How Does CEO Narcissism Affect Strategic Consensus? A Serial Mediation Model Linking CEO Narcissism, Middle Manager Engagement, Market Culture and Strategic Consensus

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A Thesis submitted to the Faculty of Graduate Studies of the University of Manitoba in partial fulfillment of the requirements of the degree of

MASTER OF SCIENCE

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ABSTRACT

Research suggests that CEO narcissism has a significant impact on various firm outcomes such as innovation, growth, and financial performance. However, some of the findings have been mixed. These inconclusive findings indicate a need to better understand how CEO narcissism affects the key antecedents to firm performance, such as strategic consensus, and the intervening processes through which this effect occurs. This study addresses this issue by developing a serial mediation model of the effect of two underlying types of narcissism—rivalry and admiration—on strategic consensus. Specifically, I propose that CEO narcissistic rivalry and CEO narcissistic admiration have opposite indirect effects on strategic consensus through two mediating variables: (1) middle manager engagement and (2) market culture. Using survey data collected from 96 Chinese firms (including responses from 96 CEOs and 503 middle managers) in 2018 and 2019, I found that CEO narcissistic rivalry increases the degree of strategic consensus through reduced middle manager engagement and, in turn, increased market culture. Meanwhile, CEO narcissistic admiration reduces the degree of strategic consensus by increasing middle manager engagement and, in turn, reducing market culture. This research helps refine our understanding of the organizational impact of CEO narcissism by examining the different types of narcissism (rivalry and admiration), providing empirical support for the differential impact of the two subtypes of narcissism on strategic consensus, and theorizing the mediating process through which CEO narcissism impacts strategic consensus.

Keywords: CEO, Narcissism, Rivalry, Admiration, Middle Manager Engagement, Market Culture, Strategic Consensus.

ACKNOWLEDGEMENT

This journey has been tumultuous, but I am glad to have seen it through. I have had the opportunity to cross paths with several great individuals who have positively impacted my journey in the program. First and foremost, I would like to thank my co-advisors, Dr. Wenlong Yuan and Dr. Ratchel Zeng, for the time they have invested in helping me complete this thesis. The completion of this thesis is a result of your generous support and guidance, and I feel very fortunate to have had the chance to learn from both of you.

I also want to thank my committee members, Dr. Parshotam Dass and Dr. Depeng Jiang, for their invaluable feedback on the drafts of my thesis and Dr. Zhenyu Wu, Ewa, and Claire for guiding me through this process. I relied heavily on all of you this past year and you were always there to answer all of my questions and provide advice.

Finally, I would like to thank my family for their unconditional support and encouragement. Your backing has allowed me to be resilient in the face of unexpected twists and turns during my time in the program and is the reason I was able to complete this thesis. I am so grateful for having you in my life.

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INTRODUCTION

Recently, CEO narcissism has garnered an increasing amount of research interest. Narcissism is generally defined as a personality trait that combines grandiosity, attention-seeking, and an unrealistically inflated self-view (Cragun, Olsen, & Wright, 2020). Anecdotal evidence suggests that several famous CEOs possess narcissistic tendencies. For example, Maccoby (2004) stated that "today's CEOs—superstars such as Bill Gates, Andy Grove, Steve Jobs, Jeff Bezos, and Jack Welch—hire their own publicists, write books, grant spontaneous interviews, and actively promote their personal philosophies". The apparent prevalence of narcissistic tendencies among individuals in leadership positions has spurred a stream of research examining the impact of these narcissistic tendencies on various organizational outcomes (For a comprehensive review, see Brunzel, 2020; Cragun, Olsen, & Wright, 2020). For example, narcissists are often viewed as charismatic leaders with grandiose visions that take high risks. Accordingly, several researchers found a positive relationship between CEO narcissism and firm innovation and growth (Chatterjee & Hambrick, 2011; Ingersoll, Glass, Cook, & Olsen, 2019) and firm return on assets (ROA; Reina, Zhang, & Peterson, 2014). However, other research has pointed to negative effects generated by narcissistic behaviour such as fraud and the distortion of financial information (Rijsenbilt & Commandeur, 2013). Narcissistic CEOs have also been linked to greater "high-exposure" investments (e.g., research and development and merger and acquisition investments) and grandiose strategic initiatives that are not necessarily in the best interest of the firm, resulting in a negative impact on firm return on

assets (ROA; Ham, Seybert, & Wang, 2018) or wide fluctuations in organizational performance (Chatterjee, A., & Hambrick, 2007).

While prior work has made important contributions towards our understanding of the organizational impacts of CEO narcissism, it has made two key assumptions. First, if the CEO's personality affects macro-level firm outcomes, then there must be a trickle-down effect of the CEO's personality within the organization (i.e., from the CEO to lower-level managers and employees). Theoretical support for such a trickle-down effect was developed by Palmer, Holmes, & Perrewé (2020) and empirical support was provided by Ou et al. (2014). Second, for the CEO to affect firm performance, it implies that the strategy formulated by the CEO was accepted and implemented by middle managers since these managers play a critical role in the implementation of the organizational strategy (Floyd & Wooldridge, 1997; Wooldridge, Schmid, & Floyd, 2008). Together, these assumptions imply that there needs to be strategic consensus, i.e., agreement on strategic priorities, between the CEO and middle managers for the CEO's strategy to be implemented in the organization and that the CEO's narcissistic personality shapes this strategic consensus through trickle-down mechanisms.

As it currently stands, the literature seems to argue two contradictory impacts of CEO narcissism on strategic consensus. On the one hand, Palmer, Holmes, & Perrewé (2020) suggest that CEO narcissism negatively affects subordinates, which implies a negative effect of CEO narcissism on the strategic consensus between the CEO and middle managers. On the other hand, Maccoby (2003) suggests that the grandiose visions and overconfidence of narcissistic CEOs can make them appear more charismatic and visionary to their followers, which can positively affect subordinates. This implies a positive effect of CEO narcissism on strategic

consensus. Given these contradictory effects, I ask: *how does CEO narcissism affect the CEO's strategic consensus with middle managers?*

According to Back et al. (2013), narcissists utilize two types of social strategies to reaffirm their grandiose self-view: rivalry and admiration. Given the different behaviours and social outcomes associated with each strategy, I argue that the underlying social strategy employed by the narcissistic CEO (i.e., rivalry or admiration) will influence strategic consensus indirectly through its trickle-down effect on middle managers' work engagement and, in turn, the organization's culture. Finally, the organization's culture will shape the degree of strategic consensus between the CEO and middle managers. Accordingly, I developed and tested a serial mediation model of the indirect effect of CEO narcissism on strategic consensus via (1) middle managers' work engagement, and (2) the degree of market culture in the organization. I hypothesize that narcissistic rivalry reduces middle manager engagement, which increases market culture and, in turn, increases the degree of strategic consensus between the CEO and middle managers. In contrast, I argue that narcissistic admiration increases middle manager engagement, which in turn reduces the need for market culture, and thus reduces the degree of strategic consensus between the CEO and middle managers. I empirically tested the hypotheses using survey data from 96 Chinese firms collected in 2018 and 2019. All of the hypotheses are empirically supported.

Overall, these findings help to shed light on the different strategic implications of CEO narcissistic rivalry and narcissistic admiration. Previous work has treated CEO narcissism as a singular construct that manifests itself similarly across all CEOs. Building on the work of (Back et al., 2013), I demonstrate that CEO narcissistic rivalry has a positive indirect effect on strategic consensus while CEO narcissistic admiration has a negative indirect effect on strategic

consensus. This thesis is also one of the first to theorize the effect of CEO narcissism on strategic consensus and the underlying causal chain through which CEO narcissism impacts strategic consensus. The contributions of this study are discussed in more depth at the end of the thesis.

THEORETICAL BACKGROUND AND HYPOTHESES

CEO Narcissism

Research on narcissism stems from the field of clinical psychology. The American Psychiatric Association's *Diagnostic and Statistical Manual for Mental Disorders* (i.e. the DSM; APA, 2013) defines narcissism as a multifaceted personality trait that is characterized by an unrealistically grandiose self-view, attention-seeking, a need for that self-view to be continuously reinforced through self-regulation, a strong sense of entitlement, and a general lack of empathy for others. While narcissism has its roots as a clinical personality disorder called narcissistic personality disorder (NPD), which affects around 6% of individuals in the general U.S. population (Stinson et al., 2008) narcissism has also been categorized as a subclinical personality trait (i.e., trait narcissism). Unlike clinically diagnosed NPD, trait narcissism is conceptualized as a continuum instead of a binary state. In other words, normal individuals can exhibit varying degrees of trait narcissism without actually being diagnosed with NPD. In this study, I focus on trait narcissism (herein narcissism).

According to Back et al. (2013), narcissists do not all employ the same social strategy to reaffirm their grandiose self-view. Back et al. (2013) developed the Narcissistic Admiration and Rivalry Concept (NARC) to distinguish between two social strategies that narcissists can employ to maintain a grandiose self-image: *admiration* and *rivalry* (see Figure 1). In narcissistic

admiration, the narcissist maintains a grandiose sense of self by generating social admiration through assertive self-promotion, striving for uniqueness, and charming behaviour. This typically leads to positive social outcomes such as popularity, social status, and attraction which provides an ego boost that reaffirms the narcissist's grandiose sense of self. In contrast, narcissistic rivalry maintains a grandiose sense of self through antagonistic behaviour such as devaluing and derogating others to feel superior. This results in aggressive behaviour and social conflict, which allow the narcissist to preserve their grandiose self-view by mitigating ego threats.

