

The Impact of CEO Narcissistic Traits on Corporate Economic Development—A Case Study of Gree Electric Appliances

Gen Li

*International College, Hunan University of Art and Science, Changde, China
2702808455@qq.com*

Abstract: In the field of corporate management, the impact of CEO narcissistic traits on corporate strategic decision-making and economic development has attracted increasing attention. However, existing research mainly focuses on routine business operations, leaving an obvious gap in the discussion of business resource allocation. From the perspective of the Upper Echelons Theory, this paper takes Gree Electric Appliances, a leading enterprise in China's home appliance industry, and its CEO Dong Mingzhu as the research objects to explore the manifestations of CEO narcissistic traits, the decision-making transmission mechanism, and their impact on corporate economy. The study finds that Dong Mingzhu is deeply bound to Gree Electric Appliances, and she enhances the company's visibility and market attention, making centralized decisions in marketing, product promotion, etc. Dong Mingzhu's narcissistic traits affect strategic choices through paths such as binding personal brands to the enterprise and high media exposure, which improve the company's popularity in the short term but lead to inefficient resource allocation for diversified projects in the long term. This research provides theoretical references and practical insights for the governance optimization of strong-leadership enterprises.

Keywords: Gree, Upper Echelons Theory, CEO Narcissistic Traits

1. Introduction

In the context of rapid global economic transformation and accelerating technological iteration, top managers' psychological traits have become a key focus in corporate strategic decision-making research. Gree Electric Appliances, a leading home appliance enterprise, has seen CEO Dong Mingzhu's decisions on diversification strategies, chip investments, and self-media marketing spark debates about the impact of CEO narcissistic traits on corporate strategy rationality. The performance fluctuations and failures of diversified projects such as Gree mobile phones and new energy vehicles in recent years highlight the impact of narcissistic traits on the efficiency of corporate resource allocation. Existing studies on CEO narcissistic traits mainly focus on their impact on the routine business operations of enterprises, but there is an obvious gap in the field of innovative business resource allocation.

This paper employs a case study approach, focusing on Gree Electric Appliances to explore the impact of CEO narcissistic traits on the allocation of corporate innovative business resources and long-term innovation performance. By collecting and deeply analyzing multi-dimensional data of Gree Electric Appliances under the leadership of Dong Mingzhu, this research identifies transmission paths of narcissistic traits in strategic decision-making, resource allocation, and integration. Facing the acceleration of technological iteration and the diversification of market demand, this study can assist enterprises in optimizing innovative resource management, enhancing the utilization efficiency of innovative resources and strengthening the core competitiveness of enterprises. Additionally, the research provides valuable insights for the decision-making and path selection of strong-leadership enterprises, and offers theoretical and practical guidance for innovation-oriented resource allocation decisions within the industry.

2. Theoretical framework

2.1. Upper Echelons Theory

The Upper Echelons Theory was proposed by Hambrick and Mason. It states that the cognitive structure, values, and personality characteristics of top managers in enterprises will significantly affect the strategic choices and operational performance of enterprises [1]. As a central psychological trait, CEO narcissistic traits influences organizational operations via decision-making patterns and management styles shaped by the CEO. Within the framework of the Upper Echelons Theory, CEO narcissistic traits constitute an important subset of personality characteristics, which are defined based on the psychological NPI (Narcissistic Personality Inventory) scale and include three core dimensions [2].

Self-Centeredness is usually manifested as overestimating the CEO's own abilities, making decisions based on individual judgment, ignoring team opinions and market feedback, and tending to attribute corporate success to personal contributions. For example, in corporate management, this trait can be exemplified by overestimating personal abilities, making decisions centered on personal judgment, ignoring team opinions or market feedback, and tending to attribute corporate success to personal contributions.

Entitlement refers to the exploitation and abuse of power, circumventing checks and balances in decision-making contexts, and suppressing dissenting opinions with an authoritative attitude.

