

18. I usually avoid large crowds(R).

19. I often feel as if I'm bursting with energy.

- 20. I am a cheerful, high-spirited person.
- 21. I am not a cheerful optimist (R).
- 22. My life is fast paced.
- 23. I am a very active person.
- 24. I would rather go my own way than be a leader of others (R).

Openness.

- 25. I like to indulge in fantasy and daydream to explore and develop all possible things.
- 26. I like to develop new hobbies.
- 27. I am intrigued by the patterns I find in art and nature.
- 28. I believe letting students hear controversial speakers can only confuse and mislead them (R).
- 29. Poetry has little or no effect on me (R).
- 30. It is difficult for me to have an unconstrained imagination (R).
- 31. I seldom notice the moods or feelings that different environments produce (R).
- 32. I often experience many different feelings or emotions.
- 33. Sometimes when I am reading poetry or viewing a work of art, I feel a chill or wave of excitement.
- 34. I have little interest in speculating on the nature of the universe or the human condition (R).
- 35. I have a lot of intellectual curiosity.
- 36. I often enjoy playing with theories or abstract ideas.

Agreeableness.

- 37. I try to be polite to everyone I meet.
- 38. Sometimes I persuade others to do things as I wish by threatening or flattering (R).
- 39. Some people think I'm selfish and egotistical (R).
- 40. If someone starts a fight, I'm ready to fight back (R).

- 41. I have a very high opinion of myself (R).
- 42. When someone is rude to me, I try to forgive them and let it go.
- 43. I believe that human nature is good.
- 44. Some people think of me as cold and calculating (R).
- 45. I am a stubborn and tough-minded person (R).
- 46. I generally try to be thoughtful and considerate.
- 47. If I don't like a person, I will let him know it (R).
- 48. If necessary, I am willing to manipulate people to get what I want (R).

Conscientiousness.

- 49. I keep my belongings neat and clean.
- 50. I'm pretty good about pacing myself so as to get things done on time.
- 51. I never seem to be able to get organised (R).
- 52. I try to perform all the tasks assigned to me conscientiously.
- 53. I have a clear set of goals and work toward them in an orderly fashion.
- 54. I waste a lot of time before settling down to work (R).
- 55. I work hard to accomplish my goals.
- 56. When I make a commitment, I can always be counted on to follow through.
- 57. Sometimes I'm not as dependable or reliable as I should be (R).
- 58. I am efficient and effective at my work.
- 59. I am not a very methodical person (R).
- 60. I strive for excellence in everything I do.

Chapter 5 (Study 4)

CEO Narcissism in Middle Managers' Divergent Strategic Behaviour: A Moderated Mediation Model of Organisational Identification and Performance Feedback

Abstract

Based on existing research on the detrimental impacts of chief executive officer (CEO) narcissism on organisational outcomes, this study further investigates how narcissistic CEOs influence middle-level managers' divergent strategic behaviour. Specifically, we hypothesised that organisational performance feedback not only weakens the relationships between CEO narcissism and middle managers' organisational identification. It also weakens the relationship between middle managers' organisational identification and their divergent strategic behaviour. We tested our model using a scenario-based experiment with 156 middle-level managers. The results support the mediation effect of organisational identification and the moderating effect of performance feedback between CEO narcissism and middle managers' organisational identification. Our findings shed new light on CEO narcissism research by integrating narcissistic CEOs' social exchange interactions with middle managers, advancing the understanding of the moderating effects of organisational performance feedback to mitigate narcissistic leadership manifestation.

Keywords: CEO narcissism, divergent strategic behaviour, middle managers, organisational identification, performance feedback.

5.1 Introduction

Chief executive officers (CEOs), who stand at the top level of the management team, have exerted great influence over their firms', managers' and employees' actions and behaviours (Quigley and Hambrick, 2015). In line with CEOs' critical influence, scholars have shown a growing interest in one of the salient personality traits of CEOs, narcissism, in organisational management (e.g., Chatterjee and Hambrick, 2007, 2011; Gerstner et al., 2013; O'Reilly III et al., 2014; Peterson et al., 2012; Zhu and Chen, 2015). Narcissism, defined as 'the degree to which an individual has an inflated sense of self and is preoccupied with having that self-view continually reinforced' (Chatterjee and Hambrick, 2007), has been recognised as a potential 'dark-side' personality construct for CEOs (Zhang et al., 2017).

Narcissistic leaders are driven by self-centredness (Van Dijk and De Cremer, 2006) and feelings of grandiosity and entitlement, making them lack empathy for others and promote 'questionable behaviours' in the organisation (Giampetro-Meyer et al., 1998, p. 1730). For example, narcissistic leaders may contribute to employees' work frustration and job tension (Hochwarter and Thompson, 2012), followers' malicious envy and counterproductive work behaviour (Braun et al., 2018), and employees' moral disengagement and deviant behaviours (Zhang et al., 2018). However, prior literature focuses only on lower echelons (i.e. frontline employees), not paying enough attention to the influence of narcissistic leaders on the middle level of management (Sun et al., 2012).

Middle managers, who are positioned in the forefront linking the strategic apex and operating core of the organisation, have been recognised as valuable contributors in the innovation process of strategic change and renewal in an established company (Quinn, 1985; Floyd and Lane, 2000; Wooldridge et al., 2008; Schmitt et al., 2018). They sit at the heart of the strategic renewal process by exhibiting divergent strategic behaviour, including facilitating the search for new strategic initiatives and choosing which to champion to top management

(Tarakci et al., 2018). As the leader of all managers, CEOs design the administrative context (Penrose, 1959) and structural context (Bower, 1970), which heavily influences the process of defining and selecting initiatives. They set and can alter the strategic contexts to shape indirectly the type of strategic initiatives that middle managers come up with and push forward (De Clercq et al., 2011; Lechner and Floyd, 2012). Any support or discouragement from CEOs may greatly affect middle managers' willingness to engage in strategic initiatives (Hornsby et al., 2002). Therefore, this study aims to find the relationship between narcissistic CEOs and middle managers' willingness to diverge in their strategic behaviours.

When considering narcissistic CEOs' interactions with middle managers, we follow the study of Chatterjee and Pollock (2017) to focus on two powerful needs of narcissistic CEOs: (1) the need for acclaim and social approval, and (2) the need to dominate and control others. Prior research (e.g., Chatterjee and Hambrick, 2007; Hiller and Hambrick, 2005) has observed that narcissistic CEOs have excessively high self-regard and thus predominantly revolve around self-focus and draw attention from others to heighten their need for self-enhancement. At the same time, narcissistic CEOs maintain a dominant position and lack empathy to control those around them (Chatterjee and Hambrick, 2007, 2011; Sedikides et al., 2002; Zhu and Chen, 2015), which may not be aligned with their followers' needs and aspirations (Galvin et al., 2010). Such narcissistic behaviours of CEOs can easily cause middle managers to lack affiliation. They tend to psychologically distance themselves and identify with the organisation less, which may not inhibit their self-enhancement and willingness to engage in divergent strategic behaviour beneficial to the organisation. Therefore, we propose the first research question: *How does CEO narcissism relate to middle managers' organisational identification and affect their willingness to diverge strategic behaviours?*

In the extant CEO narcissism literature, narcissism is treated as a personality trait that results in predictable behaviours and motivations (Miller and Campbell, 2008). However, some

scholars have realised that behaviours and motivations result from a combination of personality- and situation-based characteristics (Furr and Funder, 2018). This combination allows us to determine what situational factors at the organisation-level may impact middle managers' behaviours in the strategic renewal process (Schmitt et al., 2018). Functioning as a bridging role in the organisation, middle managers are responsible for championing strategic alternatives to senior executives and facilitating adaptability by altering the formal structure. They are often the first to recognise the need for strategic renewal as a response to the current organisational performance feedback sooner than senior executives and, accordingly, engage in emergent adaptive behaviours (Burgelman, 1991; Floyd and Lane, 2000; Wooldridge et al., 2008). Because organisational performance has typically been examined as a consequence of CEO leadership (e.g., Ling et al., 2008; Waldman et al., 2001), it is important to consider how the existing performance level serves as a context that constrains or enhances the influence of CEO narcissism (Peng et al., 2016).