Given that narcissistic rivalry and narcissistic admiration utilize different self-regulatory mechanisms to maintain a grandiose self-view, and that these different self-regulatory mechanisms are accompanied by different behaviors, the trickle-down effect of the CEO's narcissistic personality should influence firm outcomes differently. CEO personality permeates organizations and affects firm outcomes by cascading down and influencing others within the organization (Smith, Hill, Wallace, Recendes, & Judge, 2018). More specifically, a CEO's personality influences their interactions with others. For example, Ou et al. (2014) found that the effects of the CEO's personality can cascade down to middle managers through the CEO's interactions with the top management team (TMT). Similarly, Palmer et al (2020) argued that CEO personality affects firm performance through its effect on the CEO's interactions with the TMT. More specifically, the quality of exchange between the CEO and the TMT affects the TMT's behavior towards others, which in turn affects how the subordinates react in terms of dysfunctional workplace behavior. Essentially, what this previous empirical and theoretical work identifies is that the effect of the CEO's personality cascades down the organization through the CEO's interactions with other managers and the subsequent interactions that these managers have with other employees.

Following this line of reasoning, I begin by examining how CEO narcissism influences middle manager engagement. Since narcissistic rivalry and narcissistic admiration utilize different self-regulatory mechanisms to maintain a grandiose self-view, I propose that trickle-down effect of CEO narcissism on middle manager engagement will differ between narcissistic rivalry and narcissistic admiration.

CEO Narcissism and Middle Manager Engagement

Engagement is defined as employees' willingness to fully invest themselves physically, cognitively, and emotionally into their work roles (Kahn, 1990). Key predictors of employee engagement include job characteristics, perceived organizational support, perceived supervisor support, rewards and recognition, procedural justice, and distributive justice (Saks, 2006). Job characteristics that promote engagement include the degree of psychological meaningfulness that employees receive from their work. Psychological meaningfulness is often achieved through task characteristics like variety, whether the work is challenging, personal discretion, autonomy, and the opportunity to make important contributions (Kahn, 1990). Job characteristics that promote engagement can also include task significance, task identity, and feedback. Perceived supervisor support and perceived organizational support are similar in that they both represent employees' general belief that the supervisor or organization values their service and is concerned for their wellbeing (Rhoades & Eisenberger, 2002). Employees that perceive their supervisor or organization as supportive experience greater psychological safety (May, Gilson, & Harter, 2004), which is one of the psychological conditions necessary for engagement (Kahn, 1990). Rewards and recognition also influence work engagement because it shapes employees' perception of the benefits they receive from their work and effort. Employees that perceive little to no reward or recognition from their work are more likely to burnout while employees that

perceive an appropriate amount of rewards and recognition from their work are more likely to become engaged in their work (Maslach, Schaufeli, & Leiter, 2001). Employees' perception of organizational justice (procedural and distributive) can also increase employee engagement (Saks, 2006). The rationale is that when employees perceive their organization as treating them fairly, they will be more likely to reciprocate this goodwill towards the organization through their engagement.

In sum, employees whose work possesses positive job characteristics, who perceive their supervisor and organization as being supportive in terms of valuing their service and well-being (i.e., supervisor support and organizational support), have adequate acknowledgement and appropriate rewards for their contributions (i.e., reward and recognition), and feel they are fairly treated (organizational procedural and distributive justice), are more likely to be engaged in their work (Rhoades & Eisenberger, 2002; Saks, 2006).

Given the aforementioned predictors of engagement, I argue that CEO narcissistic rivalry will negatively affect the middle managers' engagement. CEOs high in narcissistic rivalry are less likely to provide autonomy to their lower-level managers. Narcissistic rivalry tends to view others negatively, especially in terms of trustworthiness and competence (Back et al., 2013). That is to say that they perceive others as untrustworthy and incompetent. Moreover, by definition, narcissistic rivalry tends to be less open to feedback and criticism as this threatens their grandiose sense of self. As such, they will be less likely to solicit feedback from middle managers or encourage a participative or empowering work climate. Since middle managers who are engaged are more likely to be constructively critical (Raes, Heijltjes, Glunk, & Roe, 2011), a CEO high in narcissistic rivalry will discourage engagement to avoid feedback and critique that could threaten their grandiose self-view. As a result, CEOs high in narcissistic rivalry should be

less willing to grant a high degree of autonomy and discretion to middle managers. This will reduce the psychological meaningfulness that middle managers derive from their work and, accordingly, their engagement.

As previously mentioned, supervisors that foster positive relationships with their employees by displaying concern for the needs and feelings of employees can promote psychological safety and employee engagement. However, since CEOs high on narcissistic rivalry use antagonistic behaviours, such as devaluation, aggressiveness, and striving for supremacy, to maintain their grandiose self-view (Back et al., 2013), they are less likely to make middle managers feel like they are valued and cared for. At the extreme, this type of antagonistic behaviour by the CEO can lead to abusive supervision tendencies such as humiliation and hostile verbal and nonverbal behavior toward their subordinates (Nevicka, De Hoogh, Den Hartog, & Belschak, 2018; Waldman, Wang, Hannah, Owens, & Balthazard, 2018). This type of aggressive and abusive behavior does not foster a sense of support from their supervisor or organization because employees' needs and feelings are ignored. As a result, narcissistic rivalry should reduce their work engagement.

Back et al. (2013) also found that narcissistic rivalry is associated with low empathy and low gratitude. As a result, narcissistic rivalry is generally associated with a lack of appreciation for others, which is usually represented by low acknowledgement of others and inadequate recognition of other's contributions and work. These tendencies reduce the likelihood that the CEO will engage in equitable exchanges with their managers and, as a result, the CEO's narcissism is negatively related to the usage of contingent rewards for good performance (Resick, Whitman, Weingarden, & Hiller, 2009). This should further reduce middle managers'

engagement because it reduces their feeling of being appropriately rewarded and recognized for their work.

Finally, since negative treatment tends to trigger perceptions of injustice and create negative affect (Rupp & Cropanzano, 2002), I argue that the general lack of appreciation and the antagonistic behaviour associated with narcissistic rivalry will reduce the middle managers' feeling of procedural and distributive organizational justice. Palmer, Holmes, & Perrewé (2020) argued that a CEO's narcissistic personality adversely affects their interactions with others and that these negative repercussions of the CEO's narcissism result in increased counterproductive behavior among subordinates such as sabotage, withholding effort and information, and refusing to cooperate. Consequently, by devaluing the subordinate's abilities and not acknowledging their accomplishments, narcissistic rivalry will increase middle managers' sense of injustice. If middle managers feel that they are being treated unfairly, then they will respond by withdrawing their effort and engagement in their tasks.

Accordingly, I posit:

Hypothesis 1a: CEO rivalry will be negatively related to middle manager engagement.

In contrast, I suggest that CEO narcissistic admiration will positively affect middle managers' engagement. Narcissistic admiration tends to be more trusting and shows more gratitude towards others compared to narcissistic rivalry (Back et al., 2013). These characteristics of narcissistic admiration imply that the CEO will be more willing to provide increased discretion and autonomy to their middle managers, which will boost the positive job characteristics of the middle managers' work, resulting in higher middle manager engagement. Moreover, since narcissistic admiration shows more gratitude towards others, this should make middle managers feel a greater sense of support from their supervisor and organization because

their work and effort are more fairly acknowledged by the CEO. Middle managers will also be more inclined to increase their engagement since they feel a greater sense of reward and recognition from their work. Similarly, there will also be a higher sense of organizational distributive and procedural justice associated with narcissistic admirations because it does not use antagonistic behavior like narcissistic rivalry. So, the feelings of injustice due to mistreatment will be reduced.

CEO narcissistic admiration can also boost middle manager engagement, through greater task significance and task identity (i.e., positive job characteristics that promote engagement), by making middle managers feel that they are working towards an important vision and goal. Inherent in narcissistic admiration is a greater emphasis on attracting attention and awe from an audience by utilizing grandiose fantasies, charm, and striving for uniqueness to boost their grandiose self-view (Back et al., 2013). For example, prior work has demonstrated that narcissistic CEOs are associated with greater corporate social responsibility (CSR) investments and initiatives (Petrenko, Aime, Ridge, & Hill, 2016), as this kind of "high-impact" initiative draws positive attention towards the CEO and public acclaim, which the CEO desires (Raval, 2018). The social strategies employed by narcissistic admiration tend to make the CEO appear more charming, competent, and charismatic, which followers usually find appealing. Charisma makes the communication of a vision more convincing, which can help persuade others to "buy-in" to the vision (Fanelli, Misangyi, & Tosi, 2009). Since employee engagement is in part determined by the degree to which employees feel connected to and identify with the firm and its goals, it would follow that CEO narcissistic admiration, through its tendency to be charismatic and charming, should promote middle manager engagement. This is in alignment with Papalexandris & Galanaki's (2009) finding that the CEO's ability to articulate a vision increases

their subordinates' engagement. Therefore, the more middle managers "buy-in" to the CEO's vision, the more likely they are to be engaged in their work because they believe that they are working towards something important.

Accordingly, I posit:

Hypothesis 1b: CEO admiration will be positively related to middle manager engagement.

Middle Manager Engagement and Market Culture

Since middle managers play an important role in strategy implementation, the behavior of middle managers can influence important processes and shared perceptions within the organization and, as a result, affect the overall organizational culture. I suggest that middle managers' engagement will influence a shift away from a market culture in their organization. Conversely, the lower the middle managers' engagement, the more the organizational culture will shift towards an emphasis on (1) control and (2) an external orientation.

As part of the CEO's responsibility to improve firm performance, the CEO must ensure that employees perform at their best. One effective mechanism employed to accomplish this is organizational culture. Organizational culture is a common and effective social control mechanism used to motivate employees (O'Reilly, 1989) because it shapes the coordination and integration among employees and focuses their attention towards specific strategic priorities. Culture is defined as a pattern of shared assumptions learned by the organization's members as it solved its problems of external adaptation and internal integration (Schein, 2010). Given this definition, organizational culture changes over time and these changes are driven by both

external and internal factors. The Competing Values Framework (CVF) developed by Cameron, Kim S. & Quinn (1999)[1] acknowledges that organizational cultures are dynamic and that a dominant culture tends to be established over time. Accordingly, the CVF distinguishes cultures according to two continuums. The first continuum reflects the extent to which an organization emphasises control and stability versus flexibility and discretion. The second continuum reflects the extent to which an organization's functioning is geared towards achieving internal control and integration (i.e., internal orientation), or external positioning and differentiation (i.e., external orientation). Together, these two continuums form four quadrants, each representing a distinct organizational culture: clan, adhocracy, market, and hierarchy (see Figure 2).

