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The Agency Vortex: Why Top Management is Full of Self-Interested People

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Research Summary: We argue that managers' agentic behavior can be traced to a managerial selection process that favors individuals with high need for social dominance, creating an "agency vortex" that results in top managers being prone to act in their own interests. We discuss the implications of our theory for fundamental issues in strategy, highlighting the importance of firm heterogeneity in the management selection process, and the research opportunities these present.

Managerial Summary: The two most commonly used means of reducing agency costs are governance mechanisms that monitor and control management behavior and training and development programs that foster loyalty to the firm. Based on empirical findings from social psychology and strategy we argue for a new way of approaching the agency problem. Rather than monitoring the behavior of those who make it to the top, and trying to align their motives and actions with those of the organization, the managerial selection process should be rethought in favor of people who are less likely to put their own interests ahead of the organization's.

Keywords: Agency Problem; Executive Personality; Strategic Decision-making; Social Dominance
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1 | INTRODUCTION

In countless situations, managers are faced with making a trade-off between their own interests and those of the organization. Asked to deploy strategies that conflict with their self-interest, for example, managers have been found to redirect, delay, impair, or even sabotage their implementation (Guth & MacMillan, 1986). Studies have shown the costs that firms may incur when top managers act in their own interest (Ang, Cole, and Lin, 2000). Examining the quality of loans issued between 2000 and 2007 by mortgage lenders, Gartenberg and Pierce (2017) provided evidence of the important role that managers self-serving behavior played in the collapse of several of the largest US banks during the 2008 mortgage crisis. Frank and Obloj (2014) showed that as long as high-human-capital employees do not engage in self-serving behavior they generate profits for the firm. But when they do, their net effect on performance is negative.

To ensure that managers prioritize the interests of the organization, it is well established that firms should create governance mechanisms that monitor and control management behavior (Campbell, Campbell, Sirmon, Bierman, & Tuggle, 2012; Lubatkin, Lane, Collin, & Very, 2005), and training and development programs that foster loyalty to the firm (Walker & Yip, 2018; Boivie, Lange, McDonald, & Westphal, 2011). Both approaches have merit, but are geared toward managers who have successfully climbed the corporate ladder and ignore the many individuals who did not make it to the top. This is unfortunate because we believe the latter are less likely to put their own interests before those of the firm. Indeed, our theory suggests that the people most likely to become managers are those who are primarily motivated by self-interest. The implication is that firms should pay more attention to designing a managerial selection process that favors candidates who are predisposed to act in the organization’s interests rather than focusing most of their efforts on trying to control or align the interests of managers who are already appointed to top positions.

Our study adopts a multidisciplinary approach, based on empirical findings from social psychology (Cheng, Tracy, Foulsham, Kingstone, & Henrich, 2013; Maner & Mead, 2010) and strategy (Dalton, Hitt, Certo, & Dalton, 2007). A large body of research in social psychology has examined the effects of personality traits on the likelihood of ascending social hierarchies (e.g., Judge, Piccolo, & Kosalka, 2009; McCabe, Lubinski, & Benbow, 2020). In a similar vein, strategy scholars have explored the relationship between personality traits and managers' organizational commitment and leadership behaviors (e.g., Colbert, Barrick, & Bradley, 2014; Peterson, Smith, Martorana, & Owens, 2003). Bringing the two literatures together, we examine the link between personality traits that increase the likelihood of ascending the corporate hierarchy and managerial self-interested behavior.

Evidence from social psychology suggests that of the many traits that increase the likelihood of moving up the ladder, social dominance is particularly important (Judge, Bono, Ilies, & Gerhardt, 2002; Lord, De Vader, & Alliger, 1986). Social dominance has been defined as the motivation to attain influence, deference, and prominence, leading to a propensity for aggressive, forceful, or coercive behavior that results in increased social rank (Anderson & Kilduff, 2009; Cheng et al., 2013; Henrich & Gil-White, 2001). It has been studied from three perspectives: as a motivation, a behavioral construct, and a position in a social hierarchy. In the motivation view, individuals with high need for social dominance actively pursue higher social rank (Gough, 1987; Gough & Heilbrun, 1983). In the behavioral view, social dominance is associated with acts of aggression, coercion, intimidation, manipulation, and debasement (Cheng & Tracy, 2014; Buss, Gomes, Higgins, & Lauterbach, 1987; Kyl-Heku & Buss, 1996). These behaviors have been found to increase the likelihood of ascending the social hierarchy (Higgins, Judge, & Ferris, 2003). The social hierarchy view is based on evidence that socially dominant individuals are prone to behave agentically (Cheng & Tracy, 2014).

However, these streams of research have been conducted in isolation and, for the most part, within small groups in lab settings (Anderson & Kilduff, 2009; Cheng et al., 2013; Sherf, Sinha, Tangirala, & Awasty, 2018). Our contribution is to bring them together, combining the different ways in which social dominance has been conceptualized to frame a model that explains why top management positions are disproportionally held by individuals who, motivated by social dominance, prioritize their personal interests over those of the organization. Moreover, we argue that behavior related to the pursuit of social dominance is perceived as a good 'fit' with managerial rank, which in turn reinforces a behavioral pattern that increases the likelihood of moving up the ladder. We refer to this as the "agency vortex" – whereby self-interested people are pulled into top management. This informs our third contribution: a new way of approaching the agency problem. Rather than monitoring the behavior of those who make it to the top, and trying to align their motives and actions with those of the organization, the managerial selection process should be rethought in favor of people who are less likely to put their own interests ahead of the organization's.

