

# How the CEO dark personality can change the effect of entrepreneurial behavior in SME?

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# Research Motivation

- SMEs play **a significant role in worldwide economies** (World Bank SME Finance, 2019).
- Global crises can be fatal to SMEs -> it is important **to stimulate entrepreneurial activity** (Barker & Duhaime, 1997).
- **Strategic entrepreneurial behaviors (SEBs)** is the firm's exploitation of new product-market opportunities through the intended commercialization of its product innovations (Anderson et al., 2019).

## Research Questions

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- To what extent do SEBs generalize to emerging market contexts?
- How do characteristics of the CEO shape the relationship between SEBs and SME performance?

**Strategic entrepreneurial behaviors'** positive impact on firm performance was discussed only within **developed markets** (Anderson et al., 2019).

(a) the nomological network of the construct is unclear

(b) **strategic leaders' personality traits** (narcissism and Machiavellianism) may impact **outcomes of entrepreneurial behavior** (Anderson, 2021).

# Theory and Main Constructs

## Strategic leadership theory

is primarily focused on the **hierarchical structure of organizations** (Hambrick and Pettigrew, 2001)

## Dark personality traits

- **Narcissism** includes
  - grandiosity, attention seeking,
  - an overly inflated self-view,
  - a need for that self-view to be continually reinforced via self-regulation,
  - and a general lack of respect for others (The American Psychiatric Association, 2013) .
- **Machiavellianism** includes
  - a lack of affect in interpersonal relationships;
  - a lack of concern with conventional morality;
  - a lack of gross psychopathology;
  - a low ideological commitment (Christie & Geis, 1970).

# Hypotheses (1)

- Effective application of SEBs **can help an organization improve** its financial **performance** and secure **competitive advantage** (Anderson et al., 2019).
- SEBs have shown **initial promise** for helping firms achieve **higher performance** in developed market contexts (Anderson et al., 2019).
- Entrepreneurial behaviors have long been argued **to improve firm performance in hostile environments** (Covin and Slevin, 1989, 1991)
- The conditions in **emerging markets are consistent with those of a hostile environment** due to the underdeveloped institutions, relatively scarce opportunities, and harsh business conditions.

***H1.** SEBs are positively related to SME performance within the emerging market context of Russia.*

## Hypotheses (2)

Strategic behavior of highly narcissistic CEOs **is different** from that of executives with lower levels of narcissism (Chatterjee & Hambrick, 2007).

- Narcissists **support innovativeness** within an SME, as they promote risk-tolerant entrepreneurial activity.
- Narcissism **can create volatility** in firm performance in some contexts,
  - At the same time, in highly concentrated and dynamic markets, **narcissism has a positive moderating effect** on the entrepreneurial orientation-performance link (Engelen et al., 2016).

***H2.** Narcissism positively moderates the relationship between SEBs and SME performance in the Russian context, such that as narcissism increases, the positive relationship between SEBs and SME performance becomes stronger.*

