

Overly self-confident CEOs avoid change in organisations, finds new research

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CEOs with exaggerated self-confidence show a preference for steadiness within organisations, finds new research from the University of Mannheim Business School (<https://www.bwl.uni-mannheim.de/en/>).

Marc Kowalzik, Post-Doctoral researcher at the University of Mannheim Business School, and Moritz Appels, former University of Mannheim PhD student and now Assistant Professor at Rotterdam School of Management, Erasmus University, address a central dilemma in our understanding of CEO hubris: Are these CEOs particularly inclined to change their firms' trajectories or not?

To do so, they utilised a panel dataset of around 1200 S&P CEOs, measuring their levels of hubris and assessing well-established indicators for strategic change: change in resource diversification, business segment change, corporate restructuring, and top management team (TMT) membership additions and deletions. The TMT refers to CEOs' closest executive peers.

They found that CEO hubris leads to less strategic change and TMT membership change within the organisation. Considering previous research suggests more hubristic CEOs are attracted to challenging strategic activities, this indicates that CEOs with inflated self-confidence regulate the impact of strategic activities on larger changes for the organisation, preferring steadiness.

Kowalzik says, "Higher levels of hubris in CEOs might lead them to see little reason for scrutinising and adapting existing organisational trajectories under their leadership. They consider themselves capable and bound in mastering the established ways of doing things."

Therefore, although more hubristic CEOs might pursue challenging strategic activities for their inflated payoffs, they do refrain from the pursuit of big organisational changes, such as corporate reorganisations, resource deployment to business units, or the firm's TMT composition.

These findings were first published in Journal of Management.

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