The paper proceeds as follows: Section 1 reviews established mechanisms of addressing agency problems in organizations and proposes an alternative approach. Section 2 integrates the three bodies of work on social dominance (i.e., social dominance motivation, social dominance behavior, and socially dominant positions) into a coherent theoretical model. Section 3 applies the approach developed in Section 2 to organizations and explains how its underlying principles work together to give rise to agency problems, resulting in the "agency vortex". In Section 4 we discuss boundary conditions, the implications of the agency vortex for strategy research and practice, and directions for future research. While there is no way to cover all the ramifications of the agency vortex in this paper, we aim to draw attention to the research opportunities it presents by illustrating how it can help advance our understanding of some fundamental issues in strategy, including CEO duality, CEO compensation, succession planning, gender equality, and corporate development decisions.

2 | THEORY AND HYPOTHESES

2.1 | Established mechanisms of addressing agency problems in organizations

The field of strategic management deals with the major decisions taken by general managers to achieve competitive advantage and superior performance (Nag, Hambrick, & Chen, 2007). Given the significant costs and inefficiencies associated with self-interested managerial decisions (Ang, Cole, & Lin, 2000; Dobson, 1992), it is crucial that managers put the firm's interests before their own for that competitive advantage to be sustained. Advocates of agency theory claim that self-serving managerial behavior can be constrained by designing governance mechanisms that monitor managers' behavior and links their motives and actions (Fama & Jensen, 1983; Graffin, Hubbard, Christensen, & Lee, 2020), whereas organizational psychology scholars argue that managers can be prompted to act in the firm's best by fostering a sense of duty and commitment to the firm (Walker & Yip, 2018; Boivie et al, 2011). After reviewing these perspectives, we suggest a third approach that, rather than trying to discipline managers, seeks to select managers who need less disciplining in the first place.

2.1.2 | Governance mechanisms

Agency theory holds that hired managers are prone to use corporate resources to maximize their utility for themselves, often at the expense of the firm (Shleifer & Vishny, 1997; Eisenhardt, 1989; Jensen & Meckling, 1974; Williamson, 1964). Accordingly, it identifies a range of mechanisms that can prevent such behavior (Lubatkin et al., 2005; Roe, 2005). These include monitoring by the board (Fama, 1980; Fama & Jensen, 1983) and institutional investors (Oehmichen, Firk, Wolff, & Maybuechen, 2021), discipline by the labor market (Fama, 1980), management share ownership (Jensen & Meckling, 1976; Dharwadkar, George, & Brandes, 2000), stock option grants (Quigley, Hubbard, Ward, & Graffin, 2020), and other elements of compensation packages (Lewellen, Loderer, & Martin, 1987; Graffin et al., 2020). Indeed, these have been widely adopted (e.g., Campbell et al., 2012) and a wealth of empirical research has confirmed their effectiveness in limiting managers' self-serving behavior (Coles, McWilliams, & Sen, 2001; Dalton, Daily, Ellstrand, & Johnson, 1998; Wagner III, Stimpert, & Fubara, 1998). However, the research findings have been mixed. Some find the governance mechanisms advocated by agency theory to be beneficial (Roth & O'donnell, 1996; Sanders & Carpenter, 1998), while others do not (Sanders & Hambrick, 2007; Zorn, Shropshire, Martin, Combs, & Ketchen, 2017).

2.1.2 | Relational inducements

A second approach to prompt managers to put the firm's interests before their own is to provide relational inducements – opportunities that fulfill their intrinsic motivation and instill a sense of duty, commitment and organizational identification through coaching, training and development (Boivie et al., 2011; Shin, Taylor, & Seo, 2012). However, while commonplace, management development and training activities are very expensive. In 2018, US firms spent $87.6 billion on corporate training and development (Pontefract, 2019). Moreover, they are a double-edged sword: a firm invests to enhance managers' competence and commitment but in so doing improves their standing in the labor market and the chances of them moving to another firm (Batt & Colvin, 2011). Consequently, the skills gained at the firm's expense may ultimately benefit its competitors or other firms (Moldoveanu & Narayandas, 2019).

2.1.3 | A third approach

The approaches to mitigate agency problems reviewed above have long dominated management thinking and guided research. Underlying both is the assumption that managers are inherently self-interested; left to their own devices they will act selfishly to the detriment of the firm (Eisenhardt, 1989). However, little consideration has been given to the fact that individuals vary in the degree to which they prioritize their own interests over those of the organization. Once acknowledging individual-level variation, the question arises: Could organizations mitigate agency problems by selecting and promoting managers who are innately less likely to act out of self-interest?