Considering that positive organisational performance can provide psychological safety for middle managers, we propose that the side effect of CEO narcissism may be weakened by positive performance. Nevertheless, positive performance can also provoke inertia pervasion in the organisation (Bromiley et al., 2001). When the performance exceeds other competitors, this feedback signals the current strategy's efficacy (Tarakci et al., 2018). In this case, managers with high organisational identification may be more likely to 'stay the course' instead of proposing new initiatives that diverge the strategic status quo. Thus, we assume that positive performance feedback is not only likely to weaken the side effects of CEO narcissism on middle managers' organisational identification, it also attenuates the positive relationship between middle managers' organisational identification and their divergent strategic behaviour. Thus, the second research question is: *How does the organisational performance feedback*

moderate the relationship between CEO narcissism, middle managers' organisational identification and their willingness to diverge strategic behaviour?

To examine the proposed research questions, we develop a scenario-based experiment (N = 156) to test our hypotheses. In the experiment, we manipulate CEO narcissism (high-level CEO narcissism vs. low-level CEO narcissism) and the company's performance feedback (positive performance feedback vs. negative performance feedback vs. neutral performance feedback) to examine the moderated mediation model. The theoretical model used to guide this study is shown in Figure 5.1.

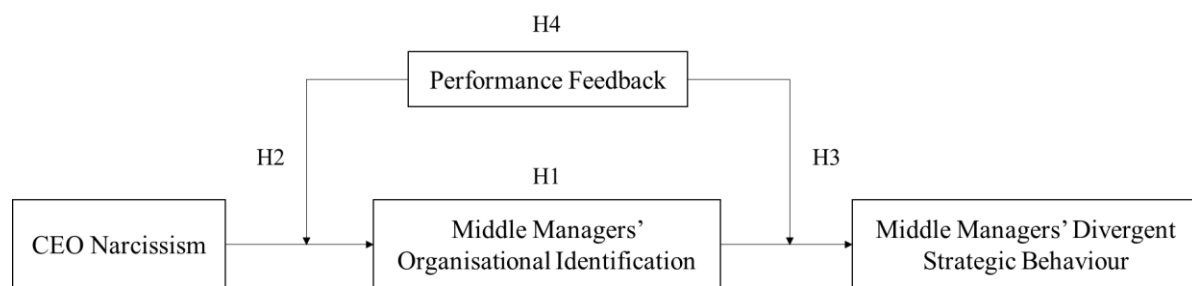


Figure 5.1 Theoretical model and hypotheses.

The present research is intended to contribute to the existing literature in several ways. First, our model extends prior work (e.g., Braun et al., 2018; Hochwarter and Thompson, 2012; Zhang et al., 2018) by providing insights into the downstream, cascading consequences of CEO narcissism on the social exchange relations with middle managers. Second, by utilising social exchange theory (Blau, 1964), we provide a new theoretical perspective to explain how CEO narcissism affects middle managers' divergent strategic behaviour through organisational identification. Third, we introduce performance feedback theory (Prue and Fairbank, 1981) to provide a new perspective to seek the boundary condition of organisational performance feedback in CEO–middle managers' social exchange relationships.

5.2 Theoretical Background

5.2.1 A social exchange relationship between middle managers and CEOs

Social exchange theory is one of the main approaches used to explain the leader–follower relationship (Blau, 1964; Gouldner, 1960). Individuals develop specific behaviours as an exchange strategy to pay back the support they receive from the organisation and the leaders (Archimi et al., 2018). When individuals receive beneficial treatment from leaders, they are more likely to feel highly connected to the organisation and act for the company’s good (Wayne et al., 1997). Conversely, if they receive unfavourable treatment, they may consider withdrawal or negative behaviours as an acceptable currency in the social exchange (Settoon et al., 1996).

Hambrick and Mason (1984) identified a lack of research in the characteristics of the upper-echelons and a gap in the linkage between their characteristics and strategy development. Since then, management researchers have begun to explore the psychological qualities of top executives—especially CEOs—such as personality (Kets de Vries and Miller, 1985), charisma (Flynn and Staw, 2004) and locus of control (Miller et al., 1982). In recent studies, a moderate to high level of narcissism has been recognised as widely prevalent among top managers (Maccoby, 2000b; Owens et al., 2015), exhibiting a key role in company strategy behaviour (Chatterjee and Hambrick, 2007). Of all the CEO characteristics examined in the literature, narcissism emerged as one of the most perplexing ‘dark-side’ personality constructs, linked with extraversion, exhibitionism, self-assurance and aggression (Miller et al., 2018).

Although narcissists tend to emerge as leaders (Brunell et al., 2008) in an organisation, narcissistic traits are not necessarily beneficial for effective leadership. For example, narcissistic leaders can negatively affect individuals’ behaviour during social interactions, such as employees’ work frustration and job tension (Hochwarter and Thompson, 2012), followers’ malicious envy and counterproductive work behaviour (Braun et al., 2018), and employees’ moral disengagement and deviant behaviours (Zhang et al., 2018). Prior literature has mainly

focused on the influence of narcissistic leaders on frontline employees (Han et al., 2020). Given the lack of published studies on how narcissistic CEOs relate to middle managers' behaviours, this study seeks to step beyond the impact of narcissistic leaders on employees by focusing on the middle levels in the hierarchy, which has not received adequate attention from researchers, and identify the boundaries of this relationship.

5.2.2 Organisational identification

Since the seminal work by Ashforth and Mael (1989), organisational identification has emerged as a key concept in organisational psychology, which is at the midpoint of individuals and organisations' continuum. Defined as the 'perception of oneness with or belongingness to the organisation' (Ashforth and Mael, 1989), organisational identification has long been posited as a particular form of social identity by social psychological researchers derived from one's perceptions of ownership (e.g., Beggan, 1992; Dittmar, 1992). Indeed, the fundamental insights of social identity theory (Tajfel et al., 1979) have emerged as an important framework for analysing the psychology of individuals in organisations (Haslam, 2004).

Because individuals' self-concept derives from their sense of connection with the organisation, organisational identification has been underscored as an important construct to connect each individual to the organisation in a large body of research (Tajfel, 1982). Those who hold a strong organisational identification can internalise their organisation's successes and failures (Mael and Ashforth, 1992) and help their organisation's viability. Previous research suggests that when someone strongly identify with their organisation, they may promote beneficial work attitudes (Efraty and Wolfe, 1988), adapt their behaviours to the organisation's norms and values (Ashforth and Mael, 1989), show higher work performance (i.e. in-role and extra-role performance) (Riketta, 2005), enhance work adjustment (Carmeli et al., 2007), and are more likely to engage in organisational citizenship behaviours (e.g., helping

colleagues, making innovative suggestions) (Van Dick et al., 2006) and extra-role behaviours (Blader and Tyler, 2009). Conversely, a lower level of organisational identification leads to negative outcomes (Elsbach, 1999), such as a façade of conformity (Hewlin, 2003), emotional exhaustion and increased turnover (Hewlin, 2009), which are potentially detrimental to the organisation.