In this paper, I focus specifically on the market culture type of the CVF model. According to the CVF model, market culture is characterized by an emphasis on competition, being goal-oriented, and centralized decision-making. Market culture has an orientation towards control and an external focus. I posit that middle managers' engagement will be negatively related to the dominance of a market-type culture in the organization by shifting the organizational culture towards an emphasis on (1) control and (2) an external orientation.

First, the flexibility-control axis of the CVF shapes the coordination and integration among employees. The CVF differentiates organizations that emphasize flexibility, discretion, and dynamism from organizations that emphasize control, stability, and order (Cameron &

[1] While several models and typologies of organizational culture have been developed, I selected the CVF model for several reasons. First, it is one of the most widely used culture typologies in quantitative studies and it has been used in international research, including Chinese and Asian samples (e.g., Deshpandé & Farley, 2004; Kwan & Walker, 2004; Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006). Second, prior work has established the construct validity of the CVF dimensions (e.g., Howard, 1998). Third, one of the unique features of the CVF is that it links culture with six characteristics of the organization: (1) the dominant characteristics of the organization, (2) the dominant leadership approach, (3) the management of employees, (4) the organizational glue that holds the organization together, (5) the strategic emphases of the organization, and (6) the key effectiveness criteria that define organizational success. Altogether, these factors make the CVF a strong fit for this study and sample.

Quinn, 1999, pg. 30-31). In other words, organizations emphasizing flexibility tend to an organic structure as this structure is most conducive to adaptability (Cameron, Kim S. & Quinn, 1999). Meanwhile, organizations that emphasize control tend to have a more mechanistic structure since this provides the greatest degree of stability and predictability. Along this flexibility-control axis, I predict that middle manager engagement will influence a shift in the organization towards flexibility because middle manager engagement encourages a sense of empowerment and foster a more participative climate within the organization. These aspects align with an organic structure. Prior work has argued that engaged middle managers are more likely to see themselves as active agents in strategy formulation and implementation (Raes et al., 2011). As such, middle managers' participation and interactions with the TMT for strategy formulation and implementation showcases to others e.g., lower-level employees, that mutual influencing and integrative bargaining (i.e., integration) is acceptable, and thus encourage others to behave similarly. In other words, the behavior of the middle managers (i.e., high integration) should shape characteristics of the interactions between other employees. The shared perception of integration among middle managers will, over time, foster a collective perception of an empowering organizational climate among employees in the firm. Accordingly, the organization will have a greater emphasis on flexibility.

Conversely, the less that middle managers are engaged in their work, the lower their active participation in the organization. Since a reduction in middle manager engagement will lead to a corresponding decrease in the shared perception of integration within the firm, the overall active sharing and receiving of information within the firm will be reduced. To mitigate this, alternative mechanisms will be implemented, such as increasing formalization and internal control mechanisms, to ensure the continuous flow of information within the firm and effective

coordination among employees. Since formalization and internal control mechanisms restrict individual discretion and autonomy, they shift the organization away from an organic structure and towards an increasingly mechanistic structure that emphasizes control and stability. Therefore, I suggest that when middle manager engagement is low, the organizational culture will shift towards increased control (i.e., a shift towards the control end of the flexibility-control dimension of the CVF model).

Furthermore, since the CEO aims to foster a culture that drives operational success, it is important to understand that each culture type in the CVF model possesses a different belief and approach to achieving operational effectiveness. Cultures that emphasize flexibility and discretion place a strong emphasis on employee participation and entrepreneurship to achieve operational effectiveness. Since employee participation and entrepreneurship may not be achievable without a high degree of employee engagement (Ahmed, Umrani, Zaman, Rajput, & Aziz, 2020), I posit that the less engaged middle managers are, the less likely that a culture type characterized by flexibility and discretion will be a good fit for the organization. Alternatively, cultures that are characterized by control and stability would be a stronger fit for such organizations because these culture types are not as reliant on employee participation for operational effectiveness.

Second, a reduction in middle manager engagement will influence a shift towards an external focus, i.e., shift the culture towards the external end of the internal-external axis of the CVF. The internal-external axis differentiates organizations that emphasize an internal orientation, integration, and unity from organizations that emphasize an external orientation, differentiation, and rivalry (Cameron & Quinn, 1999, pg. 31). Engagement is a robust predictor of individual-level motivation, organizational citizenship behaviour, and task performance (Rich,

Lepine, & Crawford, 2010). As such, engaged employees can be relied upon to give maximum effort. However, in the absence of engagement, alternative motivators must be used. Rivalry has been proven as another potent motivator (Kilduff, Elfenbein, & Staw, 2010). Therefore, shifting the organization's culture towards increased rivalry and competition can help boost employee motivation and performance. Since competition and rivalry are characteristic of an external orientation, I propose that the CEO will choose to emphasize an external positioning in the absence of middle manager engagement.

Taken together, a decrease in middle manager engagement should create a shift in the organization's culture towards (1) an emphasis on control to mitigate the reduced active integration of information among employees, and (2) an external orientation to elicit a robust motivational response in the absence of engagement. Accordingly, this will increase the dominance of the market culture in these organizations. Conversely, an increase in middle manager engagement should generate a shift away from the market type culture.

As a result, I posit that:

Hypothesis 2: Middle manager engagement will be negatively related to market culture.

Furthermore, since CEO narcissistic rivalry and narcissistic admiration are both predicted to affect middle manager engagement, I therefore hypothesize that they will have an indirect effect on market culture via middle manager engagement. More specifically:

Hypothesis 3a: CEO rivalry has a positive indirect effect on market culture via middle manager engagement.

Hypothesis 3b: CEO admiration has a negative indirect effect on market culture via middle manager engagement.

Market Culture and Strategic Consensus

The characteristics of the market culture type should promote strategic consensus within the organization. Strategic consensus reflects the shared understanding of strategy (González-Benito, Aguinis, Boyd, & Suárez-González, 2012; Tarakci et al., 2014; Walter, Kellermanns, Floyd, Veiga, & Matherne, 2013). As previously mentioned, market culture is externally orientated and focused on control and stability. It is normally characterized by centralized planning, decision-making, and the articulation of clear goals (Hartnell, Ou, & Kinicki, 2011). I argue that the more a market culture is adopted within an organization, the greater the strategic consensus between the CEO and middle managers will be because of the attributes of the market culture type. Namely its centralized organization structure, the use of goal formalization, and the external pressure of market-performance goals, should increase middle managers' understanding of the CEO's strategic priorities.

First, prior work has indicated that certain organizational structures can increase strategic consensus (Kellermanns, Walter, Lechner, & Floyd, 2005). For example, organizational structures with high centralization and formalization generate greater strategic consensus because they naturally constrain individual autonomy, which enforces agreement on strategic priorities (Welsh & Slusher, 1986). Moreover, because centralized organizational structures shift the decision-making power to a select few, this means that there are fewer individuals directly involved in the decision-making process. As a result, there are fewer sources of inputs, which reduces the potential for divergent perspectives and dissent (Wooldridge & Floyd, 1990).

Second, market culture's emphasis on clearly communicated goals and use of goal setting implies a high degree of goal formalization, which Fredrickson (1986) suggests can enhance goal alignment and understanding by clearly delimiting norms of behaviour and by establishing well-defined expectations for performance evaluation. As such, goals should be well-communicated and widely understood by employees in organizations with a market culture. Increased communication increases strategic consensus (Rapert, Velliquette, & Garretson, 2002).

Moreover, the external orientation of market culture means that goals tend to be externally oriented and focus on market positioning. This again makes it easier to achieve strategic consensus because externally oriented goals (e.g., market share, profitability, sales) are more easily measurable and visible, as they typically derive from publicly available financial report data. This makes them easier to communicate and translate across the managerial layers of the organization. Since effective communication and understanding of goals increase strategic consensus (Rapert et al., 2002), the market culture should help foster strategic consensus.

Achieving strategic consensus is difficult. However, the attributes of the market culture type should make it easier to build strategic consensus, especially due to its centralized organization structure, the use of goal formalization, and the external pressure of market-performance goals. Middle managers are much more likely to understand the strategic priorities of the CEO in such a cultural context. As such, I hypothesize that:

Hypothesis 4: Market culture will be positively related to strategic consensus.

Furthermore, given that middle manager engagement is predicted to affect market culture, I therefore hypothesize that middle manager engagement will have an indirect effect on strategic consensus via market culture. Accordingly:

Hypothesis 5: Middle manager engagement has a negative indirect effect on strategic consensus via market culture.

Indirect Relationships

Considering all of the hypothesized relationships mentioned above together, specifically the individual direct effects between the two sub-types of CEO narcissism (rivalry and admiration), middle manager engagement, market culture, and strategic consensus, this builds a sequence of relationships that form a chain of events (i.e., an indirect effect; Mathieu & Taylor, 2006) linking CEO narcissism to strategic consensus (see Figure 3). As such, I propose an indirect effects model linking CEO narcissistic rivalry and admiration to strategic consensus whereby: (1) CEO narcissistic rivalry negatively relates to middle manager engagement which, in turn, increases market culture and, ultimately, increases strategic consensus, and (2), CEO narcissistic admiration positively relates to middle manager engagement which, in turn, reduces market culture and, ultimately, reduces strategic consensus. I therefore hypothesize:

Hypothesis 6a: CEO rivalry will have a positive indirect effect on strategic consensus via middle manager engagement and, in turn, market culture.

Hypothesis 6b: CEO admiration will have a negative indirect effect on strategic consensus via middle manager engagement and, in turn, market culture.