Our argument that the manager selection process favors people who put self-interest first – and hence that self-serving behavior is endemic at the higher levels of the firm –is based on a rich body of research on social dominance. Many personal characteristics influence the selection and behavior of top managers, including negative affectivity, extraversion, charisma, core self-evaluations, overconfidence, hubris and narcissism (Chatterjee & Hambrick, 2007; Delgado-García & De La Fuente-Sabaté, 2010; Hayward & Hambrick, 1997; Malhotra, Reus, Zhu, & Roelofsen, 2018; Simsek, Heavey, & Veiga, 2010; Wowak, Mannor, Arrfelt, & McNamara, 2016; Gutierrez, Åstebro, and Obloj, 2020).[1] These have been shown to impact either the manager-selection process or the likelihood of behaving opportunistically, but not both.[2] In contrast, social dominance is a predictor of both becoming a top manager and acting opportunistically, and thus has a unique potential for reviewing the manager selection process and its organizational consequences.

[1] For definitions, similarities, and differences of social dominance with these traits see Online Appendix Table 1.

[2] A possible exception is narcissism. Yet narcissism is a multidimensional personality trait characterized by grandiosity, vanity, low empathy, and a desire for admiration (Cain, Pincus, & Ansell, 2008), which has been associated with a range of behaviors including bragging, derogating others, impulsivity, hostility, aggression, dominance, and competitiveness in social situations (Emmons, 1984; Raskin & Terry, 1988; Vazire & Funder, 2006). Some of these behaviors, such as dominance and grandiosity, have been shown to help individuals ascend social hierarchies (Brunell et al., 2008), but others do not, resulting in an unclear relationship between narcissism and leadership emergence (Anderson & Cowan, 2014; Paunonen, Lönnqvist, Verkasalo, Leikas, & Nissinen, 2006).

2.2 | Social dominance

In the academic literature social dominance is conceptualized in three related yet distinct ways: (1) as a motivation that drives individuals to seek influence over others, (2) as a behavioral construct, and (3) as a position in a social hierarchy. We review studies in each of these categories and then integrate them into a model to explain why individuals with high need for social dominance tend to occupy positions of higher ranks than people for whom social dominance is less important.

2.2.1 | Social dominance as a motivation

The core of the concept of social dominance is the notion that individuals vary in the degree to which they are driven by a need for social influence, deference and prominence (Cheng et al., 2013; de Waal-Andrews, Gregg, & Lammers, 2015). Social influence refers to "the ability to modify others' behaviors, thoughts, and feelings" (Cheng et al., 2013, p. 104). Deference is a sub-dimension of social influence that refers to commanding respect or submission (Blader & Chen, 2014; Henrich & Gil-White, 2001), whereas prominence refers to receiving attention from others (Cheng et al., 2013). To fulfil these three basic needs, people with high need for social dominance actively pursue high ranking positions in their social setting (Anderson, Willer, Kilduff, & Brown, 2012).

2.2.2 | Social dominance as a behavioral construct

Other scholars focus less on the motivation that prompts individuals with high need for social dominance to pursue high social rank and more on the behavior they exhibit (Kanfer, Frese, & Johnson, 2017), such as "the induction of fear, through intimidation, and coercion, to attain social rank" (Cheng et al., 2013, p. 106), "the tendency to behave in assertive, forceful, and self-assured ways" (Cheng et al., 2013, p. 106), and "the propensity toward forceful, assertive, and aggressive behaviors" (Cheng et al., 2013, p. 105). Other forms of behavior associated with social dominance include imposition, intimidation, manipulation and deceit (Anderson & Kilduff, 2009; Casto & Mehta, 2017; Cheng, Tracy, & Henrich, 2010; Cheng & Tracy, 2014; Henrich & Gil-White, 2001; Kalma, Visser, & Peeters, 1993; Maner, 2017; Witkower, Tracy, Cheng, & Henrich, 2020).

Social dominance is also seen as a primary route through which individuals ascend the social hierarchy (Henrich & Gil-White, 2001), a view supported by empirical studies wherein acts of aggression, coercion, threat, derogation, debasement, and manipulation are reported as ways of influencing others and "getting ahead"(Buss et al., 1987; Howard, Blumstein, & Schwartz, 1986; Kyl-Heku & Buss, 1996). Those who behave in a bullying, demeaning or anti-social manner have been found to attain higher social rank in both experimental contexts (e.g., Van Kleef, Homan, Finkenauer, Gündemir, & Stamkou, 2011) and field experiments (e.g., Von Rueden, Gurven, & Kaplan, 2011).

Moreover, individuals who display aggressiveness, ambitiousness, forcefulness, competitiveness, independence, self-sufficiency and self-confidence are likely to be perceived as more competent in leading social groups (Anderson & Cowan, 2014; Gough & Heilbrun, 1983; Jackson, 1984). Indeed, such behavior has been found to be a robust predictor of perceived leadership fit (Foti & Hauenstein, 2007), outperforming traits such as conscientiousness and intelligence (Judge et al., 2002; Lord et al., 1986). In short, socially dominant individuals are perceived as competent, and thus deserving the higher social rank conferred upon them (Anderson & Kilduff, 2009; Foti & Hauenstein, 2007; Lord et al., 1986). When deference is not freely conferred, social dominant individuals coerce others to deference through intimidation and fear (Cheng & Tracy, 2014; Lee & Ofshe 1981; Mazur 1985).