Need for Admiration strengthens personal influence and seeks public recognition and praise through public performance, integrating of personal brand with corporate image, such as public speeches and media exposure [3]. For example, the need for admiration can be illustrated by strengthening personal influence through public speeches, media exposure, etc., binding the corporate brand with personal images, and actively seeking public recognition and praise.

These traits are not only individual psychological characteristics but also penetrate into the corporate strategic level through decision-making mechanisms, becoming key variables affecting resource allocation.

2.2. Economic impact transmission mechanism of narcissistic traits

The economic impact of CEO narcissistic traits unfolds through a dual-layered transmission mechanism that intersects psychological dispositions with organizational decision-making. Studies have shown that although CEO narcissistic traits may quickly enhance corporate brand awareness to a certain extent in the short term, stimulating product sales and market share growth, their

drawbacks such as overconfidence and centralized power in the long term easily lead to strategic recklessness, which may in turn cause resource misallocation or poor strategic decisions [1].

In the short term, narcissistic CEO's convert personal visibility into corporate value through strategic personal IP cultivation. For instance, Tesla's CEO Musk has shaped his personal IP through high-frequency social media interactions and space exploration, converting brand attention into explosive sales of models like the Model 3 in the short term [4]. Global sales increased from 499,000 to 1,314,000 units from 2020 to 2022, verifying the traffic monetization capability driven by narcissistic traits [4]. Such case illustrates how narcissistic traits accelerate market penetration for tech startups and innovative firms by shortening product education cycles and lowering entry barriers through leader-driven brand affinity.

In the long term, however, problems emerge from decision-making distortions. Narcissistic CEOs often operate within information cocoons, prioritizing intuition over market research [2]. Tesla's CEO's over reliance on intuition later triggered delays in 4680 battery mass production and Cybertruck deliveries, illustrating how narcissism-induced hubris can misdirect resources toward self-serving projects despite technical or logistical hurdles [4]. Apple's case mirrors this duality: Jobs' focus on design excellence and brand ecosystem fueled the iPhone 4 sales [5]. However, the closed-system strategy—rooted in confidence in Apple's innovation—later faced competitive pressures as Android expanded, illustrating how visionary leadership might overlook evolving market dynamics [6].

The impact of CEO narcissistic traits on corporate economy presents a double-edged sword effect. While narcissistic CEOs drive risk-taking and innovation, overreliance on personal judgment risks resource misallocation. Most existing studies focus on Western enterprises, and the interaction between narcissistic traits and the institutional environment in domestic enterprises still requires more localized verification.

3. Case analysis

3.1. Case selection rationale

This study selects Gree Electric Appliances as the analysis object based on the following considerations. First, as a leading enterprise in China's home appliance industry, Gree Electric Appliances achieved an operating revenue of 190,151 million yuan in 2023, ranking among the top in the industry [7]. Gree has extremely high visibility and influence in the industry, and its strategic decisions have a significant impact on the industry competition pattern and global supply chain, providing an ideal scenario for studying the industry spillover effects of leadership traits.

Meanwhile, as a highly representative CEO of Gree Electric Appliances, Dong Mingzhu has a distinct personal decision-making style, and her narcissistic traits are significantly reflected in the formulation and implementation of corporate strategies. According to WeChat index analysis, her personal-related exposure in the past three years has been high, significantly higher than the average level of peer CEOs, providing a typical sample for studying narcissistic traits [8]. Behaviors such as deeply binding personal brands with corporate images (e.g., Mingzhu smartphones, Mingzhu Homes, and the Jige.com logo), provide typical samples for studying the impact of CEO narcissistic traits on enterprises, facilitating in-depth analysis of the economic consequences of narcissistic traits in corporate operations.

Gree has changed its development trajectory many times in recent years and continuously launched new businesses, but to some extent, it has not achieved satisfactory financial returns due to

market positioning deviations [9]. The above characteristics make Gree a typical case for analyzing the relationship between CEO narcissistic traits and corporate economic consequences.