METHODOLOGY

Sample and data collection

Data for this study is collected from surveys sent to CEOs, top management team (TMT) members, and middle managers from 800 companies in mainland China in 2018 and 2019. These companies were randomly selected from a list of Chinese firms located in Guizhou province provided by the Provincial Administration for Industry and Commerce. Research coordinators at the Provincial Administration for Industry and Commerce recruited the CEO, TMT, and middle manager survey participants by phoning each CEO (or chairman) to explain the purpose of the study, the confidentiality of information, and government endorsement. The research coordinators asked the CEO (or chairman) to name up to 10 middle managers and appoint an assistant to help administer the survey to the middle managers at their company. Three versions of the survey were developed and administered; the CEO-version of the questionnaire was administered to the CEO of the company, the TMT-version of the questionnaire was administered to the TMT members of the company, and the middle manager-version of the questionnaire was administered to the middle managers of the company. The research coordinators sent the CEO-version of the questionnaire directly to the CEOs. The questionnaires for the middle managers were sent to the appointed assistants by email, and the assistants then distributed the questionnaires to the middle managers that were selected by the CEO. Once the questionnaires were completed, the respondents sent their questionnaires directly back to the research coordinators. When necessary, the research coordinators made follow-up phone calls to obtain the responses.

For this study, only the CEO and middle manager surveys were utilized. The CEO questionnaire focused on the CEO's personality, background information, job characteristics,

interactions with TMT and middle managers, decision-making, and characteristics of their firms. The middle manager questionnaire focused on the middle manager's background information, job characteristics, questions about their CEO, characteristics of the firm, the interactions between the TMT and middle managers, decision-making, personal characteristics, and social network.

A total of 183 usable questionnaires were received from the CEOs and 673 usable questionnaires were received from the middle managers, resulting in a 23% response rate from the 800 firms that were contacted. On average, the CEOs are 42 years old (ranging from 26 to 62 years old, SD = 7.41); 84.2 % of them are male and 57.9 % of them had a bachelor's degree or above. The firms were established between 1963 and 2016 (mean = 2009, SD = 6.81); 23 % of the firms are state-owned firms, 71% are private-owned firms, and 3.8 % are foreign-owned firms; 51.4 % of firms are in the service industry, 26.8 % are in the manufacturing industry, and about 8.2 % are in the high-technology industry. On average, the middle managers are 35 years old (ranging from 19 to 55 years old, SD = 6.93); 57.4% of them are male and 51.7% of them had a bachelor's degree or above.

The survey responses from the CEOs and middle managers were merged together based on the unique firm identifier. For the final sample, only firms that had complete responses from the CEO and at least two middle managers were retained. This resulted in a final sample of 96 firms (96 CEOs and 503 middle managers). The firms with only CEO responses were compared with the firms which had both CEO and middle manager responses, regarding firm age and firm size. I found a statistically significant difference in the mean firm age and mean firm size between the two groups. Firms with only CEO responses were smaller in size and older compared to firms with both CEO and middle manager responses. It makes sense that it would be more difficult to

obtain middle manager responses from smaller firms since, presumably, there are fewer middle managers in those firms. Overall, the statistically significant difference between the firms with middle manager responses and the firms without middle manager responses indicates that the findings of this study are only applicable to firms with middle managers since these firms differ from firms without middle managers.

Overall, the firms in the final sample (n = 96 firms) possess between four and 1200 employees. These small- to medium-sized firms are optimal for this study because the CVF is best applied to small and medium-sized enterprises, or individual units within a large organization (Cameron, 2008). Moreover, this firm size is appropriate for the study of the impact of the CEO on middle managers and the organizational culture because there should presumably be a greater number of interactions between the CEO and middle managers in these small- to medium-sized firms.

Measures

Most of the variables used in this study were measured by the CEO (i.e., obtained from the CEO survey). However, there are two exceptions. First, the *strategic consensus* variable was measured using both CEO and middle manager survey responses. The details of this variable's measurement are below. Second, the culture variables (i.e., *market culture, adhocracy culture, and hierarchy* culture) were all measured by the middle managers (i.e., obtained from the middle manager survey).

Strategic Consensus. Following Woolridge & Floyd (1990), this variable was operationalized as the reverse of the mean absolute difference between the CEO and middle managers' responses on five key strategic priorities in a firm. CEOs and middle managers were

asked to allocate 10 points, based on relative importance, across five strategic priorities: (1) cost/efficiency, (2) new product development, (3) coordination and control, (4) workforce development, and (5) customer/market development. For each of the strategic priorities, the absolute difference between the CEO's weighting and each of the middle manager's weighting was computed. The sum of the absolute differences was then calculated for each firm. This total absolute difference was then divided by the number of middle manager respondents from each firm to get the mean absolute difference between the CEO's responses and the responses of middle managers. Finally, I reversed this result by subtracting the value computed in the previous step from the maximum difference value (2). This produces a measure of consensus on strategic priorities, reflecting how well each firm's middle managers understood the firm's strategic priorities as articulated by the CEO. Higher scores indicate greater strategic consensus.

CEO Admiration and CEO Rivalry. To assess narcissistic rivalry and admiration I used the 18-item Narcissistic Admiration and Rivalry Questionnaire (NARQ) developed by Back et al (2013). The NARQ is composed of two subscales; one that measures admiration and the other that measures rivalry. Each subscale has a total of nine items, which are scored on a six-point Likert-type scale that ranged from [1] strongly disagree to [6] strongly agree. Example NARQ questionnaire items on the admiration subscale include "I am great.", "I show others how special I am.", and "I manage to be the center of attention with my outstanding contributions.". Example NARQ questionnaire items on the rivalry subscale include "Most people won't achieve anything.", "I want my rivals to fail.", "I often get annoyed when I am criticized.". I operationalized CEO admiration and CEO rivalry using the CEO's self-reported NARQ rating.

Middle Manager Engagement. To capture this variable, I borrowed Barrick, Thurgood, Smith, & Courtright's (2015) six-item collective organizational engagement scale and modified

the items to have middle managers as the referent. The six items are: “Middle managers really “throw” themselves into their work”, “ I find nearly every middle manager devotes a lot of effort and energy to work”, “ I find nearly every middle manager shows considerable pride from performing their jobs well”, “ Nearly every middle manager at work is passionate and enthusiastic about their job”, “Nearly every middle manager tends to be highly focused when doing their job”, and “I find middle managers in general are so absorbed into their work that they often forget about the time”. The CEO rated their middle managers’ engagement based on these items using a six-point Likert scale ranging from [1] strongly disagree to [6] strongly agree.

Market Culture. This construct was measured using the Organizational Culture Assessment Instrument (OCAI) developed by Cameron, Kim S. & Quinn (1999). The OCAI identifies a firm’s underlying culture based on the responses in six key areas: (1) the dominant characteristics of the organization; (2) the organizational leadership style; (3) the management of employees; (4) the organizational glue (i.e., bonding mechanisms); (5) the strategic emphases of the organization; and (6) the criteria of success for the organization. Middle managers were asked to allocate 10 points in each of these six key areas based on the degree of similarity between the alternatives and the respondent’s firm. The greater the similarity between an alternative and the respondent’s firm, the greater the point allocation to that alternative. To measure market culture, I summed the points allocated to the following six OCAI items specifically related to market culture: (1) “The firm is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented”, (2) “The leadership in the firm is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus”, (3) “The management style in the firm is characterized by hard-driving competitiveness, high demands, and achievement”, (4) “The glue that holds the firm together is

the emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes", (5) "The firm emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant", (6) "The firm defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key".

Control Variables. I included both individual-level and organizational-level controls. For the former, I control key demographic and background attributes of the CEO such as gender, education, background, and tenure to mitigate the effect that these variables have on a CEO's tendencies and strategic actions (Wang, Holmes, Oh, & Zhu, 2016). *CEO gender* is operationalized using a dummy variable that equals 1 when the gender is male, and 0 when the gender is female. *CEO education* is measured by identifying the highest education level obtained by the CEO on the following 8-point scale: 1 = junior high, 2 = senior high, 3 = technical secondary school, 4 = college, 5 = bachelor's degree, 6 = master's degree, 7 = doctorate, 8 = other. Category 8 is treated as missing. *CEO downstream background* is operationalized using a binary variable that equals 1 if yes, and 0 otherwise. A downstream background refers to a functional background in marketing (i.e., sales or customer service). *CEO tenure* is measured as the number of years that the CEO has been a member of the TMT in the firm.

I also control certain firm characteristics. First, since a firm's ownership status can affect the organization's CVF culture (Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006), I control for three types of firm ownership: *private-owned* (a binary variable = 1 if the firm is privately held, and 0 otherwise), *foreign-owned* (a binary variable = 1 if the firm is foreign-owned, and 0 otherwise), and *state-owned* (a binary variable = 1 if the firm is state-owned, and 0 otherwise). Second, I control for *firm age* as the number of years since the firm was established.

Third, I control for the type of industry that the firm operates in: *high-technology industry* (binary variable that equals 1 if yes, and 0 otherwise), *service industry* (binary variable that equals 1 if yes, and 0 otherwise), or *manufacturing industry* (binary variable that equals 1 if yes, and 0 otherwise). These industry variables control for unobserved differences across industries. Fourth, I control for the number of family members that the CEO has on the top management team, including the CEO (i.e., *CEO family*). Prior work has shown that the presence of family members within the TMT can create factions in the TMT (i.e., a family faction and a non-family faction) that has the potential to create schisms in the TMT and consequently hurt organizational performance (Minichilli, Corbetta, & MacMillan, 2010). Fifth, I control for the degree of environmental uncertainty (i.e., *dynamism*) because of its effect on the ability to build strategic consensus (Homburg, Krohmer, & Workman, 1999). *Dynamism* was measured using the CEO's rating on the following four items from Waldman et al. (2001): "The external environment our company functions in is very risky, one false step can mean the firm's undoing", "The external environment our company functions in is very stressful, exacting, hostile, hard to keep afloat", "The external environment our company functions in is very rapidly expanding through the expansion of old markets and the emergence of new ones", and "The external environment our company functions in is very dynamic, changing rapidly in technical, economic and cultural dimensions". Finally, in certain models I also control for two other CVF culture types: *adhocracy culture* and *hierarchy culture*. Similar to the measure of *market culture*, the OCAI (Cameron, Kim S. & Quinn, 1999) was used to measure *adhocracy culture* and *hierarchy culture*. While the OCAI contains four culture variables: market, adhocracy, hierarchy, and clan culture. Clan culture was highly correlated with the market and hierarchy culture variables, so

clan culture was removed as a control. The adhocracy and hierarchical culture were measured by the middle managers.