2.2.3 | Social dominance as position in a social hierarchy

In contrast to the above studies (one on the need to gain influence over others, the other on the behavior exhibited by people with high need for social dominance), a third stream examines what happens once such individuals attain a high position. They denote social dominance as “an individual’s relatively stable position in a social hierarchy resulting from his or her relative success in previous antagonistic or competitive encounters with conspecifics” (Cheng et al., 2013, p. 106), or “the relative degree of deference, respect, and attention an individual receives from others as a consequence of his or her perceived ability to use coercion, intimidation, and imposition” (Cheng et al., 2013, p. 106). The general conclusion from these studies is that once individuals with high need for social dominance achieve a high social ranking - which satisfies their need for influence and prominence - they will go to great lengths to preserve their standing and use it to achieve self-interested objectives (Maner, 2017). Studies found, for example, that when they were placed in a high-ranking position, such individuals viewed talented lower-ranked individuals as a potential threat, and hence demoted or excluded them (Maner & Mead, 2010; Mead & Maner, 2012). In one experiment, when elevated to a high rank, socially dominant individuals ostracized talented group members and chose instead to work with incompetent ones (Maner & Mead, 2010). When exclusion was not possible, they kept talented others in close proximity in order to intimidate them; and if an imminent threat was detected, they prevented top-performing group members from ascending in rank (Mead & Maner, 2012) or appointed them to an unsuitable position or downgraded them to prevent them from displaying their talents too strongly (Maner & Case, 2016), and prevented them from bonding with one another (Case & Maner, 2014).

2.2.4 | An integrated model of social dominance

Taken together, the above streams of research suggest the following pattern. Individuals driven by a need for social dominance are more likely to pursue higher social rank and exhibit socially dominant behavior. Perceived as fitting to people of that rank, such behavior further increases their likelihood of ascending to positions of high social rank. Accordingly, they are more likely to occupy positions of high social rank than people for whom social dominance is less important.

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2.3 | Applying the integrated model of social dominance to organizations

In modern industrialized societies most human activity takes place in organizations (Scott & Davis, 2015). As Etzioni notes (1964, p. 1), “We are born in organizations, we are educated by organizations, and most of us spend much time of our lives working for organizations.” It is therefore only natural that individuals attempt to satisfy their personal needs in organizations (Kanfer et al., 2017). This is particularly true of the need for social influence, deference, and prominence. By relying on an internal hierarchy to coordinate operations (Blader & Chen, 2014), organizations offer individuals the opportunity to fulfil those needs. The higher they move up in the organization, the greater the degree of discretion and authority they exercise (Pearce & Robinson, 1987), and the greater the influence they exert on the behavior of others (Berger, et al., 1972; Hawley, 1999; Mazur, 1985). As individuals move into upper-level management, they interact with more people (Ahn, 2020), garner more media coverage (Kang & Han Kim, 2017), and their contribution receives more attention from others (Cheng et al., 2013). By enhancing their prominence and power, people in high managerial positions can expect to be deferred to (Case, Bae, & Maner, 2018). Combining the above observations, we posit that people who are highly motivated by social dominance self-select into top management because such positions fulfil their basic need for social influence, deference and prominence.

Proposition 1 (P1). *Individuals with high need for social dominance self-select into top management positions.*

Individual motivation also affects the jobs to which individuals are assigned as a result of how others perceive the direction, intensity and persistence of their efforts in the organization (Kanfer et al., 2017). Socially dominant individuals act in forceful ways in groups, for example by giving orders, taking charge, planning and deciding what other people should do, directing activities and not letting someone else organize them (Maner & Mead, 2010; Mudrack, 1993). As a result of this form of engagement they are perceived as competent – or fit to lead – further boosting their chances of moving up the hierarchy (Anderson & Cowan, 2014; Gough & Heilbrun, 1983; Jackson, 1984). When applied to organizational settings, such behavior is perceived as befitting a manager, as reflected in the position attained (Eagly & Karau, 2002).

Proposition 2 (P2). *The behavior that characterizes social dominance increases the likelihood of being appointed to top management positions.*

Why should it be that the higher the level in the organizational hierarchy, the more prevalent social dominance behaviors become? The first reason follows from the argument that people driven by the need for social dominance actively seek high positions. Since they tend to self-select into top-management, the upper echelons are filled with individuals who are particularly likely to exhibit the behaviors described above. The second is that individuals who exhibit the above behaviors are more likely to be selected for a top-management position because they are perceived to fit the requirements of the position (Higgins et al., 2003).

Proposition 3 (P3). *Top management positions are filled by individuals who exhibit particularly high social dominance motivation and behaviors.*

2.3.1 | Social dominance and the agency problem

Clearly, the main reason why individuals with high need for social dominance strive for high social rank is because of the influence, deference, and potential for personal benefit it offers (Cheng et al., 2010; de Waal et al., 2015; Ronay, Maddux, & von Hippel, 2020). The "desire to be leaders for self-serving reasons" (Ronay et al., 2020, p. 3), the "selfish disregard for the well-being of one's group" (Cheng & Tracy, 2014), and the ability to wield authority in self-serving ways at the cost of the collective good (Betzig, 1993; Burgoon, Johnson, & Koch, 1998; Cheng et al., 2013), have all been ascribed to such individuals. In support of this, several studies have shown that when individual and collective interests conflict, socially dominant individuals prioritize their own gains over those of others (Maner & Mead 2010; Mead & Maner, 2012; Case & Maner, 2014). In a series of experiments, Maner and Mead (2010), found that in the absence of intergroup competition and stability within the group hierarchy, high ranked social dominant individuals withheld valuable information from the group, excluded skilled group members, and prevented proficient group members from having influence over the group's tasks. Likewise, Case and Maner (2014) found that when social dominant high ranked individuals felt their position was threatened, they restricted communication among group members, physically sequestered them, and prevented them from bonding with one another, even though such divisions were likely to undermine the group's performance.