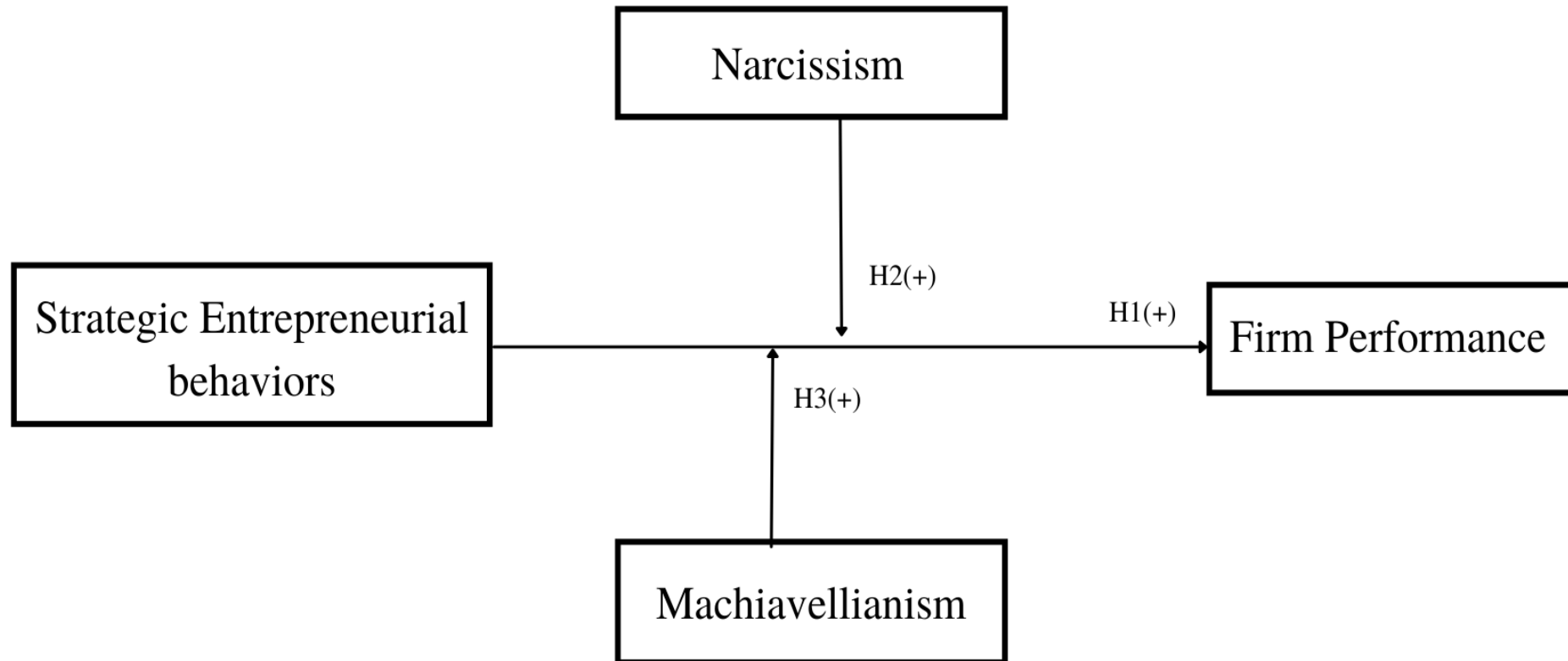
# Hypotheses (3)

**Machiavellians** are

- **proficient** in making decisions in **high uncertainty** (Kornilova & Krasavtseva, 2017; O'Connor & Morrison, 2001) as they can predict **beneficial outcomes in risky situations** (Bereczkei et al., 2013);
- pragmatic and rational (Bedell et al., 2006), and have shown an aptitude and **interest in pursuing entrepreneurship** (McLarty et al., 2021);
- particularly effective in their careers while working in **unstructured organizations** (Belschak et al., 2015; O'Boyle et al., 2012).

*H3. Machiavellianism positively moderates the relationship between SEBs and SME performance, such that as Machiavellianism increases, the positive relationship between SEBs and SME performance becomes stronger.*

# Theoretical Framework





# Method

- A random sample of **372 SMEs** from Russia collected in 2019.
- Respondents were firm **founders or CEOs**
- The survey data was complemented by **objective financial data** on firm performance derived from SPARK database.
- **SEBs**: the 6-item scale by Anderson et al. (2019)
- **Narcissism and Machiavellianism subscales** developed by Jonason and Webster (2010)<sup>2</sup>
- **Controls**: firm size (logarithm), firm age (logarithm), past performance, region; environmental dynamism and hostility, heterogeneity; CEO gender, tenure, age
- **Hierarchical regression analysis**

<sup>2</sup>The Jonason and Webster (2010) scale has been criticized for its limited convergent validity in measuring the psychopathy personality trait, as the scale does not cover antagonism and disinhibition, which are central to this trait (Miller et al., 2012). Therefore, we did not consider the psychopathy trait in our analysis.