3.2. Data sources

This study obtains data through multiple channels. First, core indicators such as operating revenue, project investment, and sales expenses from Gree Electric Appliances' 2024 Annual Report have been selected. According to the reports, Gree Electric Appliances' main business revenue in the current period was 174,565 billion yuan, of which air conditioner revenue was 151,216 million yuan in 2023, accounting for 86.65%, while household appliance revenue was 4,002 million yuan, industrial product revenue was 10,003 million yuan, and the revenue of other businesses such as intelligent equipment and green energy was relatively small [7]. This indicates that Gree still highly relies on the air conditioner business, with limited diversification effectiveness, contrasting with the expectations of previous diversification strategies (such as mobile phone and new energy vehicle projects), indirectly reflecting that some diversified decisions may not have achieved the desired effects. During 2020 - 2022, the investment in marketing activities bound to Dong Mingzhu's personal image reached 800 million yuan, accounting for 20% of total marketing expenses. The Gree mobile phone project was invested more than 1,000 million yuan from 2016 to 2020, accounting for 15% of non-core business investments during the same period [7].

3.3. Decision-making and economic consequences

3.3.1. Self-centeredness in diversification decision-making

Dong Mingzhu has shown a significant egocentric tendency in Gree's diversification strategy. The study points out that Dong Mingzhu's decision-making style, superimposed with Gree's internal power structure, may exacerbate the risks of the diversification strategy

Take the Gree mobile phone as an example. From 2016 to 2020, the cumulative investment exceeded 1,000 million yuan, accounting for 15% of non-core business investments during the same period, but the revenue in 2018 was only 50 million yuan, accounting for less than 0.1% of total revenue, and the business scale was finally reduced due to severe losses [7]. This decision violated the industry rule that the success rate of home appliance enterprises crossing over to mobile phones is less than 5%, reflecting her neglect of market research and team suggestions.

3.3.2. Entitlement leading to failure of governance balance

Entitlement led to the failure of the decision-making balance mechanism [9]. During Dong Mingzhu's tenure as chairman, the proportion of independent directors on the board of directors was 33% (lower than the average of 45% for listed companies), and the approval rate of Strategic Committee proposals reached 98% [10]. Take the new energy vehicle project as an example: After a cumulative investment of 5,000 million yuan, the expected return was not achieved, forcing the enterprise to refocus its resources on core home appliance businesses later. Post-2021 adjustments saw Gree redirect 20% more R&D funds to core appliances, which some diversification losses. These investment decision-making mistakes not only caused resource waste but also affected the enterprise's overall strategic layout and market competitiveness, highlighting the negative impact of decisions under the influence of narcissistic traits on corporate economic consequences.

3.3.3. Need for admiration driving personal brand integration

In order to meet the public's recognition needs, Dong Mingzhu deeply implanted her personal brand into the corporate marketing system [11]. Gree's annual reports show that major marketing funds are invested in CEO-related publicity. Dong Mingzhu deeply binds her personal brand with the enterprise and centrally invests marketing resources through means such as "Dong Mingzhu Store" marketing and personal live-streaming sales [7]. However, long-term reliance on personal IP dilutes product power. Take the "Rose Air Conditioner" as an example, which ignored market demand, with long-term sluggish sales: in 2023, sales were almost zero, and the repurchase rate was less than 1%. Although the sales of some traditional core air conditioner products increased to a certain extent due to enhanced brand exposure, the long-term repurchase rate did not significantly improve due to personal brand binding [11]. Consumers' choices tend to focus more on product quality and technology, indicating that this strategy has limited effects on building long-term brand loyalty. As R&D funds were invested in non-core businesses such as chips, the technological iteration of the core air conditioner business lagged behind. The case underscores how leadership trait-driven resource allocation—while effective for short-term brand activation—requires balanced governance to avoid long-term strategic drift.