To the extent that top management is filled with individuals driven by the pursuit of social dominance as posited in Proposition 3, and that their actions are primarily motivated by self-interest, we would expect the top management teams to suffer from agency problems.

Proposition 4 (P4). Top management positions are filled with people who are particularly likely to prioritize self-interest over the interests of the firm.

The above discussion represents a logical extension of the model presented in Figure 1, as depicted in Figure 2. Individuals highly motivated by social dominance are more likely to attain top management positions both directly, by self-selecting into such positions, and indirectly, by being selected by others who perceive agentic behavior as indicative of managerial capacity. Both processes result in top management positions being filled by individuals who are high on social dominance motivation, increasing the likelihood of agency problems because they are more likely to behave opportunistically.

And the process does not end there. Individuals who attain top management positions have good reason to escalate their agentic behavior because by so doing they increase their perceived competency, success, and fit with the position (Eagly & Karau, 2002; Heilman, Block, Martell, & Simon, 1989; Massengill & di Marco, 1979; Anderson & Cowan, 2014; Gough & Heilbrun, 1983; Jackson, 1984), strengthening their chances of climbing further up the organizational ladder (Foti & Hauenstein, 2007; Huddy & Terkildsen, 1993). This in turn is another reason to behave agentically, and improve one's chances of moving up the hierarchy – a phenomenon we refer to as the "agency vortex".

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3| BOUNDARY CONDITIONS

Before discussing the implications of the above for strategy theory and practice, we describe boundary conditions – three moderators with the potential to nullify the effects of social dominance as expounded above.

3.1 | The cultural context. Although social hierarchy is a ubiquitous feature of all human societies (Sidanius & Pratto, 2001; Li, Chen, & Blader, 2016), cultural differences may proscribe individuals in top management positions from behaving agentically. "Overall, individualistic cultures (such as Australia and the United States) value individual goals over group goals, individual concerns over group concerns, and individual rights and needs over collective responsibilities and obligations. Collectivistic cultures (such as China, Japan, and Korea), in contrast, value group goals over individual goals, group concerns over individual concerns, and collective needs over individual needs," (Ting-Toomey et al., 1991, p. 277). Our theory is built on and extends empirical findings from individualistic western cultures, mainly the United States (exceptions include Bente, Leuschner, Al Issa, & Blascovich, 2010), yet we acknowledge that the agency problem may be less acute, or might not even exist, in collectivist cultures.

3.2 | The stability of the social hierarchy. Previous empirical findings suggest that the stability of the social hierarchy negatively moderates the relationship between social dominance and agentic behavior: the more stable the social hierarchy, the less concerned the socially dominant individual is about losing their position in it, and the less likely to act out of self-interest and more likely to want to facilitate the group's success (Maner & Mead, 2010; Mead & Maner, 2012). Hence, we cannot rule out the possibility that in a stable social hierarchy, such individuals will be less self-interested to the point that the relationship between social dominance and agentic behavior will be insignificant.

3.3 | Intergroup competition. Another moderator of that relationship is the level of intergroup competition, which has been shown to reduce self-serving behavior under several conditions (Van Vugt, De Cremer, & Janssen, 2007). Studies have shown that when competing against an out-group, leaders' pursuit of social dominance is subordinated to the success of the group (Mead & Maner, 2012; Maner & Mead, 2010). Therefore, it is reasonable to suspect that intense competitive pressures will impede agentic behavior, even among managers for whom social dominance matters.

4 | RAMIFICATIONS OF THE AGENCY VORTEX TO STRATEGY

If top management is packed with people who are prone to behave opportunistically, the agency vortex has wide-ranging implications for strategy research and practice. While there is no way to cover them all, below we provide examples to illustrate how it can help advance our understanding of some fundamental issues in strategy, offering a glimpse of the potential implications and the research opportunities it presents.

4.1 | CEO duality

Research in strategy, accounting and economics research has examined the impact of CEO duality (CEO and Chair roles combined) on firm performance. Rooted in agency theory (Fama & Jensen, 1983), some take the view that "splitting the titles of CEO and Chair of the Board between two people will improve firm performance because the board of directors can better monitor the CEO" (Harris & Helfat, 1998, p. 902). Holding to the notion that the CEO must have an ability to lead, others maintain that a firm will perform better if the CEO/chair position is combined because it gives the leader more authority to make critical decisions (Finkelstein & D'Aveni, 1994; Rechner & Dalton, 1989; Donaldson & Davis, 1991). The empirical evidence is equally inconclusive. Some results suggest a positive relationship between CEO duality and firm performance (Boyd, 1995; Haynes & Hillman, 2010), others find evidence of a negative association (Davidson III, Jiraporn, Kim, & Nemec, 2004; Rechner & Dalton, 1991), or fail to identify any statistically significant link (Baliga, Moyer, & Rao, 1996; Iyengar & Zampelli, 2009). The concept of the agency vortex suggests one possible way to reconcile these opposing perspectives and clarify the findings of past studies, suggesting that the impact of

CEO duality on firm performance will depend on the extent of their drive for social dominance: when it is low, they will exercise power for the benefit of the organization; when it is high, CEOs will be motivated to use their power in their own interest.