ANALYSIS & RESULTS

Construct Validity and Reliability

To assess the validity of the constructs, I performed a confirmatory factor analysis (CFA). Three CFA models were developed. The first CFA model tested the *CEO rivalry* (nine items) and *CEO admiration* (nine items) constructs. The initial CFA on *CEO rivalry* and *CEO admiration* indicated poor model fit due to some poor item loadings for admiration. To determine which factors loaded poorly on admiration I conducted an exploratory factor analysis (EFA) on this construct. This resulted in two poor-loading items being removed from *CEO admiration*. I then re-ran the CFA on *CEO rivalry* (nine items) and *CEO admiration* (with the seven remaining items). The results of this CFA demonstrated good model fit (χ^2 (95) = 216.86, $p < 0.001$, CFI = 0.92, TLI = 0.90, and RMSEA 0.086) and all the items loaded on their related constructs significantly. I also verified the internal consistency reliability of the constructs using the composite reliability (CR). The CR is 0.95 for rivalry and 0.84 for admiration. Both of these values exceed the recommended CR threshold of 0.70 (Bagozzi & Yi, 1988; Fornell, C., & Larcker, 1981), indicating adequate construct reliability. To assess convergent validity, the average variance extracted (AVE) was calculated for *CEO rivalry* and *CEO admiration*. The AVE of *CEO rivalry* was 0.55 and the AVE of *CEO admiration* was 0.34. While an AVE score greater than 0.5 is usually recommended, Fornell, C., & Larcker (1981, pg.46) have stated that in cases where the AVE is less than 0.5 but the CR is greater than 0.6, the convergent validity of the construct is adequate.

The second CFA model I tested includes all other latent constructs measured at the CEO-level: *middle manager engagement* (six items) and *dynamism* (four items). I dropped one item from *dynamism* due to poor loading, so the final CFA model I tested contains *middle manager engagement* (six items) and *dynamism* (the three remaining items). The CFA results demonstrated strong model fit with the data (χ^2 (23) = 29.6, p = 0.161, CFI = 0.99, TLI = 0.99, and RMSEA 0.04) and all the items loaded on their related construct significantly. In terms of construct reliability, the CR is 0.95 for *middle manager engagement* and 0.78 for *dynamism*; both of which are above the recommended threshold of 0.70 (Bagozzi & Yi, 1988; Fornell, C., & Larcker, 1981), indicating adequate reliability. Finally, I assessed convergent validity using the AVE. *Middle manager engagement* had an AVE score of 0.64 and *dynamism* had an AVE score of 0.43. As stated above, although the AVE is below the ideal cut-off value of 0.5, since the CR is greater than 0.6, I can conclude that the convergent validity of the constructs is adequate (Fornell, C., & Larcker, 1981).

The third CFA model I tested includes the culture variables measured at the middle manager level: *market culture* (six items), *hierarchy culture* (six items), and *adhocracy culture* (six items). Overall, the CFA results demonstrated good model fit with the data (χ^2 (100) = 335.27 p < 0.001, CFI = 0.93, TLI = 0.89, and RMSEA 0.06) and all the items load on their related construct significantly. The reliability of the constructs is adequate as the CR is 0.72 for *market culture*, 0.79 for *hierarchy culture*, and 0.73 for *adhocracy culture*. In terms of convergent validity, the AVE of *market culture* is 0.24, *hierarchy culture* is 0.29, and *adhocracy culture* is 0.25. Since the CR is above 0.6, I conclude that the construct validity is acceptable (Fornell, C., & Larcker, 1981).

Level of Analysis

Since the unit of analysis is the firm, but the culture variables (market, hierarchy, and adhocracy) were measured by middle managers, I verified the appropriateness of aggregating these middle manager responses to the firm-level using the interclass correlation coefficient (ICC). The ICC assesses group-member agreement to evaluate the appropriateness of aggregating middle manager variables to the firm level. More specifically, for each culture variable, I calculated two types of ICCs; ICC(1) indicates the extent of agreement among ratings from members of the same group, while ICC(2) indicates the reliability of a group average rating. For *market culture*, the ICC(1) was 0.45 and ICC(2) was 0.78. For *hierarchy culture*, the ICC(1) was 0.39 and ICC(2) was 0.74. Finally, for *adhocracy culture*, the ICC(1) was 0.35 and ICC(2) was 0.70. All of these values exceed the threshold necessary to support aggregation (Bliese, 2000). Therefore, aggregating the middle managers' responses for market, hierarchy, and adhocracy culture at the firm level is appropriate.

Analytical Approach and Hypotheses Tests

I selected to use ordinary least squares (OLS) regression to test the hypotheses. While structural equation modelling (SEM) would have been an excellent analytical approach to use because of its superior attributes compared to OLS, such as the ability to estimate latent variables models, greater flexibility over the estimation method and how variables are configured in the model, as well the ability to provide measurements of model fit, I opted to report the OLS results due to the small sample size (n = 96). Since SEM usually calculates *p*-values from a normal distribution rather than the *t* distribution, SEM can generate greater errors in small samples compared to OLS. As such, in small samples, "the *t* distribution used by an OLS regression procedure is more appropriate for the derivation of *p*-values for regression coefficients [compared to SEM]" (Hayes, 2013, pg. 161).

To test for serial mediation, I followed the procedure outlined by Hayes (2013). Hayes' procedure tests the indirect effect via a bootstrapping resampling method. This bootstrapping approach requires fewer assumptions compared to the Sobel test (Sobel, 1982) and Baron & Kenny's (1986) causal steps approach. As such, the bootstrapping approach to testing indirect effects has become widely adopted in many literatures (See Mathieu & Taylor, 2006, and Wood, Goodman, Beckmann, & Cook, 2008, for a thorough review).

Unlike Baron & Kenny (1986), Hayes' approach does not require evidence of a statistically significant association between X (independent variable) and Y (dependent variable) of the indirect effects model before testing the indirect effects (i.e., the intervening variable processes). This is further supported by Malhotra, Singhal, Shang, & Ployhart (2014, pg. 131); they demonstrated that an insignificant effect between X and Y does not imply that there is no indirect effect between those two variables. A statistically insignificant effect between X and Y can be caused by an "inconsistent mediation model", i.e., a mediation model in which the direct and indirect effects have opposite signs. Therefore, establishing a statistically significant relationship between X and Y as a mandatory requirement for testing indirect effects is discouraged.

Accordingly, I tested the hypotheses as follows. First, to test Hypothesis 1a and 1b, I regressed the first mediator, *middle manager engagement,* on the two independent variables, *CEO rivalry* and *CEO admiration*. Second, to test Hypothesis 3a and 3b (the indirect effect of *CEO rivalry* and *CEO admiration* on *market culture* via *middle manager engagement*), I regressed the second mediator (*market culture*) on the first mediator (*middle manager engagement*) while controlling for the two independent variables (*CEO rivalry* and *CEO admiration*). Third, to test Hypothesis 5 (the indirect effect of *middle manager engagement* on

strategic consensus via *market culture*), I regressed the dependent variable (*strategic consensus*) on the second mediator (*market culture*) while controlling for the first mediator (*middle manager engagement*) and the independent variables (*CEO rivalry* and *CEO admiration*). Finally, bootstrap analyses were conducted to test the proposed indirect effects of (1) *CEO rivalry* on *strategic consensus* via *middle manager engagement* and *market culture* (Hypothesis 6a), and (2) *CEO admiration* on *strategic consensus* via *middle manager engagement* and *market culture* (Hypothesis 6b).

Results

Table 1 reports the descriptive statistics and the pairwise correlations between variables. Most of the pairwise correlations are relatively low and in the expected direction, indicating low multicollinearity issues. The only high pairwise correlation is between *private-owned* and *state-owned* firms ($\rho = -0.875$), which is understandable given that these two control variables are operationalized using dummy coding (i.e., a binary code of 0 or 1) and reflect different types of firm ownership.

Table 2 reports the results of the hypotheses tests. Model 1 does not test a specific hypothesis but was performed to examine the direct effect of *CEO rivalry* and *CEO admiration* on *strategic consensus*. While Hayes (2013) and Malhotra et al., (2014) do not require a significant direct effect between the independent and dependent variable in a serial mediation model before proceeding to an examination of the indirect effects, I wanted to report the direct effect. As is reported in Model 1 in Table 2, *CEO rivalry* has a non-significant effect ($b = 0.003$, SE = 0.036, $p = 0.926$) on *strategic consensus* and *CEO admiration* also has a non-significant effect ($b = 0.043$, SE = 0.041, $p = 0.291$) on *strategic consensus*.

Model 2 in Table 2 tests Hypothesis 1a and 1b by regressing *middle manager engagement* on the two independent variables, *CEO rivalry* and *CEO admiration*. I proposed that *CEO rivalry* will be negatively related to *middle manager engagement* (Hypothesis 1a). In line with Hypothesis 1a, *CEO rivalry* negatively predicted *middle manager engagement* (b = -0.475, SE = 0.102, $p < 0.001$). Conversely, I proposed that *CEO admiration* will be positively related to *middle manager engagement* (Hypothesis 1b). In line with Hypothesis 1b, *CEO admiration* positively impacted *middle manager engagement* (b = 0.255, SE = 0.116, p = 0.031).

Model 3 in Table 2 tests Hypothesis 2 by regressing *market culture* on *middle manager engagement*. I hypothesized that *middle manager engagement* negatively impacts the *market culture* in the organization. The results indicate that *middle manager engagement* negatively impacts market culture (b = -0.133, SE = 0.065, p = 0.042), thereby supporting Hypothesis 2.