In the previous research, organisational identification has been found as a mediating variable linking leaders and individuals' organisational behaviours (Brown and Mitchell, 2010). In most organisational scientific research, leaders can provide the connection that builds followers' identification with their organisations (Lord and Brown, 2003; Van Knippenberg and Hogg, 2003), and those who strongly identify with their organisations may engage in behaviours that attempt to protect the organisation (Umphress et al., 2010). However, increasing, scholars began to notice the ugly face of leadership and its negative effects on their subordinates' behaviours (Naseer et al., 2016). For example, transformational leadership causes employees' intrapreneurial behaviours, while transactional leadership decreases such behaviours; both are partially mediated by organisational identification (Moriano et al., 2014). Erkutlu and Chafra (2018) find a significantly positive relationship between despotic leadership and employees' organisational deviance via the mediating effect of employees' organisational identification.

Our study suggests that narcissistic CEOs play an intricate role in building middle managers' organisational identification. Those middle managers who identify with the organisation take the organisation's successes and failures as their own personal successes and failures (Ashforth et al., 2008), increasing their willingness to contribute to strategic organisation renewal (Cicero and Pierro, 2007; Moriano et al., 2014). When middle managers have a lower level of organisational identification, they are expected to exert less effort on diverging their strategic behaviours for the organisation's sake. Thus, we take organisational

identification as a mediator between CEO narcissism and middle managers' divergent strategic behaviour to look into how narcissistic CEOs change middle managers' attitudes and behaviours in their commitment to the strategic renewal process.

5.2.3 Organisational performance feedback

Organisational performance relative to aspirations (Cyert and March, 1963), usually referred to as performance feedback, explains how organisations may initiate or discontinue a wide range of organisational actions (Greve, 2003; Posen et al., 2018; Shinkle, 2012). Performance feedback theory suggests that aspiration levels serve as reference points for evaluating organisational performance (Kotiloglu et al., 2019). For a specific goal, performing above the aspiration level is satisfactory, while performing below the aspiration level is problematic. Therefore, performing below an aspiration level usually triggers organisations to increase the intensity of organisational actions to bring performance back to the aspiration level. Conversely, performing above an aspiration level triggers organisations to reduce the intensity of organisational actions (Greve, 2003; Posen et al., 2018; Shinkle, 2012). Over the past several decades, organisational performance feedback has been most frequently employed in behavioural strategy to change behaviours in organisations (Prue and Fairbank, 1981). For example, most empirical studies show that performance above aspirations decreases the intensity of organisational actions (Tarakci et al., 2018). However, several studies report the opposite, suggesting that performance above aspirations can intensify research and development investments (Chen and Miller, 2007) and organisational risk-taking (Baum et al., 2005).

Equally important, lower, middle and top managers alike receive performance feedback from the organisation (Chun et al., 2009). Tarakci et al. (2018) have indicated performance feedback is a driver for middle managers' divergent actions in the strategy-making process.

Although middle managers are essential actors in strategic renewal (Schmitt et al., 2018), they are also subject to performance systems that regularly provide feedback, affecting bonuses and promotion (Cook and Dixon, 2006). Meanwhile, performance feedback signals the strategy's efficacy (Tarakci et al., 2018). Poor performance may trigger managers' self-enhancement motive to pursue strategic change, while high performance may lead to organisational inertia among all employees (Bromiley et al., 2001). Therefore, we include organisational performance feedback as an important boundary condition that may influence middle managers' strategic behaviours.

Further, a company's existing performance feedback has also been taken as a context that constrains or enhances the influence of organisational leadership (Peng et al., 2016). When the organisation is not performing well, this often indicates an overall unfavourable environment for employees. Perceived insecurity and uncertainties cause employees to attribute the negative performance feedback to a consequence of CEO leadership (Ling et al., 2008; Waldman et al., 2001). In response to the negative performance feedback, they can more effectively innovate in their own spheres or change their behaviours in ways that support organisational innovation because they are concerned about the company and their personal security and welfare within it (Weitzel and Jonsson, 1989). Conversely, when performance feedback exceeds aspirations, any plausible explanation may be acceptable to employees (Kotiloglu et al., 2019). There is little motivation to assess the current circumstance and evaluate how their own work may relate to changes in the circumstance. Therefore, our study takes organisational performance as a situational boundary condition and explores the moderating effects of performance feedback above/below aspirations.

5.3 Hypotheses Development

5.3.1 CEO narcissism, middle managers' organisational identification and their divergent strategic behaviour

Prior studies have suggested that narcissistic CEOs inhibit employees' motivation and subsequent task performance (Quigley et al., 2015). This is especially the case for middle managers who engage in more complex heuristic thought processes than frontline employees with simpler programmed job types (Gagné and Deci, 2005). It implies possible influences narcissistic CEOs may exert on middle managers' attitudes and behaviours, which may undermine the organisation in the long run. We follow the typology of two overarching drivers of narcissistic CEOs' behaviours proposed by Chatterjee and Pollock (2017)—the need for acclaim and the need to dominate—to find out how CEO narcissism affects middle managers' organisational identification.

Characterised by grandiosity, self-focus and self-importance (Morf and Rhodewalt, 2001), narcissists have a strong desire to constantly seek opportunities to gain attention and praise from others (Campbell et al., 2004). They need people around to applaud and cheer for them, which leads to the self-enhancement needs of middle managers being overlooked (Hansbrough and Jones, 2015). Further, the narcissistic CEO's personal need for attention puts middle managers under a lot of obligation to flatter them, which subsequently leads narcissistic CEOs to feel entitled to claim responsibility for each success, including innovative initiatives proposed by others. Such 'credit-taking' (Chatterjee, 2009) is an outcome of the narcissistic CEO's self-enhancing attributions based on their need for acclaim. Such narcissistic behaviours from CEOs may hamper middle managers' ability to view the potential promotion ambitiously and inhibit the untied feelings with the organisation positively.

Conversely, narcissists tend to have a strong dominance orientation (Back et al., 2013; Emmons, 1987; Raskin et al., 1991; Ruiz et al., 2001). Compared to non-narcissists, narcissistic CEOs can be more callous and unfeeling towards others (Baumeister et al., 1996; Bushman

and Baumeister, 1998), making it easier to be comfortable exploiting and dominating others. Thus, they do not actively nurture other managers and lack communal consciousness, such as cooperation and affiliation (Bradlee and Emmons, 1992). They seek situations in which they have high discretion or a greater latitude of action (Hambrick and Finkelstein, 1987) to control decision-making and more easily take all the credit for successful outcomes instead of sharing the credit with other managers. Such narcissists' need to dominate and control decision-making creates a workplace environment in which middle managers have no chance to develop themselves and pursue promotion. Consequently, they tend to psychologically distance themselves from the organisation.