# Results

	Model 1	Model 2	Model 3
Variable	Main Effects	Interactions	
SEBs	0.12*	-0.15	-0.17.
	(0.05)	(0.10)	(0.10)
Narcissism	0.08	-0.32*	
	(0.04)	(0.14)	
Machiavellianism	0.05		-0.44**
	(0.04)		(0.15)
SEBs X Narcissism		0.09**	
		(0.03)	
SEBs X Machiavellianism			0.11***
			(0.03)
Intercept	-3.90***	-2.47***	-2.54***
	(0.59)	(0.74)	(0.69)
R <sup>2</sup>	26.80%	28.31%	28.13%

Dependent variable: Objective performance 2020. SEBs – Strategic entrepreneurial behaviors

N = 372.

\*\*\* p < 0.001; \*\* p < 0.01; \* p < 0.05.

# Findings

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- SEBs are **positively associated with SME performance** within an emerging market → consistent with past research in more developed markets (Anderson et al., 2019).
- Narcissism and Machiavellianism **have significant and positive moderating effects** on the SEBs-performance relationship.
- Prior studies evaluating the role of dark traits in shaping the performance outcomes of entrepreneurial firm behaviors have **provided mixed results**. However, the vast majority of previous studies have been executed in developed market contexts, our study was conducted in the emerging market of Russia.

# Findings

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Overcoming ambiguous and challenging operating environments may be **easier for CEOs with narcissistic tendencies** as they:

- favor dynamic and grandiose strategies (Chatterjee & Hambrick, 2007),
- undertake challenging or bold tasks (Wallace & Baumeister, 2002),
- are relatively aggressive towards technological discontinuities (Gerstner et al., 2013),
- are not afraid to fail (Elliot & Thrash, 2001),
- process information spontaneously, quickly, and entrepreneurially,
- make quick decisions in dynamic contexts (Bouncken et al., 2020).



**Narcissistic CEOs characteristics can enhance the impact of SEBs within highly uncertain environmental conditions.**

# Findings

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## **Machiavellians** are

- manipulative and lack empathy (Dahling *et al.*, 2009)
  - such characteristics can influence strategic and operational decision-making in organizations (Chandler *et al.*, 2021; Griffin & O'Leary-Kelly, 2004);
- particularly successful in their careers when they work in unstructured organizational settings (O'Boyle *et al.*, 2012);
- comfortable with decision-making amid high uncertainty (Kornilova & Krasavtseva, 2017; O'Connor & Morrison, 2001).



**Machiavellian characteristics tend to enhance the impact of SEBs on firm performance in uncertain emerging market contexts .**

# Contribution

We **validate and extend** the study by Anderson et al. (2019) by providing support for the **positive relationship** between SEBs and firm performance in an **emerging market**.

## Contribute

- To discussion regarding **the relationship between entrepreneurial behaviors and firm performance** by evaluating dark traits and their moderating influence on the relationship between SEBs and firm performance,
- To the development of **strategic leadership theory**. Our results suggest that when strategic leaders register highly on some maladaptive traits, the result is higher firm performance.

# Practical Implications

- SEBs represent **an organizational instrument for firm development and superior competitive advantage**. Firms can leverage SEBs to achieve better operating results, even within potentially hostile environments.
- **Higher levels of narcissism and Machiavellianism** each have a **positive moderating effect** on the relationship between SEBs and SME performance:
  - Such findings may be helpful for leaders of new ventures as they select their management team;
  - The results must be taken with caution, as CEOs high in dark traits can be overly focused on short-term results.

# Limitations and Future Research

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- New **SEBs measure**? → **Additional studies** and tests to validate its utility.
- **Russian context** only? → Future work should evaluate the measurement invariance of the SEBs scale to assess whether respondents **view metrics differently due to language or culture**.
- The empirical assessment of SEBs is still **developing** → **Other moderators** likely influence the relationship between SEBs and firm performance (Anderson, 2021).
- **The Jonason and Webster (2010) scale**? → Test more dark personality traits and **use other measures** to do so.



**Thank you for your time!**