The Impact of Machiavellian Leadership

According to a new study published in the Strategic Management Journal, companies with Machiavellian CEOs have net savings of 6.6% on firm costs compared to those that do not. The study authors note that leaders with Machiavellian personalities tend to excel in stressful, uncertain and unstructured situations and have a high degree of face-to-face interaction.

Study researchers measure how CEOs on the Machiavellian scale and how they perform better at negotiating lower production costs, acquisition premiums and debt financing. They aggregated videos of 198 CEOs at S&P firms from 2000 to 2011 and evaluated these videos using this scale. They ran multilevel modelling on corporate and financial data and compared CEO performance across the Machiavellian spectrum for 186 acquisitions.

Results show a 32.3% CEO effect on production costs and a 22.3% effect on financing costs. Machiavellian CEOs paid 12.11% lower acquisition premiums, less on goods sold, and less on debt interest. In particular, CEO influence is extremely evident for acquisitions and their presence is felt at every stage - from selecting the acquisition target to acquisition to negotiation.

Overall, these findings suggest that CEOs with a Machiavellian focus on bargaining tend to pay less on acquisition premiums because they are more prone to gather more bargaining information as they have an inherent distrust and have the ability to leverage social interactions and partnerships and manipulate others to win.

Hence, this study suggests that anti-social behaviour could benefit business management at some level in an organisation, especially CEOs and those involved in high-level negotiations. Even in interactions that Machiavellian CEOs aren't directly involved in, they can set the tone from the top and infuse these traits through their behaviour, plans and decisions. It is important to remember that while Machiavellian traits may help lower company costs, they still pose a risk as personality traits. On the flip side, there is also the possibility that certain benefits of Machiavellianism for CEOs remain unexplored in leadership and management.

Source: [Strategic Management Journal](http://strategicmanagementjournal.com)
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