We propose that organisational identification is an important psychological construct deriving from social identity theory (Tajfel et al., 1979) with motivational and behavioural consequences (Ashforth and Mael, 1989). It is a key notion of the social identity framework that organisational identification fosters individuals' motivation to incorporate the organisation's interests into their self-worth and act in favour of the organisation's collective interests (Haslam, 2004). Specifically, when middle managers combine their self-interest with the company, they are believed to be more committed to their organisation (Ngo et al., 2013). For example, they can link different skills, resources and knowledge to pursue organisational strategic goals, so most innovations and initiatives for the organisation's sake will emanate from them (Pappas and Wooldridge, 2007). Such affective commitment to the organisation can elevate middle managers' working engagement to go beyond their designated role in strategy implementation and get involved in more divergent strategic activities (Pappas and Wooldridge, 2007). For instance, such activities include challenging the 'dominant logic' of the firm and helping the organisation develop new capabilities (Burgelman, 1983; Floyd and Wooldridge, 2000). When not highly identified with the organisation, middle managers are unlikely to take initiatives beyond their routine implementation work (Wisse et al., 2015). Therefore, it seems

plausible that organisational identification could mediate the relationship between CEO narcissism and middle managers' divergent strategic behaviour. Consequently, based on the theoretical arguments presented above, the following hypothesis is proposed:

Hypothesis 1. Middle managers' organisational identification mediates the relationship between CEO narcissism and middle managers' divergent strategic behaviour.

5.3.2 CEO narcissism, organisational performance feedback and middle managers' organisational identification

As narcissistic leaders can be constrained within an organisational context by restraining situational or environmental factors (Furr and Funder, 2018; Maccoby, 2003, 2007), this study sheds new light on the combination of different levels of CEO narcissism and organisational performance feedback to see how the interaction between them can exert influence on middle managers' strategic behaviours.

When the organisation is not performing well, the negative feedback indicates an overall unfavourable environment for all employees, including middle managers, as they tend to be concerned about their potential loss of security and welfare (Weitzel and Jonsson, 1989). Perceived insecurity and uncertainties cause them to look for the assurance of the organisational prospects from the top leaders. However, based on former studies (e.g., Campbell et al., 2000; Rhodewalt and Morf, 1998), narcissistic leaders would reveal a stronger tendency to attribute failure to external causes and react more aggressively through exploiting rather than actively nurturing followers. It may be accompanied by a lower need for intimacy, less empathy, scant gratitude and little sense of group unity (Farwell and Wohlwend-Lloyd, 1998; Watson et al., 1984), which further alienates middle managers from the organisation. Moreover, poor performance feedback may serve as an impetus for middle managers to attribute the negative organisational performance to narcissistic CEOs, who they blame for not

effectively achieving the organisation's mission. Under the circumstance, CEOs' narcissistic tendencies may lead to more dissatisfaction and disidentification with the organisation for middle managers (Ngo et al., 2013).

Conversely, positive performance feedback can provide dissonant but plausible reasoning (Peng et al., 2016) for CEOs' narcissism and make it more acceptable to employees, including middle managers. Managers in currently well-performing organisations may be most receptive to CEOs' narcissistic behaviours, such as their hyper craving for admiration and applause from others and their strong desire to demonstrate superiority and dominance over others. An improved company performance would be attributed to the CEO's constructive and productive capability (e.g., Lubit, 2002; Maccoby, 2003; Rosenthal and Pittinsky, 2006), which may distract managers' attention to the side effects of CEOs' narcissistic behaviours. Thus, when the organisation is performing well, CEOs' narcissism is less likely to be an accessible factor that hampers middle managers' cohesiveness to the organisation. These arguments lead us to predict that CEO narcissism has a stronger negative influence on middle managers' organisational identification when the performance feedback is poor, and the negative relationship is attenuated when the performance is positive. Therefore, we hypothesise:

Hypothesis 2. Organisational performance feedback moderates the relationship between CEO narcissism and middle managers' organisational identification such that the negative relationship between CEO narcissism and middle managers' organisational identification will be weaker when the firm's performance feedback is positive and stronger when the firm's performance feedback is negative.

5.3.3 Middle managers' organisational identification, organisational performance feedback, and divergent strategic behaviour

Concerning the effect of organisation performance feedback, CEOs' narcissism and middle managers' organisational identification, we also expect that poor performance strengthens the relationship between middle managers' identification with the organisation and their divergent strategic behaviour.

As managers have a strong sense of connectedness with the organisation and regard themselves and their organisations as overlapping entities, they would search for and initiate new ways to improve organisational strategy when organisational performance is below aspiration (Harris and Bromiley, 2007; Kacperczyk et al., 2015). Those middle managers took successes and failures of the organisation as their own (Dukerich et al., 2002). In this case, when the organisation is not performing well, managers who highly identify with the organisation are more likely to actively search for new strategic initiatives for the company's sake beyond merely implementing assigned routine tasks to help the organisation get over the difficulties (Riketta, 2005). Thus, when facing negative performance feedback, middle managers who highly identify with their organisations are expected to search for innovative approaches to diverge their behaviour, which may contribute to the organisation's improvement.

Conversely, when positive performance feedback occurs, those managers are less motivated to assess the current circumstance and evaluate how their own work relates to the improved circumstance (Peng et al., 2016). To a large extent, organisational inertia pervades when performance aspirations are met (Bromiley et al., 2001). It is hard to question the existing strategy and initiate a new strategy when the organisational performance is viewed internally as satisfactory. When performing above aspirations, firms will be risk-averse (Kahneman and Tversky, 1979). A middle manager identified highly with the organisation adopts the company's interests and goals as their own and tries to avoid the potential threat of diverging from the current strategy. Therefore, to protect the firm's current wealth (Martin et al., 2013),

they will not engage as much as before in the divergent strategic behaviour. These arguments lead us to predict that middle managers' identification with the organisation has a weaker influence on their willingness to diverge their strategic behaviour when the performance feedback is positive and a stronger influence when the performance is negative.

Hypothesis 3. Organisational performance feedback moderates the relationship between middle managers' organisational identification and their divergent strategic behaviour, such that the positive relationship will be weaker when the firm's performance feedback is positive and stronger when the firm's performance feedback is negative.

5.3.4 Moderated mediation hypothesis

Taken together, Hypotheses 1–3 and the moderated mediation model suggest the following three points. First, CEO narcissism has a negative effect on middle managers' organisational identification, which mediates the relationship between CEO narcissism and middle managers' divergent strategic behaviour. Second, performance feedback moderates the relationship between CEO narcissism and middle managers' organisational identification. Third, performance feedback moderates the relationship between middle managers' organisational identification and their divergent strategic behaviour. Although Hypotheses 1–3 can be examined by testing the significance of individual paths in the model, testing individual paths is insufficient for establishing mediation and moderated mediation effects (Preacher et al., 2007). Thus, we provide a hypothesis that specifies the overall moderated mediation effects predicted by our research model.

That is, positive performance feedback may provide excuse for narcissistic CEOs, which weakens the side effect of CEO narcissism on middle managers' organisational identification and meanwhile generate inertia, which restrain the motivation of highly identified middle managers to engage in more divergent behaviour. By contrast, negative

performance feedback may increase middle managers' resentment to narcissistic CEOs, which enhance the negative relationship between CEO narcissism and middle managers' organisational identification, while it can drive highly identified middle managers to engage in more divergent behaviour to develop the strategic renewal. Therefore, we propose:

Hypothesis 4. Organisational performance feedback moderates the strength of the mediated relationship between CEO narcissism and middle managers' divergent strategic behaviour through middle managers' organisational identification, such that the mediated relationship will be weaker when performance feedback is positive and stronger when performance feedback is negative.