I also hypothesized that *middle manager engagement* mediates the relationship between *CEO rivalry* and *market culture* (Hypothesis 3a). This indirect effect was statistically significant (*indirect point estimate* = 0.063, 95% CI [0.018, 0.133]), which supports Hypothesis 3a. I also tested Hypothesis 3b, which stated that *middle manager engagement* mediates the relationship between *CEO admiration* and *market culture* (Hypothesis 3b). This indirect effect is marginally significant (*indirect point estimate* = -0.034, 95% CI [-0.096, -0.003]), which supports Hypothesis 3b.

Model 4 in Table 2 tests Hypothesis 4 by regressing *strategic consensus* on *market culture*. I hypothesized that *market culture* will positively impact the *strategic consensus* between the CEO and middle managers. The results indicate that *market culture* positively affects the *strategic consensus* between the CEO and middle managers (b = 0.221, SE = 0.071, p = 0.002), thereby supporting Hypothesis 4.

I also hypothesized that *market culture* mediates the relationship between *middle manager engagement* and *strategic consensus* (Hypothesis 5). This indirect effect was statistically significant (*indirect point estimate* = -0.029, 95% CI [-0.069, -0.008]), thereby supporting Hypothesis 5.

Finally, I tested whether *middle manager engagement* and *market culture* serially mediate the relationship of *CEO rivalry* (Hypothesis 6a) and *CEO admiration* (Hypothesis 6b) on the *strategic consensus* between the CEO and middle managers. Hypothesis 6a was supported: The indirect effect of *CEO rivalry* on the *strategic consensus* via *middle manager engagement* and *market culture* was positive and statistically significant (*indirect point estimate* = 0.014, 95% CI [0.004, 0.038]), which supports Hypothesis 6a. Hypothesis 6b was also supported: the indirect effect of *CEO admiration* on *strategic consensus* via *middle manager engagement* and *market culture* was negative and statistically significant (*indirect point estimate* = -0.007, 95% CI [-0.028, -0.001]).

Overall, the results indicate that (1) *middle manager engagement* mediates the relationship between *CEO rivalry* and *CEO admiration* on *market culture*; (2) *market culture* mediates the relationship between *middle manager engagement* and *strategic consensus*; and (3) the relationship between *CEO rivalry* and *CEO admiration* on *strategic consensus* is serially mediated by *middle manager engagement* and *market culture*. Furthermore, all of the models satisfied the linear regression assumptions. The linearity assumption was verified via visual inspection of the scatterplot between the independent variable and dependent variable. The normality assumption was tested using the normal probability plot (i.e., Normal P-Plot). The distribution of the standardized residuals for each model was close to the normal probability line, which indicates that the errors are approximately normally distributed. The homoscedasticity

assumption was tested using a scatterplot of standardized residuals. For each model the scatterplot showed that the data satisfied the assumption of homoscedasticity. Finally, to verify the collinearity assumption I examined the Variance Inflation Factors (VIF) of the variables in each model. None of the VIF values were greater than 10, which indicates that multicollinearity is not a concern.

Supplementary Analyses

Several supplemental analyses were run to verify the accuracy and robustness of the mediation model and test alternative relationships among the variables in the model. First, to check the robustness of the results, I tested the hypotheses using SEM. The results were consistent with those obtained using OLS. This demonstrates that the results are robust to the statistical methodology employed.

Second, although the causality among the variables of interest was established theoretically, the cross-sectional nature of the data prevents me from establishing causality empirically. I therefore felt that it would be prudent to test an alternative ordering of the mediating variables within the serial mediation model to check for the possibility that an alternative causal sequence may significantly predict strategic consensus. I reversed the order of the mediators forming the indirect path from *CEO rivalry* and *CEO admiration* to *strategic consensus*. That is, *market culture* became the first mediator and *middle manager engagement* became the second mediator. I then tested the indirect effect via this alternative ordering of the mediators. The results indicate that there is no significant indirect effect from *CEO rivalry* and *CEO admiration* to *strategic consensus* via *market culture* and *middle manager engagement*. Therefore, when the order of the two mediators is reversed, the indirect effect no longer explains

the relationship between *CEO rivalry* and *strategic consensus* or the relationship between *CEO admiration* and *strategic consensus*.

Third, I verified whether the indirect effect of *CEO rivalry* and *CEO admiration* on *strategic consensus* could be explained by a single mediator instead of two mediators. I tested four different single mediation relationships: (1) *CEO rivalry* on *strategic consensus* via *middle manager engagement*; (2) *CEO rivalry* on *strategic consensus* via *market culture*; (3) *CEO admiration* on *strategic consensus* via *middle manager engagement*; and (4) *CEO admiration* on *strategic consensus* via *market culture*. I simultaneously tested all four single mediation paths alongside the serial mediation path. All of the single mediation relationships had an insignificant indirect effect except for the fourth single mediation relationship (i.e., *CEO admiration* on *strategic consensus* via *market culture*). This single mediation relationship resulted in a positive and statistically significant indirect effect (*indirect point estimate* = 0.043, 95% CI [0.016, 0.096]). This may be due to the general tendency of narcissists to want to control things (Lee & Kang, 2020) and generate audience engagement from the external public to gain admiration (Gerstner, König, Enders, & Hambrick, 2013). Overall, these results support the inclusion of the two mediators in the model (i.e., serial mediation) rather than just one (i.e., single mediation) to explain the indirect effect between *CEO admiration* and *CEO rivalry* on *strategic consensus*.

Fourth, I tested an alternative relationship between the variables of interest. I specifically focused on the possibility that *market culture* may predict *CEO rivalry* and *CEO admiration*. Prior work has shown that person-organization fit can influence who gets promoted and is hired as a top executive in the firm (Cable & Judge, 1997). Individuals that possess traits and attributes that align with the values and goals of the culture in the organization usually have stronger task performance, are viewed more favourably and, therefore, quickly rise through the ranks into a

top executive position. Since organizational culture is a key contextual factor influencing the values and goals of an organization, it can influence which personalities and behavioural tendencies are valued within the organization. As such, I thought it necessary to verify whether *market culture* predicts the CEO's personality in terms of narcissistic tendencies. To test this, I ran two serial mediation models: (1) *market culture* as the independent variable, *CEO rivalry* as the first mediator, *middle manager engagement* as the second mediator, and *strategic consensus* as the dependent variable; and (2) *market culture* as the independent variable, *CEO rivalry* as the first mediator, *middle manager engagement* as the second mediator, and *strategic consensus* as the dependent variable. Neither of the serial mediation models mentioned above generated significant indirect effects. Therefore, I conclude that *market culture* does not have an indirect effect on *strategic consensus*.

Finally, I tested an alternative functional form of the hypothesized relationships. Since, in many cases, culture can be argued as a relatively constant state that is difficult to change by the CEO, it may exert a moderation effect rather than a mediation effect on the relationship between *CEO rivalry* or *CEO admiration* and *strategic consensus*. Specifically, I test for this possibility using three moderated-mediation models following the Hayes (2013) process model 7, 14, and 58 templates. In these models, X is *CEO rivalry* or *CEO admiration*, Y is *strategic consensus*, the mediator is *middle manager engagement*, and the moderator is *market culture*. None of the moderated-mediation models generated significant mediation, moderation, or moderated-mediation results.

Altogether, these post-hoc analyses support the robustness of the serial mediation model and the findings.

DISCUSSION

In recent years there has been a growing interest in the study of CEO narcissism. Overall, CEO narcissism has been found to have a strong impact on firm performance and strategic outcomes. However, our understanding of the strategic impact of CEO narcissism, especially in relation to strategic consensus—an important predictor of firm performance, remains limited. Prior work has also largely overlooked the intervening processes through which CEO narcissism affects firm-level outcomes. This thesis seeks to extend our understanding of CEO narcissism by examining its effects on strategic consensus and uncovering the intervening process through which this effect occurs. A serial mediation model was developed to explain the effect of CEO narcissism (rivalry and admiration) on strategic consensus via middle manager engagement and market culture. Using a sample of 96 firms (96 CEOs and 503 middle managers responses), I found that CEO narcissistic rivalry has a positive indirect effect on strategic consensus between the CEO and middle managers—transmitted through reduced middle manager engagement and increased market culture. Meanwhile, CEO narcissistic admiration has a negative indirect effect on strategic consensus between the CEO and middle managers—transmitted through enhanced middle manager engagement and reduced market culture. These findings have important implications for theory and practice.

First, prior work on CEO narcissism has not given much consideration to the intervening processes through which the CEO's personality trickles down and affects firm-level outcomes. In developing the hypotheses, I relate narcissism (rivalry and admiration) and strategic consensus via the intervening processes of middle manager engagement and organizational culture. In doing so, this thesis is among the first to theorize and empirically test this main relationship and

its intervening processes. As a result, it begins to address Cragun et al.'s (2020) call for more research into the causal chain between CEO narcissism and its strategic consequences.

Second, previous studies on the impact of CEO narcissism on firm-level outcomes has assumed that narcissism manifests itself similarly across all CEOs (i.e., CEO narcissism was treated as a single construct). In this thesis I build on the work by Back et al. (2013) and distinguish between narcissistic rivalry and narcissistic admiration and demonstrate that these two sub-types of narcissism have different strategic implications. More specifically, CEO narcissistic rivalry has a positive indirect effect on strategic consensus and CEO narcissistic admiration has a negative indirect effect on strategic consensus. These results also challenge the common conception that CEO narcissistic admiration may be more favourable compared to CEO narcissistic rivalry. Intuition may suggest that admiration would have a more favourable impact on strategic consensus compared to rivalry. Yet, the results point to the opposite; CEO narcissistic rivalry actually has a more favourable effect on strategic consensus compared to CEO narcissistic admiration. I hope that this counterintuitive finding helps spur further work on the potential upsides of narcissistic rivalry.