4.2 | CEO compensation

In the strategy literature, interest in CEO compensation (Chen, Chittoor, & Vissa, 2021; Quigley, Wowak, and Crossland, 2020; Devers, Cannella, Reilly, & Yoder, 2007) is reflected in the large number of explanatory factors investigated. They include organizational antecedents such as knowledge structure (Wang, Zhao, & Chen, 2017), diversification strategy (Henderson & Fredrickson, 1996), and performance (Shi, Connelly, Mackey, & Gupta, 2019); board characteristics such as political ideology (Gupta & Wowak, 2017); and situational characteristics such as corporate turnaround contexts (Chen, 2015). Particular emphasis is placed on CEO characteristics, such as human capital (Castanias & Helfat, 1991; Carpenter, Sanders, & Gregersen, 2001); management style (Graham, Li, & Qiu, 2012); charisma (Tosi, Misangyi, Fanelli, Waldman, & Yammarino, 2004), and temporal focus (DesJardine & Shi, 2021). Our paper adds to this latter body of research by highlighting social dominance as a personal characteristic that may drive a CEO to push for higher compensation, and in parallel may influence the board's support for higher compensation by underlining the perceived success and 'fit' of the CEO (Eagly & Karau, 2002).

4.3 | Succession planning

The importance of succession planning for firm performance has long been recognized (Beatty & Zajac, 1987; Worrell & Davidson, 1987). A firm's survival is dependent upon its ability to identify and develop candidates for key managerial positions with the skills that match the firm's future needs (Harris & Helfat, 1998). By underscoring the prevalence of social dominance among top level executives, our theory provides new insights in the succession domain. While the managerial selection process tends to favor individuals who score high on social dominance, such individuals have a tendency to oppress and exclude talented potential successors whom they view as a threat to their advantageous position (Maner & Mead, 2010). Demoting and controlling competent subordinates increases the likelihood of them leaving the firm (Anderson & Kilduff, 2009; Grant, Gino, & Hofmann, 2011; Maner & Mead, 2010; Tost, Gino, & Larrick, 2013), thereby draining the pipeline of competent individuals for top positions in the firm (Maner & Mead, 2010; Mead & Maner, 2012; Maner, 2017).

4.4 | Gender equality

Despite an increase in the number of women in managerial and leadership positions (US Bureau of Labor Statistics, 2012), their presence in senior and executive level positions remains disproportionately low. For example, across S&P 500 companies, 5.2% of CEOs are women, 21.2% are board members, and 26.5% are executive or senior-level officials and managers (Catalyst, 2017). Their underrepresentation is troubling from both an ethical and a business standpoint. Given that people generally appreciate fairness and expect it both for themselves as well as others (Folger & Cropanzano, 2001), the above figures clearly show that gender equality in the workplace is far from achieved (Jones, King, Nelson, Geller, & Bowles-Sperry, 2013). From a business standpoint, the finding that "Female representation in top management brings informational and social diversity benefits to the top management team, enriches the behaviors exhibited by managers throughout the firm, and motivates women in middle management. The result should be improved managerial task performance and thus better firm performance" (Dezsö & Ross, 2012, p. 1072) means that having women in senior management is vital to secure a competitive advantage (Herring, 2009; Hoobler, Masterson, Nkomo, & Michel, 2016). The "agency vortex" offers a further rationale for promoting women to executive positions: as a means to decrease agency costs. Since men have been found to score higher on social dominance motivation and behavior than women (Ridgeway & Diekema, 1989; Suessenbach, Loughnan, Schönbrodt, & Moore, 2019; Semenyna & Honey, 2015; Maner & Case, 2016), both of which are associated with a tendency to engage in self-serving behavior (Cheng et al., 2010; Mitchel, Bae, Case, & Hays, 2020), increasing the representation of women in management should result in lower agency costs.

4.5 | Corporate development decisions

Two related questions that have puzzled strategy scholars for decades are why firms over-diversify even though it results in loss of strategic control and poor performance (Hoskisson & Turk 1990; Wright, Hoskisson, Busenitz, & Dial, 2001), and why acquisitions and alliances keep on growing despite evidence that many fail to meet expectations (Kogut, 1989; Das & Teng, 2000; Kale, Dyer, & Singh, 2002). One explanation may be that managers have an incentive to undertake value-destroying activities for private benefit (Gormley & Matsa, 2016) such as the higher compensation, job security, status and prestige associated with managing a larger firm (Denis, Denis, & Sarin, 1999). Indeed, it has been empirically demonstrated that an acquisition leads to an increase in CEO compensation regardless of its performance (Bliss & Rosen, 2001; Grinstein & Hribar, 2004; Harford & Li, 2007; Guest, 2009; Kroll, Simmons, & Wright, 1990), and that the increase is greater when the deal size is larger, and when the acquisition is unrelated (Choi, Genc, & Ju, 2020). Agency problems have also been shown to be responsible for firms maintaining value-reducing diversification strategies (Denis, Denis, & Sarin, 1997) and expanding their alliance portfolios (Reuer & Ragozzino, 2006). In this respect, the notion of the agency vortex may help explain the prevalence of value-destroying diversification, acquisitions, and alliances: corporate development decisions are made by people who are likely to behave opportunistically. Not surprising that so many of them fail to create value for shareholders.