5.4 Method and Results

We used the scenario-based experiment (Aguinis and Bradley, 2014) in this study for several reasons. First, we have a high degree of control in the experiment design over the independent and extraneous variables and randomly assigned participants to treatments, which are particularly well-suited to minimise threats to internal validity and provide evidence of causal relationships between variables (Campbell and Stanley, 1963; Cook and Campbell, 1979). Second, we manipulate CEO narcissism in a controlled experiment to observe whether it can cause a change in others' attitudes and behaviours. This can provide higher operational validities of personality traits when compared to self-reports in a survey to avoid the inflation of self-ratings and the influence of social desirability bias. Finally, echoing Colquitt's (2008) call for laboratory experiments in the *Academy of Management Journal*, we use this method to better understand the complex world in which we live.

5.4.1 Sample and procedure design

We used a between-subject experiment to test whether performance feedback can exert moderated mediating effects between CEO narcissism, middle managers' organisational identification and their divergent strategic behaviour. To reach participants from a broad spectrum of industries and occupations, we recruited middle managers through Credamo, an online panel in China that is valid and commonly used for experimental studies (e.g., Yang et al., 2021). A total of 156 middle managers from different types of Chinese firms participated in this study; each were offered US\$15 for completing the experiment. Among these participants, 83 were male and 73 were female; 57.05% were aged 30–40 years, 17.31% were 40–50 years, 16.03% were 20–30 years and 9.62% were 50–60 years. Most of them held a bachelor's degree (47.44%) or a master's degree and above (45.51%); 46.79% have been working for 5–10 years, 19.87% for 1–5 years, 13.46% for 10–15 years, 12.18% under 1 year, and 7.69% for 15 years and above. The participants are involved in six different industry categories, including 26.92% in unnecessary consumables and health care, 21.79% in finance and real estate, 15.38% in industrial engineering, 15.38% in information technology, telecommunications and public service, 12.18% in necessary consumables, and 8.33% in materials and energy. The detailed information of the participants is shown in Table 5.1.

Table 5.1 Information of the participants (N = 156).

	Frequency	(%)
<i>Gender</i>		
Male	83	53.21%
Female	73	46.79%
<i>Age</i>		
20-30	25	16.03%
30-40	89	57.05%
40-50	27	17.31%
50-60	15	9.62%
<i>Education</i>		

Intermediate	11	7.05%
Bachelor	74	47.44%
Master and above	71	45.51%
<i>Working experience (number of years)</i>		
Within 1 year	19	12.18%
1-5 years	31	19.87%
5-10 years	73	46.79%
10-15 years	21	13.46%
15 years and above	12	7.69%
<i>Industry</i>		
Information Technology & Telecommunications & Public service	24	15.38%
Materials & Energy	13	8.33%
Industrial Engineering	24	15.38%
Necessary Consume	19	12.18%
Finance & Real Estate	34	21.79%
Unnecessary Consume & Health care	42	26.92%

The middle managers participated in our study following three steps. First, they read and agreed to the consent form on the first page. Second, they were randomly assigned to one of the six conditions: 2 (high narcissistic CEO vs. low narcissistic CEO) \times 3 (positive organisational performance vs. low organisational performance vs. neutral performance feedback). The conditions follow Braun et al.'s (2018) manipulation scenario for narcissistic leaders, which we adapted to use in our experiment design. In the high-level narcissistic condition, the CEO played down the middle manager's contributions to a new strategy proposal and underscored his efforts in the whole project. In the low-level narcissistic condition, the CEO took the middle manager's contributions to the fore and provided opportunities to show themselves. At the same time, we adopted Behrens and Ernst's (2014) method to manipulate the organisational performance feedback. In the condition of positive performance feedback, participants were told that their company outperformed their peer companies within the same industry; in the condition of negative performance feedback, participants were told that their company underperformed compared to the others; and in the control condition, participants

received neutral performance feedback. The information about the base condition and detailed descriptions of these two manipulated factors are provided in Appendix E.

Finally, when reading one of the six scenarios, the middle managers answered the manipulation check questions for CEO narcissism and performance feedback. They provided their ratings of organisational identification, willingness to commit to divergent strategic behaviour and demographic information. Like other experiment designs, we asked participants to answer some quality-control questions, including the extent of participants' perceived realism of the scenario ($M = 4.69$, $SD = 1.31$), the extent to which they were aware of their role in the scenario ($M = 5.29$, $SD = 1.20$), whether they had come across a similar scenario in the real world ($M = 4.31$, $SD = 1.75$), and whether they understood the aim of the study ($M = 4.42$, $SD = 1.48$). The results of the scenario realism questions provided strong and supporting evidence to show that they perceived the realism of the experiment scenario as high ($M = 4.69$, $SD = 1.31$). On average, the participants took 12 minutes to complete the questionnaire.

5.4.2 Manipulation check and other variables measurement

After reading the scenario, participants were first asked to complete a questionnaire containing the manipulation check for CEO narcissism and performance feedback. Taken from O'Reilly III et al. (2014), eight adjectives were used to describe the characteristics of a narcissistic CEO: arrogant, assertive, boastful, conceited, egotistical, self-centred, show-off and temperamental. Participants were required to indicate their ratings on seven-point Linkert scales from 1 'completely disagree' to 7 'completely agree'. The average of the eight items was taken to form an overall scale (Cronbach's $\alpha = 0.94$). The performance feedback manipulation was checked with one question on how they perceive the performance feedback of their company, adopted from Behrens and Ernst's (2014) experimental study.

In the manipulation scenario, the high-level narcissism condition was coded 1, and the low-level narcissism condition was coded 0. Meanwhile, positive performance feedback was coded 1, neutral performance feedback was coded 0, and negative performance feedback was coded -1. By conducting one-way ANOVA, we examined whether the manipulations were successful. We found that the CEO narcissism manipulation had a significant effect on participant perceptions of CEO narcissism ($F [1, 154] = 70.03, p < 0.00$). The results show that participants in the high-level narcissism condition report higher CEO narcissism ($N = 81, M = 4.27, SD = 1.13$) than those in the low-level narcissism condition ($N = 75, M = 2.77, SD = 1.11$). Further, results indicate that participants in the positive performance feedback condition report more positive perceptions about the performance ($N = 52, M = 4.75, SD = 1.31$) than those in the neutral performance feedback condition ($N = 51, M = 4.04, SD = 1.04$) and those in the negative performance feedback condition ($N = 53, M = 3.72, SD = 1.45$) ($F [2, 153] = 9.46, p < 0.00$). Thus, the manipulation of CEO narcissism and performance feedback was successful.

We measured organisational identification with a three-item scale adapted from Mael and Ashforth's (1992) four-item version. Sample items included 'When someone praises or criticises my company it feels like a personal honour or insult', 'I am very interested in what others think about my company' and 'The company's successes are my successes'. Responses ranged from 1 'completely disagree' to 7 'completely agree'. Cronbach's α of this measure was 0.63.

We measured middle managers' divergent strategic behaviour using a six-item scale adapted from Floyd and Lane (2000) and Floyd and Wooldridge (1997), including championing and facilitating adaptability. Participants indicated their ratings on seven-point Likert scales from 1 'completely unwillingness' to 7 'completely willingness'. We asked participants: 'To what extent do you have the willingness to perform the following activities?'

Sample items of championing included ‘Are you willing to keep proposing novel programs or projects to the CEO?’ and facilitating adaptability included ‘Are you willing to keep providing a safe haven for experimental programs in your team and encourage information sharing within your team?’. Cronbach’s α of this measure was 0.96.