Third, this study is among the first to examine the effect of CEO narcissism on strategic consensus. Since strategic consensus is an important predictor of firm performance, the different effects that CEO narcissistic rivalry and admiration have on strategic consensus should, in turn, affect firm performance in an opposite manner as well. This helps to explain why some prior work on CEO narcissism found positive effects on firm performance while others found negative effects (e.g., Ham et al., 2018; Reina et al., 2014). Furthermore, given the important role of middle managers for strategy implementation, which is key to firm performance, it stands to

reason that by better understanding how CEO narcissism affects middle managers, we can better understand how CEO narcissism affects firm performance.

Finally, this study makes a contribution to the literature on the antecedents to organizational culture. Ostroff, Kinicki, & Muhammad (2012) have highlighted the general lack of research in this area. While it was not the focus of this study, the findings indicate an interesting link between CEO personality and organizational culture via middle manager engagement. Future work may wish to explore this further and build on prior work exploring the effect of CEO personality and values on organizational culture (Berson, Oreg, & Dvir, 2008; Giberson et al., 2009).

Limitations and Future Directions

This study has several limitations that future research should seek to address. First, the cross-sectional nature of the data limits the claims of causality. While the data is unique in that it is composed of many responses from CEOs and middle managers across several firms, it was collected at a single point in time. As a result, the causal order of the variables cannot be empirically controlled for. In the supplemental analyses, I tested for the possibility that other causal orders could explain the indirect path from CEO narcissism to strategic consensus, the causal interpretation of the results should be made with caution. Future work employing an experimental approach or utilizing longitudinal data would be better suited to test the causal order between the variables.

Second, another limitation of this study is that during the data collection, the CEO was asked to select the middle managers that would answer the survey in their firm. As a result, the selection of middle manager respondents was not random or independent. This may be

problematic in the sense that it can create bias. While this may pose some potential issues, obtaining data from CEOs and middle managers is difficult. Therefore, one must balance between perfect data collection and achieving a strong response rate. Nevertheless, future studies may prefer to employ a data collection approach that avoids this concern. One potential approach would be to ask the CEO for a list of all of their middle managers. Then randomly select a sample of middle managers from that list to be the respondents of your survey. Another option would be to consult an organizational chart and randomly select middle managers that way.

Third, given the difficulty in collecting survey data directly from CEOs and middle managers, the sample size for this study was rather small (n = 96). This small sample size restricted the options for the statistical analysis of the results. A larger sample would have enabled the use of structural equation modelling (SEM) which, as discussed in the methodology section of this thesis possesses several attractive attributes as compared to OLS. Another potential consequence of having a small sample is that it may have impacted the statistical significance of the control variables in the models. While p-values are affected by sample size, the inclusion of the control variables in the models was not based on their statistical significance, but rather it was based on their theoretical relevance. Future work may want to obtain a larger sample to mitigate these issues.

Fourth, this study utilized a self-reported measure of CEO narcissism. Although this approach has been utilized in previous studies (Brunell et al., 2008), and is superior to the assessment of CEO narcissism via a proxy such as signature size (Ham et al., 2018) or the prominence of the CEO's picture in annual reports (Chatterjee, A., & Hambrick, 2007), using a peer-report to evaluate CEO narcissism would provide a more objective assessment of CEO narcissism. Employees that work closely with the CEO (e.g., TMT or middle managers) would

be an appropriate source to evaluate the CEO's narcissism given that they have many interactions with the CEO. Another option would be to complement the CEO's self-reported narcissism with peer reports of CEO narcissism. The two sources could then be compared to determine the accuracy of the self-reported and peer-reported assessments of CEO narcissism.

Fifth, similar to the point above, the measurement of middle manager engagement was only collected from one information source (the CEO). Future work may want to obtain a self-reported measure of engagement from the middle managers themselves and compare that to the CEO's perception of middle manager engagement.

Sixth, the operationalization of the dependent variable, strategic consensus, overlooks the variance in strategic consensus among middle managers. In other words, some firms may possess a high degree of strategic consensus among middle managers, but a low degree of strategic consensus between middle managers and the CEO. Strategic consensus can occur at various levels, e.g., inter-group consensus intra-group consensus, consensus between a group and referent (Kellermanns et al., 2005). For the purposes of this thesis, strategic consensus was measured between the middle managers and the CEO and the operationalization of strategic consensus was based on what has been commonly used in the literature to measure strategic consensus between a group and a referent (i.e., the CEO). However, future work may want to expand upon this study by looking at how CEO narcissism (rivalry and admiration) impact strategic consensus *among* middle managers.

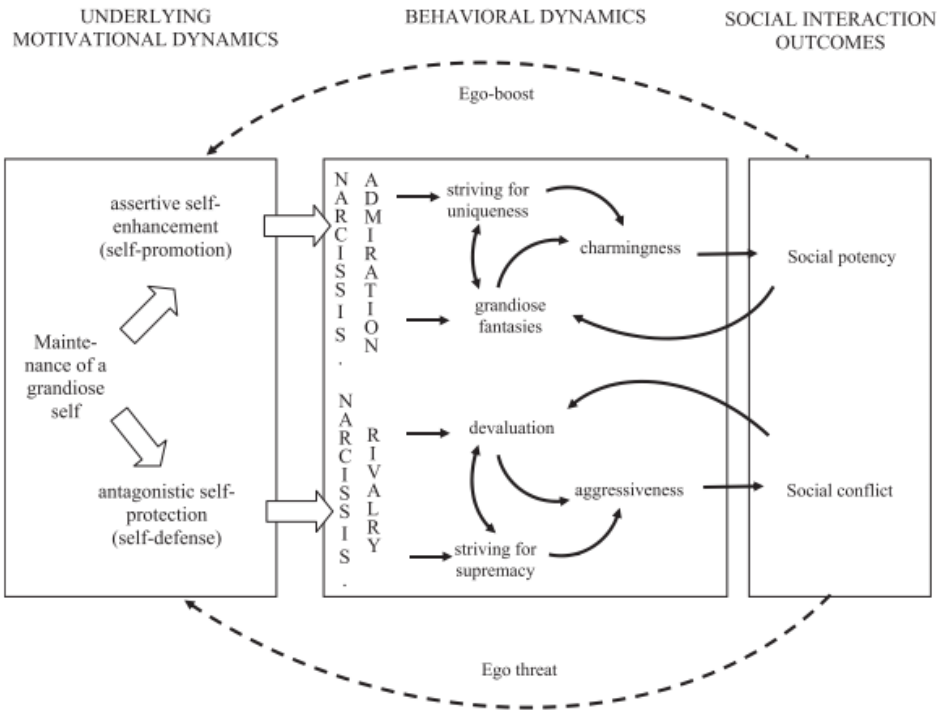
CONCLUSION

The primary purpose of this study is to explore the effects of CEO narcissism on strategic consensus. I developed a serial mediation model to explain the effect of CEO narcissism on the

strategic consensus between the CEO and middle managers. The findings indicate that CEO narcissistic rivalry has a positive indirect effect on strategic consensus by reducing middle manager engagement and, in turn, increasing market culture. On the contrary, CEO narcissistic admiration has a negative indirect effect on strategic consensus by increasing middle manager engagement which, in turn, reduces market culture. These findings have several implications for theory and practice.

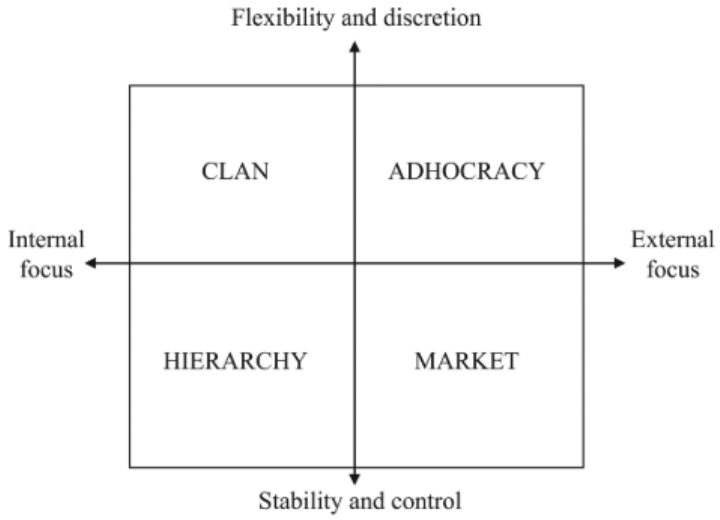
APPENDIX

Figure 1. The Narcissistic Rivalry and Admiration Concept (NARC) of Back et al. (2013)



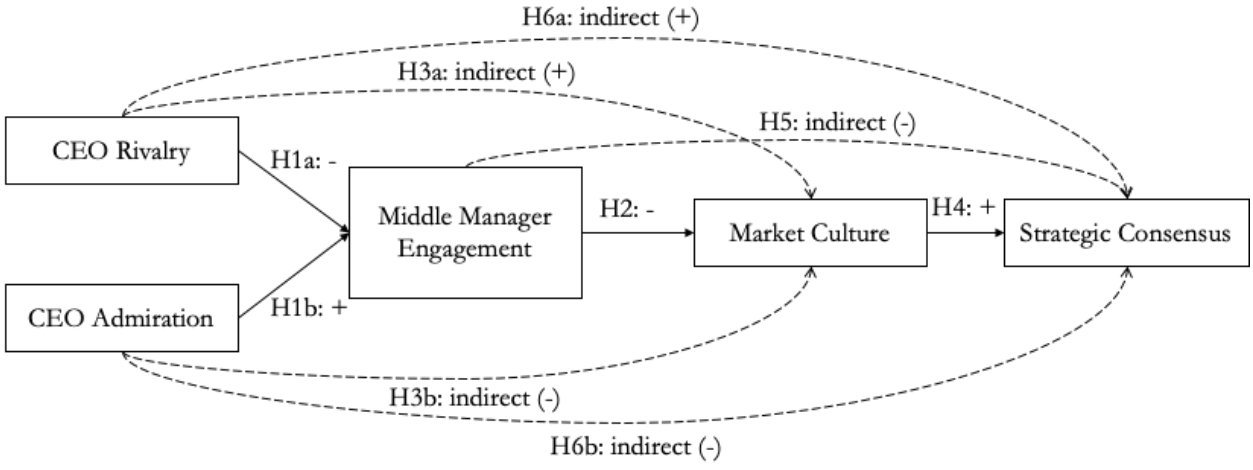
Source: Back et al. (2013)