5 | DISCUSSION

Several major streams in strategy research are based on the premise that top managers have a profound impact on firm strategy (Finkelstein & Hambrick, 1996). Perhaps the most obvious – and abundant – is upper echelons theory (e.g., Bantel & Jackson, 1989; Finkelstein & Hambrick, 1990; Hambrick, Cho & Chen, 1996; Wiersema & Bantel, 1992), which states that an organization's strategic choices and performance are partially predicted by its managers' backgrounds (Hambrick & Mason, 1984). A similar premise underpins the resource-based view of the firm, where outstanding management capabilities are cited as a source of competitive advantage (Castanias & Helfat, 1991; Sanders & Carpenter, 1998), and the dynamic capabilities framework, where competitive advantage is seen as dependent on the development of management capabilities (Teece, Pisano & Shuen, 1997). Given the importance the strategy literature attaches to top managers, it is surprising how little attention has been paid to examining the determinants of individual success in climbing the corporate ladder. Our paper takes a step towards addressing this research gap, arguing that the manager-selection process tends to favor individuals of a social dominance disposition.

Strategy researchers increasingly take a behavioral approach, informed by social psychological theories, to understand executive behavior and decision making (Rahmandad, Denrell, & Prelec, 2021), finding evidence that executives' personality traits such as extraversion, hubris, charisma, and narcissism influence firm actions and outcomes (Chatterjee & Hambrick, 2011; Herrmann & Nadkarni, 2014; Tang, Qian, Chen, & Shen 2015; Wowak et al., 2016). Our focus on social dominance is somewhat different in that social dominance is a motivational orientation reflected in the managers' inclination to exercise power to satisfy their own needs, as opposed to capturing a more general disposition. As such, we would expect it to have a more proximal effect on executives' behavior than more general personality traits, and a more direct impact in the context of agency. Nevertheless, it is unlikely to be the only personality trait to affect their likelihood of ascending the corporate hierarchy and corporate behavior once in a managerial position. One avenue for future research would therefore be to identify a list of such attributes and examine their effects on managerial selection and behavior together in the same study.

In this paper we focused on the agency problems associated with the need for social dominance. We acknowledge, however, that the trait of social dominance has also been associated with positive organizational outcomes. For example, since people who seek to acquire and maintain social rank through dominance are less concerned about making unpopular decisions, when faced with making difficult decisions for their group, such as when a course of action preferred by group members conflicts with one that is likely to optimize group success, they are less likely to sacrifice the collective goals or welfare of their group in favor of supporting the majority opinion (Case, Bae, & Maner, 2018). Individuals who desire dominance over others have also been shown to exhibit extra-effort and act decisively to achieve success in competitive situations (Cozzolino & Snyder, 2008), which may explain why they are more preferred under conditions of conflict and economic uncertainty (Kakkar & Sivanathan, 2017; Lausten & Petersen, 2015). Although weighing the overall costs and benefits of dominant leaders is beyond the scope of this paper, identifying and analyzing them is the first step towards understanding and developing managerial selection processes that can serve as a basis for a competitive advantage. Our theoretical model aids in accomplishing this goal.

Given the considerable strategic and organizational consequences of strategic fit, the strategy literature holds that the composition of the top management team should reflect the external environment (Keck & Tushman, 1993) and the firm's strategy (Szilagyi & Schweiger, 1984): the better the fit, the better the performance (Michel & Hambrick, 1992; Wright, Smart, & McMahan, 1995). Clearly, however, achieving a good fit is more challenging when people are promoted to managerial positions based on characteristics that may be detrimental to firm performance, i.e. social dominance. From a strategy perspective, this suggests that heterogeneity in the manager selection process could potentially be reflected in firm performance (Coff & Kryscynski, 2011), a domain that offers future research opportunities to examine its role as a source of competitive advantage.

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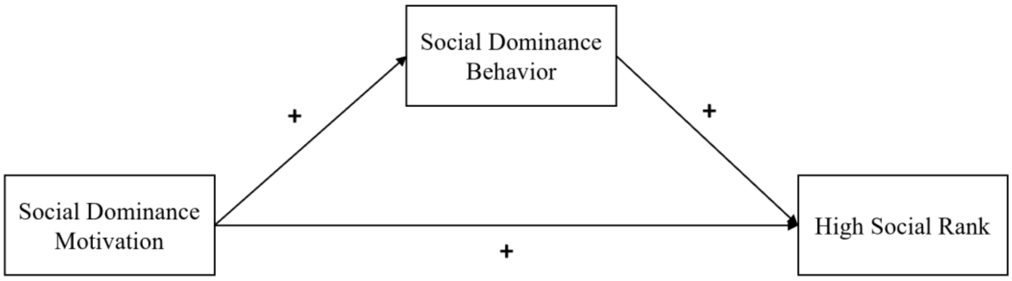