In this study, we controlled for participants’ gender (male = 1, female = 0), age (age between 20 and 30 = 1, age between 30 and 40 = 2, age between 40 and 50 = 3, age between 50 and 60 = 4) and education (intermediate = 1, bachelor’s degree or equivalent = 2, master’s degree or above = 3) to avoid their influence on participants’ perceptions of CEO narcissism and decision-making (Bharanitharan et al., 2020; Braun et al., 2018). Further, we also controlled for participants’ own narcissistic tendencies to confirm the observed results were attributable to CEOs’ narcissism rather than participants’ own characteristics or personality traits. Participants’ narcissism was measured by the self-reporting 16-item Narcissistic Personality Inventory (Raskin and Terry, 1988) (Cronbach’s α = 0.86). The participants rated their agreement to each description on a scale from 1 ‘strongly disagree’ to 7 ‘strongly agree’.

Full items for each variable are listed in Appendix F.

5.4.3 Analysis and results

Table 5.2 shows the descriptive statistics, such as means (M), standard deviations (SD), variance inflation factors (VIF) and bivariate correlations of all the studied variables. As expected, Table 5.2 shows that CEO narcissism is negatively associated with middle managers’ organisational identification ($\beta = -0.41, p < 0.01$) and their divergent strategic behaviour ($\beta = -0.31, p < 0.01$). Middle managers’ organisational identification is positively associated with their divergent strategic behaviour ($\beta = 0.54, p < 0.01$). These findings about the correlations provide an initial indication of the significant relationship among these three variables. In addition, participants’ gender was also found to significantly correlate to their age and

participants' education correlates to their narcissism. The maximum VIF found within our models was 1.22, well below the commonly used rule of thumb of 10 (Cohen et al., 2003). This result suggested that multicollinearity was unlikely to significantly bias our results.

Table 5.2 Descriptive statistics, VIF, and bivariate correlations (N = 156).

Variables	M	SD	VIF	1	2	3	4	5	6	7	8
1 Middle managers' divergent strategic behaviour	5.15	1.19									
2 CEO narcissism	0.52	0.50	1.22	−0.31**							
3 Performance feedback	−0.01	0.82	1.03	−0.06	−0.04						
4 Middle managers' organisational identification	3.99	1.06	1.20	0.54**	−0.41**	−0.01					
5 Middle managers' gender	0.53	0.50	1.08	0.04	−0.05	−0.12	0.02				
6 Middle managers' age	2.21	0.83	1.09	−0.09	−0.07	0.03	−0.01	0.22**			
7 Middle managers' education	3.37	0.66	1.10	0.01	−0.12	−0.08	0.09	0.06	−0.07		
8 Middle managers' narcissism	4.09	0.69	1.11	−0.04	−0.08	−0.08	0.09	0.04	−0.14	0.27**	

Note. Two-tailed significance, * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$.

Table 5.3 Results of PROCESS analysis (N = 156).

Model 1						
Middle manager' organisational identification						
Variables	β	SE	t	p	LLCI	ULCI
Middle managers' gender	-0.09	0.17	-0.53	0.60	-0.42	0.24
Middle managers' age	-0.02	0.10	-0.17	0.87	-0.21	0.18
Middle managers' education	0.05	0.13	0.39	0.70	-0.20	0.30
Middle managers' narcissism	0.09	0.12	0.73	0.47	-0.15	0.32
CEO narcissism	-0.86	0.16	-5.39	0.00***	-1.17	-0.54
Performance feedback	0.22	0.14	1.61	0.11	-0.05	0.49
CEO narcissism \times Performance feedback	-0.48	0.19	-2.47	0.01*	-0.87	-0.10
R square				0.20		
F				5.34		
P value				0.00		
Model 2						
Middle managers' divergent strategic behaviour						
Variables	β	SE	t	p	LLCI	ULCI
Middle managers' gender	0.11	0.17	0.69	0.49	-0.21	0.44
Middle managers' age	-0.18	0.10	-1.77	0.08	-0.38	0.02
Middle managers' education	-0.06	0.13	-0.47	0.64	-0.31	0.19
Middle managers' narcissism	-0.19	0.12	-1.53	0.13	-0.43	0.05
CEO narcissism	-0.29	0.18	-1.61	0.11	-0.64	0.07
Middle managers' organisational identification	0.56	0.08	6.78	0.00***	0.39	0.72
Performance feedback	-0.49	0.37	-1.34	-0.18	-1.21	0.23
Middle managers' organisational identification \times Performance feedback	0.10	0.09	1.13	0.26	-0.07	0.27
R square				0.34		
F				9.49		
P value				0.00		

Note. Two-tailed significance. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.00$. SE = standard error; LL = lower limit; CI = confidence interval; UL = upper limit.

Unstandardized regression coefficients are shown.

Table 5.3 presents the results of hypotheses testing. To test the proposed moderated mediation model and hypothesized relationships, we conducted the analysis using PROCESS macro for SPSS with 5000 random samples (Preacher and Hayes, 2007). Using PROCESS model 58, we generated 95% bootstrap bias-corrected intervals for the indirect effect conditioned by performance feedback on the basis of 10,000 bootstrap samples. The results show a negative significant effect of CEO narcissism on middle managers' organisational identification ($\beta = -0.86$, $p < 0.00$, 95% CI: from -1.17 to -0.54) and a positive significant effect of middle managers' organisational identification on their divergent strategic behaviour ($\beta = 0.56$, $p < 0.00$, 95% CI: from 0.39 to 0.72), providing support for the mediation effect proposed in Hypothesis 1.

The results further show significant negative moderating effect of organisational performance feedback between CEO narcissism and middle managers' organisational identification ($\beta = -0.48$, $p < 0.05$, 95% CI: from -0.87 to -0.10), providing support for Hypothesis 2. However, the expected moderating effect of performance feedback between middle managers' organisational identification and their divergent strategic behaviour is not significant ($\beta = 0.10$, $p > 0.05$, 95% CI: from -0.07 to 0.27), leading no support to Hypothesis 3.

To facilitate interpretation of the moderation effects, we plotted the relationships using one SD above and below the mean to show the high and low degrees of firm size. Figure 5.2 below shows that CEO narcissism has a negative effect on middle managers' organisational identification, and this negative effect can be mitigated when performance feedback is positive.

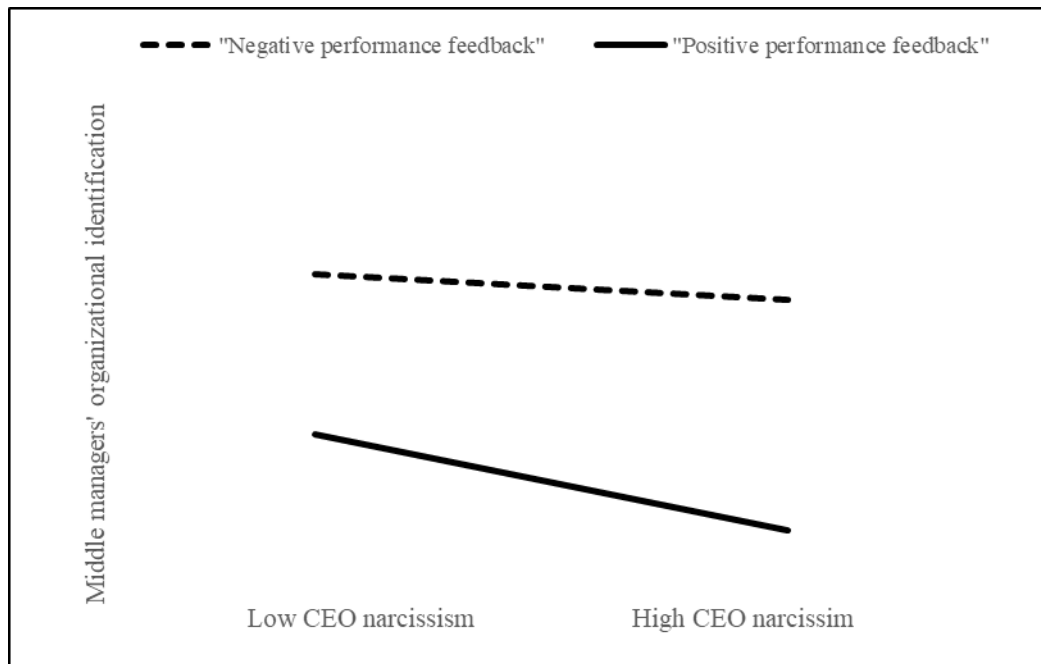


Figure 5.2 Moderating effects of performance feedback.