Figure 2. Organizational Cultures Typology of Cameron, Kim S. & Quinn (1999)



Source: Cameron, Kim S. & Quinn (1999)

Figure 3. Conceptual Model



H3a: CEO Rivalry → Middle Manager Engagement → Market Culture : indirect (+)
H3b: CEO Admiration → Middle Manager Engagement → Market Culture : indirect (-)
H5: Middle Manager Engagement → Market Culture → Strategic Consensus : indirect (-)
H6a: CEO Rivalry → Middle Manager Engagement → Market Culture → Strategic Consensus : indirect (+)
H6b: CEO Admiration → Middle Manager Engagement → Market Culture → Strategic Consensus: indirect (-)

Table 1. Descriptive Statistics and Correlation Matrix

	Min	Max	Mean	S.D.	1	2	3	4	5	6	7	8	9
1 Strategic Consensus	0.433	2.000	1.524	0.273	1								
2 Firm Age	1.000	29.000	6.781	5.740	-0.116	1							
3 State-owned	0.000	1.000	0.344	0.477	0.196	-.314**	1						
4 Private-owned	0.000	1.000	0.594	0.494	-0.084	0.284**	-0.875**	1					
5 Foreign-owned	0.000	1.000	0.031	0.175	-0.241*	-0.025	-0.130	-0.217*	1				
6 Manufacturing Industry	0.000	1.000	0.156	0.365	-0.097	0.177	-0.251*	0.181	0.088	1			
7 Service Industry	0.000	1.000	0.625	0.487	0.069	-0.233*	0.289**	-0.290**	0.015	-0.556**	1		
8 High Technology Industry	0.000	1.000	0.073	0.261	0.036	0.130	-0.119	0.150	-0.050	-0.121	-0.362**	1	
9 CEO Gender	0.000	1.000	0.844	0.365	0.040	-0.006	0.130	-0.122	-0.088	0.106	-0.096	0.010	1
10 CEO Education	1.000	6.000	4.458	1.142	0.248*	0.011	0.287**	-0.226*	-0.231*	-0.199	0.142	0.098	0.224*
11 Dynamism	2.333	6.000	3.868	0.785	-0.196	-0.095	-0.027	-0.104	0.158	0.036	0.090	-0.055	-0.036
12 CEO Downstream Background	0.000	1.000	0.240	0.429	-0.087	0.128	-0.201*	0.216*	0.039	0.027	-0.019	0.124	-0.162
13 CEO Tenure	0.000	3.829	1.437	0.643	-0.026	0.215*	-0.198	0.125	0.083	0.114	-0.009	-0.001	-0.001
14 CEO Family	0.000	10.000	1.365	1.995	-0.189	0.107	-0.409**	0.344**	0.088	0.094	-0.161	0.090	-0.167
15 Adhocracy Culture	1.167	3.226	2.089	0.419	-0.173	0.178	-0.388**	0.332**	0.121	0.187	-0.237*	0.147	0.009
16 Hierarchy Culture	0.458	4.292	2.393	0.572	0.199	-0.175	0.193	-0.150	-0.080	-0.283**	0.330**	-0.072	-0.016
17 Market Culture	1.242	3.683	2.573	0.564	0.417**	-0.261*	0.540**	-0.453**	-0.186	-0.172	0.276**	-0.049	0.127
18 Middle Manager Engagement	1.500	6.000	4.139	0.904	0.040	-0.346**	0.108	-0.081	-0.061	0.035	-0.080	-0.051	0.130
19 CEO Rivalry	1.000	4.889	2.808	0.853	-0.052	0.063	-0.256*	0.146	0.135	-0.031	0.018	0.111	-0.033
20 CEO Admiration	1.429	5.429	3.751	0.759	0.044	-0.084	-0.023	-0.064	0.048	0.011	0.185	-0.165	0.086

	10	11	12	13	14	15	16	17	18	19
10 CEO Education	1									
11 Dynamism	-0.194	1								
12 CEO Downstream Background	-0.248*	0.043	1							
13 CEO Tenure	-0.002	-0.065	0.054	1						
14 CEO Family	-0.277**	-0.117	-0.005	0.181	1					
15 Adhocracy Culture	-0.098	0.080	0.100	0.224*	0.231*	1				
16 Hierarchy Culture	0.175	-0.119	0.085	0.046	-0.241*	-0.396**	1			
17 Market Culture	0.192	0.040	-0.070	-0.067	-0.387**	-0.484**	0.400**	1		
18 Middle Manager Engagement	0.080	-0.036	-0.249*	-0.194	-0.121	-0.008	-0.168	-0.080	1	
19 CEO Rivalry	-0.064	0.248*	-0.017	0.116	0.069	0.158	0.067	0.085	-0.391**	1
20 CEO Admiration	-0.032	0.301**	0.060	0.105	0.000	0.046	0.009	0.261*	0.054	0.275**

Notes: N = 96

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 2. Hypotheses Tests: Results of Regression and Indirect Effects Analyses

	Model 1 DV: Strategic Consensus				Model 2 DV: Middle Manager Engagement				Model 3 DV: Market Culture				Model 4 DV: Strategic Consensus			
	b	**SE**	**t**	**p-value**	***b***	**SE**	**t**	**p-value**	***b***	**SE**	**t**	**p-value**	***b***	**SE**	**t**	**p-value**
Intercept	1.630	0.252	6.467	0.000	5.022	0.715	7.027	0.000	3.145	0.529	5.950	0.000	0.983	0.435	2.259	0.027
Firm Age	-0.005	0.005	-1.003	0.319	-0.051	0.015	-3.428	0.001	-0.019	0.009	-2.023	0.046	-0.002	0.006	-0.424	0.673
Private-owned	-0.020	0.070	-0.282	0.778	0.317	0.197	1.608	0.112	-0.442	0.117	-3.771	0.000	0.075	0.074	1.017	0.313
Foreign-owned	-0.293	0.174	-1.682	0.096	0.311	0.493	0.630	0.530	-0.885	0.289	-3.061	0.003	-0.105	0.177	-0.596	0.553
Service Industry	0.005	0.066	0.071	0.944	-0.274	0.188	-1.458	0.149	0.082	0.111	0.737	0.463	-0.017	0.066	-0.264	0.793
High Technology Industry	0.069	0.119	0.580	0.564	0.137	0.338	0.404	0.687	0.212	0.198	1.071	0.287	0.022	0.116	0.194	0.847
CEO Gender	-0.044	0.080	-0.545	0.587	0.096	0.227	0.424	0.673	0.041	0.133	0.306	0.761	-0.053	0.077	-0.683	0.496
CEO Education	0.026	0.029	0.908	0.366	0.021	0.082	0.257	0.798	-0.029	0.048	-0.608	0.545	0.032	0.028	1.134	0.260
Dynamism	-0.074	0.039	-1.880	0.064	0.003	0.111	0.023	0.982	-0.085	0.065	-1.302	0.197	-0.057	0.039	-1.477	0.144
CEO Downstream Background	-0.031	0.071	-0.433	0.666	-0.546	0.200	-2.730	0.008	-0.049	0.122	-0.403	0.688	-0.037	0.071	-0.512	0.610
CEO Tenure	0.009	0.045	0.209	0.835	-0.124	0.128	-0.964	0.338	0.010	0.075	0.136	0.892	-0.001	0.045	-0.022	0.982
CEO Family	-0.022	0.016	-1.396	0.166	-0.054	0.045	-1.199	0.234	-0.075	0.026	-2.830	0.006	-0.008	0.016	-0.463	0.645
CEO Rivalry	**0.003**	**0.036**	**0.094**	**0.926**	**-0.475**	**0.102**	**-4.658**	**0.000**	0.043	0.067	0.646	0.520	-0.020	0.039	-0.504	0.616
CEO Admiration	**0.043**	**0.041**	**1.062**	**0.291**	**0.255**	**0.116**	**2.199**	**0.031**	0.195	0.070	2.797	0.006	0.007	0.043	0.154	0.878
Middle Manager Engagement									**-0.133**	**0.065**	**-2.068**	**0.042**	0.004	0.039	0.110	0.913
Market Culture													**0.221**	**0.071**	**3.127**	**0.002**
Adhocracy Culture													0.046	0.081	0.563	0.575
Hierarchy Culture													0.008	0.058	0.141	0.888
R-squared	0.169				0.393				0.383				0.273			
F	1.287				4.087				5.207				1.722			
df1	13				13				14				17			
df2	82				82				81				78			
p-value	0.238				<0.001				<0.001				0.056			

Indirect Effect	**Effect**	**Boot LLCI**	**Boot ULCI**
CEO Rivalry — Middle Manager Engagement — Market Culture	0.063	0.018	0.133
CEO Admiration — Middle Manager Engagement — Market Culture	-0.034	-0.096	-0.003
Middle Manager Engagement — Market Culture — Strategic Consensus	-0.029	-0.069	-0.008
CEO Rivalry — Middle Manager Engagement — Market Culture — Strategic Consensus	**0.014**	**0.004**	**0.038**
CEO Admiration — Middle Manager Engagement — Market Culture — Strategic Consensus	**-0.007**	**-0.028**	**-0.001**

Notes: N = 96 firms. Unstandardized coefficients are reported. Listwise deletion applied.

Boot LLCI refers to the lower bound bootstrapping 95% confidence interval and Boot ULCI refers to the upper bound 95% confidence interval.

The indirect effects were estimated simoultenously.

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