FIGURE 1: Integration of the three lines of research

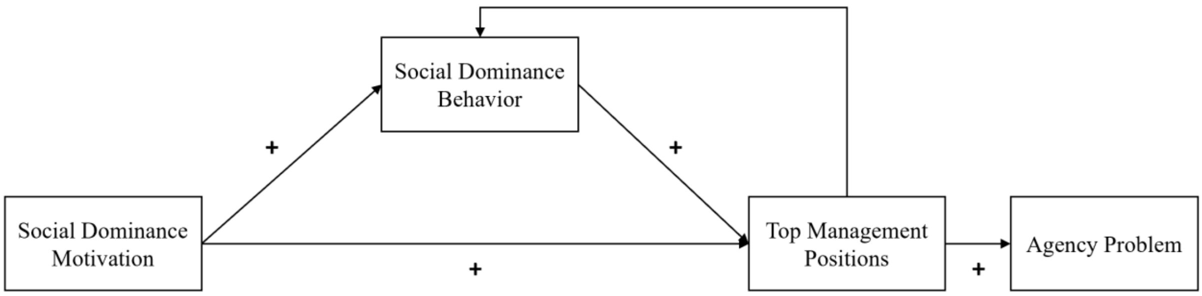

FIGURE 2: The agency vortex

ONLINE APPENDIX FOR

THE AGNECY VORTEX: WHY SOCIAL DOMINANCE MATTERS FOR STRATGEY RESEARCH

TABLE Social Dominance: Definitions, Similarities and Differences with Cognate Constructs

Construct	Definition	Similarities	Differences
Negative Affectivity	"A stable individual difference in the long-term tendencies to experience negative (e.g., distressed, irritable) affects" (Delgado-García et al., 2010, p. 562).	Individuals high on social dominance have a tendency to express specific negative emotions including anger (Marsh, Cardinale, Chentsova-Dutton, Grossman, & Krumpos, 2014), scorn and contempt (Mignault & Chaudhuri, 2003).	Individuals high on social dominance refrain from expressing several types of negative emotions including fear (Tracy et al., 2013), guilt, remorse (Frijda, 1986), and shame (Shariff, Tracy, & Markusoff, 2012).
Extraversion	"A tendency for positive affect, assertive behavior, decisive thinking, and a desire for social engagement (Malhotra et al., 2018, p. 371).	Both extraversion and social dominance be assertive and make themselves more visible to attain managerial positions (DesJardins et al., 2015).	Extraverted individuals may not be overtly controlling or aggressive, as social dominant individuals (DesJardins, Srivastava, Küfner, & Back, 2015).
Core-self evaluations	"a broad personality trait" that includes low neuroticism and high internal locus of control (LOC), generalized self-efficacy, and self-esteem (Simsek et al., 2010, p. 111).	Both social dominance and core self-evaluations involve positive perception of the self (Simsek et al., 2010, p. 111).	While core self-evaluations have been found to elicit transformational leadership behaviors (Resick, Whitman, Weingarden, & Hiller, 2009), social dominance has been linked to abusive forms of leadership based on coercion and intimidation (Khan, Moss, Quratulain, & Hameed, 2018).
Hubris	"Exaggerated pride or self-confidence, often resulting in retribution" (Hambrick & Hayward, 1997, p. 106).	Social dominant individuals tend to exhibit confidence and hubristic pride at the presence of one's achievement (Cheng et al., 2010).	While hubris may be displayed spontaneously, social dominants displaying hubris and exaggerated confidence do so to signal competence and as means to attain an elevated position (Kakkar et al., 2020).

Charisma	“A characteristic of individuals who ‘by force of their personal abilities are capable of having profound and extraordinary effects on followers” (Wowak, et al., 2016, p.593).	Both Social dominance and charisma are related to exuding confidence (Wowak, et al., 2016; Kakkar, Sivanathan, & Gobel, 2020).	While charisma involves inspiring followers to perform above and beyond the call of duty by appealing to their emotions and enduring motives, social dominance, involves ruling subordinates by fear, and is thus a matter of compliance rather than actual persuasion (Chen, Peterson, Phillips, Podolny, & Ridgeway, 2012; Wowak et al., 2016, p.593).
Overconfidence	‘‘A tendency to probabilistically overestimate one’s knowledge and abilities’’ (Patel & Cooper, 2014, p .1529)	Social dominance and overconfidence are associated with ascending social hierarchies due to their positive impact on perceived competence (Li et al., 2016).	Social dominance and overconfidence are related yet distinct ways in which individuals ascend social hierarchies (Li et al., 2016).
Narcissism	“The degree to which an individual has an inflated sense of self and is preoccupied with having that self-view continually reinforced” (Chatterjee, & Hambrick, 2011, p. 204).	Social dominance shares conceptual similarities with three facets of narcissism as both are related to arrogance, entitlement, exploitiveness, and authority seeking (Cheng et al., 2010; Cheng et al., 2013; Emmons, 1987; Maner & Mead, 2010).	While narcissistic individuals seek authority in order to gain attention, social dominant ones desire it as a source of power and influence. Further, while self-absorption/self-admiration are present among narcissistic individuals, these tendencies have not been documented in the social dominance literature. Narcissistic individuals are constantly preoccupied with how extraordinary and special they are, while social dominant individuals are preoccupied with how to maintain higher social rank (Emmons, 1987; Maner & Mead, 2010).

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