Due to the significant moderating effect of performance feedback between CEO narcissism and middle managers' organisational identification, we test the moderated mediation effect proposed in Hypothesis 4 using PROCESS Model 7. Table 5.4 shows the index of moderated mediation (Hayes, 2015). The effect is significant (Effect = -0.27 , 95% CI: from -0.53 to -0.05), indicating that the indirect effect of CEO narcissism on middle managers' divergent strategic behaviour through middle managers' organisational identification can be moderated by organisational performance. Table 5.5 shows CIs for bootstrap tests at three middle managers' organisational identification values: (1) one SD below the mean, (2) mean, and (3) one SD above the mean. The CIs are considered statistically significant if the range between the low and high CIs do not include zero (Hayes, 2013). The results show that under conditions of mean and above one SD above the mean, there is significant indirect mediated effects of CEO narcissism on middle managers' divergent strategic behaviour (95% CI ranges: from -0.75 to -0.26 and from -1.18 to -0.41). In contrast, under the condition of one SD below the mean, the bootstrap CIs include zero (from -0.53 to 0.08), showing that there is no

significant indirect effect under this condition. Therefore, we can find a significant conditional indirect effects of CEO narcissism on middle managers' divergent strategic behaviour under conditions of mean and one SD above the mean of performance feedback, partially supporting Hypothesis 4.

Table 5.4 Index of moderated mediation.

	Index	Boot SE	Boot lower limit 95% CI	Boot upper limit 95% CI
Performance feedback	-0.27	0.12	-0.53	-0.05

Note. Bootstrap sample size = 10, 000; CI = confidence interval.

Table 5.5 Bootstrap results for the conditional indirect effects.

Mediator: Middle managers' organisational identification	Effect	Boot SE	Boot lower limit 95% CI	Boot upper limit 95% CI
-1 SD	-0.21	0.15	-0.53	0.08
M	-0.48	0.13	-0.75	-0.26
+1 SD	-0.75	0.20	-1.18	-0.41

Note. Bootstrap sample size = 10, 000; CI = confidence interval.

5.5 Discussion

In this paper, we integrated social exchange theory (Brau, 1964) and performance feedback theory (Prue and Fairbank, 1981) to develop and test a moderated mediation model of psychological effects of top leaders and situational effects of the organisation in middle managers' divergent strategic behaviour. Specifically, we hypothesised that CEO narcissism negatively affects middle managers' divergent strategic behaviour mediated by middle managers' organisational identification. Further, we hypothesised that organisational performance feedback weakens the effect of CEO narcissism on middle managers' organisational identification and that of middle managers' organisational identification and their divergent strategic behaviour. Our findings support all the mediation hypotheses and moderation effects between CEO narcissism and middle managers' organisational

identification. Further, our findings offer several theoretical contributions and managerial implications for research on social interaction relationships between CEO and middle managers.

5.5.1 Theoretical contributions

First, we offer a greater understanding of leadership theory by exploring how CEO personality traits influence middle managers' willingness to diverge their strategic behaviours. It is important because understanding how CEOs interact with middle managers can have significant consequences for a firm's success (Zhang et al., 2017). Being a potential 'dark-side' personality trait of CEO, numerous studies on CEO narcissism have demonstrated that narcissistic CEOs lead to negative behaviours by employees, such as employees' deviant behaviours (Zhang et al., 2018) and work frustration (Hochwarter and Thompson, 2012). However, the research has stopped short of explaining how CEOs' narcissism influences middle managers, which then influences a firm's strategic renewal process. We extend the current understanding of narcissistic CEOs by exploring the effects of their quests for acclaim and domination on the management's middle-level hierarchy.

Second, we integrate the social exchange perspective to explain the intrinsic mechanism of the action of narcissistic leadership by showing that organisation identification is the core mechanism bridging narcissistic leadership and middle managers' strategic behaviours. CEO narcissism as one of the dark personality traits may be more impactful than bright personality traits because they represent a greater psychological burden to the other individuals engaging in a social exchange relationship (Palmer et al., 2020). The arrogant and self-serving nature of narcissistic CEOs may be taxing to those they interact with over time. These negative traits may undermine followers' psychological motives to identify with the organisation and then lead to followers' retaliation against the organisation (Shoss et al., 2013) due to their exploitive nature. Thinking and acting from the standpoint of identifying closely with their organisation,

middle managers exhibit concern for organisational development and interests, and are willing to exert extra efforts in the strategic renewal process to ensure the success of their organisation (Ashforth and Mael, 1989). Conversely, a weak sense of organisational identification cannot promote their motivation to engage in more efforts beneficial to the organisation (Xiao et al., 2018). Thus, we take organisational identification to bridge the narcissistic leadership and middle managers' behaviours in the social exchange interactions.

Third, we introduce performance feedback theory to provide a new perspective of situational moderators that weakens the manifestation of narcissistic CEO behaviours. Prior literature has realised that the effect of CEO narcissism could be constrained within an organisational context by some restraining situational factors (Maccoby, 2003, 2007). To respond to the call for identifying situational factors that may influence the effects of CEO narcissism, we follow Tarakci et al.'s (2018) study to include performance feedback as an important situational factor in predicting middle managers' strategic behaviours. Our results find positive performance feedback can attenuate the negative relationship between CEO narcissism and middle managers' organisational identification. It reflects the important role that organisational performance plays in how perceptions of top executives' narcissistic behaviours influence middle managers' emotions and motivations to take a strong sense of responsibility towards their organisation (Xiao et al., 2018). Therefore, we extend current understandings of how to mitigate negative behaviours from narcissistic CEOs.

In addition, the results showed an insignificant moderating effect of performance feedback between middle managers' organisational identification and their divergent strategic behaviour in this study. We realise that organisational identification may exert an extremely strong effect on their willingness to diverge strategic behaviour regardless of the organisational performance. When identifying with their organisation, managers have adequate safety, and their needs for self-enhancing have been fulfilled (Pratt, 1998). They would be more committed

to their organisation and put more effort into divergent strategic activities to foster strategic renewal (Pappas and Wooldridge, 2007). In this case, performance feedback cannot provide any constraints for those middle managers to change their willingness to engage in the strategic renewal.

5.5.2 Practical implications

The findings of our study also have practical implications for managerial practices. First, given their pivotal role in the strategic renewal process, this study suggests middle managers should not be belittled in strategy implementation or strategy renewal. As indicated by our results, narcissistic CEOs constrain middle managers' critical and innovative thinking, which negatively influences internal effectiveness when companies operate in rapidly changing industries. Given their position as role models for middle managers (Waldman and Yammarino, 1999), it is important to establish situational contexts that constrain CEO narcissism's negative effects.