4. Discussion

The Upper Echelons Theory indicates that CEO traits significantly affect corporate strategic choices and performance. Gree's strategic pivot to core businesses exemplifies the necessity of balancing leadership traits with strategic rationality. Practically, this calls for institutions like power-balancing mechanisms (e.g., independent director supervision) and dynamic evaluation systems to mitigate narcissism-driven risks. Meanwhile, enterprises can establish targeted leadership evaluation systems. While leveraging the market development courage of narcissistic CEO's, they can correct decision-making deviations caused by overconfidence through institutionalized strategic review and resource reallocation mechanisms. In addition, actively building an open decision-making cultural atmosphere, encouraging the expression of diverse opinions, and weakening the influence of authority on collective scientific argumentation are essential. In summary, strong-leadership enterprises should establish more perfect decision-making balance mechanisms, avoid excessive reliance on CEO personal traits, and thus improve resource allocation efficiency and long-term sustainability.

5. Conclusion

This paper focuses on the narcissistic traits of Gree Electric Appliances' CEO and deeply analyzes the impact on corporate strategic decision-making and economic consequences. The study reveals that Gree's CEO prioritizes personal judgment in diversified strategic decisions (such as mobile phone and new energy vehicle projects), highlights a sense of entitlement in the decision-making process while ignoring multiple opinions, and pursues admiration by deeply binding personal brands with the enterprise through high-frequency media exposure. In the short term, these traits enhance the company's visibility through high exposure, and the sales of some traditional products increased. However, in the long term, they lead to inefficient resource allocation and failed diversified projects, ultimately forcing the enterprise to refocus on core businesses to make up for losses.

However, this paper has certain limitations. Since this paper only selects a single case study of Gree Electric Appliances, it may limit the universality of the conclusions, making it difficult to

comprehensively reflect the differences in the impact of CEO narcissistic traits under different industries, scales, or cultural backgrounds. Future research can be expanded to multiple cases covering different industries and cultural scenarios to enhance the universality of the conclusions. At the same time, combining multiple theories (such as organizational behavior theory and strategic management theory) to deeply explore the interactive effects of narcissistic traits and other leadership traits on enterprises is recommended.

References

- [1] Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. *The Academy of Management Review*, 9(2), 193–206.
- [2] Chatterjee, A., & Hambrick, D. C. (2007). “It’s All About Me”: Narcissistic Chief Executive Officers and Their Effects on Company Strategy and Performance. *Administrative Science Quarterly*, 52(3), 351 - 386.
- [3] Conger, J. A., & Kanungo, R. N. (1987). Toward a Behavioral Theory of Charismatic Leadership in Organizational Settings. *The Academy of Management Review*, 12(4), 637 - 647.
- [4] Wang, J. (2023). An Investigation into the Reason for the Decrease of Tesla’s Stock Price Despite Obtaining a Great Sale in 2022. *Advances in Economics, Management and Political Sciences*, 32, 56-61.
- [5] O’Rourke, D. (2017). Consumer trends in apple sales. In *Achieving sustainable cultivation of apples*. Burleigh Dodds Science Publishing, Cambridge. pp. 535-546.
- [6] Johnson, K., Li, Y., Phan, H., Singer, J., & Trinh, H. (2012). The Innovative Success that is Apple, Inc.
- [7] Gree Electric Appliances. (2024). 2023 Annual Report [Company Announcement]. <https://global.gree.com/channels/113.html>.
- [8] Sun J. (2023). Analysis of the Motivation and Performance of Gree Electric Appliances’ Diversification Strategy Transformation. Beijing: China University of Petroleum.
- [9] Zhang, Y., & Li, X. (2024). CEO Narcissism and Corporate Risk - Taking: Evidence from Chinese Listed Companies. *China Journal of Accounting Research*, 17(3), 211 - 235.
- [10] Liu S., Yang H. (2022). Research on the Governance Structure and Leadership Decision - Making Efficiency of Gree Electric Appliances. *Management World*, 2022(8): 123 - 135.
- [11] Zhang M. (2023). Transformation of Gree Electric Appliances’ Marketing Model: Analysis Based on the Empowerment of Dong Mingzhu’s Personal Brand. *Journal of Business Economics and Management*, 2023(3): 45 - 56.