Second, CEOs may realise their strong impact on middle managers' affective commitment to the organisation. As Rousseau (1998) suggests, employees' organisational identification can be fostered by leaders' care and support. Therefore, CEOs should take actions with more encouragements, praises and rewards, because such interpersonal treatment conveys to individuals that they are valued and respected (Tyler, 1997).

Third, our study also illustrates the social exchange interactions that may exist between top leaders and middle-level managers in a company. More attention should be paid to CEOs' personality trait and their influence on follower managers. If boards know their CEOs better, and if CEOs are aware of their own tendencies, they might be able to make better recruitment decisions and structure the management team more effectively.

5.6 Limitations

There are potential limitations in how such complex relationships were investigated in the present study. First, our focus on CEO personality is on a single dimension—narcissism—without considering other traits together. We paid attention to CEO narcissism because it is a dominant trait prevalent in leadership roles, such as presidents and CEOs (Deluga, 1997; Maccoby, 2000a; Rosenthal and Pittinsky, 2006), and has been studied in a similar fashion in strategy and leadership research. However, Zaccaro's (2007) commentaries have suggested that individuals possess multiple traits to affect behaviours, which do not function in isolation.

Moreover, focusing mainly on narcissism in our study can neglect other 'dark-side' personality traits that might have similarly important effects on other individuals during the social exchange interactions. For example, some scholars have noted that psychopathy might be more common among executives than the general population (Landay et al., 2019). Future research should explore how CEO narcissism combines with other personality traits to affect middle managers' behaviours and strategic organisational outcomes.

Second, we focus only on middle managers' organisational identification, linking CEO narcissism to middle managers' divergent strategic behaviour, but other mediators might be important as well. For example, organisational trust can serve as another major social exchange mechanism and antecedent of strategic behaviours (Archimi et al., 2018). We know trust emerges in an environment that employees deem to be trustworthy (Albrecht, 2002). Like organisational identification, in the absence of organisational trust, employees may consider withdrawal or negative behaviours as an acceptable exchange currency in the social exchange (Settoon et al., 1996). Future research may consider the mediating effect of organisational trust between CEO leadership and middle managers' behaviours.

Third, we focus exclusively on organisational-level performance feedback without connecting organisational performance feedback to individual performance appraisal. By

translating organisational performance feedback into individual performance appraisal, we may identify how this feedback drives managers to take actions to improve both individual-level and organisation-level performance (Kotiloglu et al., 2019). Future research may consider performance feedback from both an organisation and an individual perspective to see a broader picture based on performance feedback theory.

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Appendix E

Base condition

Suppose you are manager of the marketing/ product communication department of a certain company. The CEO, Liu, organises a management meeting once a month and invites board members to attend. Recently, your company is busy planning to launch a new product. Your team has come up with a novel communication strategy for the launch of the new product. The goal of this strategy is to crowd out potential competitors in the market with an effective tactics. During the past two months, you and every member of your team have been working overtime every day under constant pressure, craving for a perfect strategy that will win the support of the board of directors and persuade all manager peers leading their teams to join in. You usually work closely with Liu and have spent a large amount of time and energy on this project.

Scenario 1. High-level CEO narcissism & Positive performance feedback

According to the latest ranking of financial data of all enterprises in the industry, your company's business performance this year far exceeds that of most competitors. At this month's meeting, Liu presented the communication strategy to all the board members and managers but did not mention your contribution or the efforts of your team members. He implied that the strategy was the crystallization of his own wisdom and hard work. Even during the private conversation after the meeting, he did not introduce you or any member of your team to others. When the meeting was over, everyone went back to work. Liu assigned the next task normally to each manager as if nothing had happened.

Scenario 2. High-level CEO narcissism & Neutral performance feedback

According to the latest ranking of financial data of all enterprises in the industry, your company's business performance this year is in the medium average level in the industry. At this month's meeting, Liu presented the communication strategy to all the board members and managers but did not mention your contribution or the efforts of your team members. He implied that the strategy was the crystallization of his own wisdom and hard work. Even during the private conversation after the meeting, he did not introduce you or any member of your team to others. When the meeting was over, everyone went back to work. Liu assigned the next task normally to each manager as if nothing had happened.

Scenario 3. High-level CEO narcissism & Negative performance feedback

According to the latest ranking of financial data of all enterprises in the industry, your company's business performance this year lags behind most of its competitors. At this month's meeting, Liu presented the communication strategy to all the board members and managers but did not mention your contribution or the efforts of your team members. He implied that the strategy was the crystallization of his own wisdom and hard work. Even during the private conversation after the meeting, he did not introduce you or any member of your team to others. When the meeting was over, everyone went back to work. Liu assigned the next task normally to each manager as if nothing had happened.

Scenario 4. Low-level CEO narcissism & Positive performance feedback

According to the latest ranking of financial data of all enterprises in the industry, your company's business performance this year far exceeds that of most competitors. At this month's meeting, Liu showed the communication strategy to all the board members and managers. He greatly praised and expressed gratitude for your efforts and contributions, implying that this strategy was joint work of your team, which needed supports from every manager to implement

together. After the meeting, Liu introduced you to the board members in an informal conversation.

Scenario 5. Low-level CEO narcissism & Neutral performance feedback

According to the latest ranking of financial data of all enterprises in the industry, your company's business performance this year is in the medium average level in the industry. At this month's meeting, Liu showed the communication strategy to all the board members and managers. He greatly praised and expressed gratitude for your efforts and contributions, implying that this strategy was joint work of your team, which needed supports from every manager to implement together. After the meeting, Liu introduced you to the board members in an informal conversation.

Scenario 6. Low-level CEO narcissism & Negative performance feedback

According to the latest ranking of financial data of all enterprises in the industry, your company's business performance this year lags behind most of its competitors. At this month's meeting, Liu showed the communication strategy to all the board members and managers. He greatly praised and expressed gratitude for your efforts and contributions, implying that this strategy was joint work of your team, which needed supports from every manager to implement together. After the meeting, Liu introduced you to the board members in an informal conversation.

Appendix F

Measures of organisational identification

In such condition, being the direct subordinate of Liu, please indicate to what extent you agree with the following statements.

1. When someone praises or criticizes my company it feels like a personal honour or insult.
2. I am very interested in what others think about my company.
3. The company's successes are my successes.

Measures of middle managers' divergent strategic behaviour

The following questions are related to your current role in your company's strategy process.

In the above-mentioned condition, to what extent are you willing to perform the following activities?

(Championing)

1. I am willing to keep searching for new strategic opportunities for my company.
2. I am willing to keep proposing new programs or projects to higher level managers.
3. I am willing to keep justifying and defining new strategic programs and evaluate the merits of new strategic proposals.

(Facilitating adaptability)

4. I am willing to keep relaxing procedures to get new projects started in my team.
5. I am willing to keep locating and providing resources for trial projects in my team.
6. I am willing to keep encouraging informal discussion and information sharing within my team.

Measures of middle managers' narcissism (16-item)

1. I really like to be the centre of attention.
2. I think I am a special person.
3. Everybody likes to hear my stories.
4. I insist upon getting the respect that is due me.
5. I like having authority over people.

6. I am going to be a great person.
7. I can make anybody believe anything I want them to.
8. I expect a great deal from other people.
9. I like to be the centre of attention.
10. I am an extraordinary person.
11. I always know what I am doing.
12. I find it easy to manipulate people.
13. People always seem to recognise my authority.
14. I know that I am good because everybody keeps telling me so.
15. I am apt to show off if I get the chance.
16. I am more capable than other people.