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## Does CEO Traits Influence Innovation? Evidence from the Kenya Banking Sector

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### Abstract

*Empirical research on firm innovation has provoked mixed reactions from various scholars in the recent past. The main purpose of this study is to determine the influence of CEO traits on innovation among financial institutions in Kenya on the basis of upper echelons and optimism theories. The study used the design of the explanatory survey. The survey data for 130 stratified financial firms were analysed using both descriptive and inferential statistics. Regression analysis was used to test the hypothesis. The findings indicate that the CEO's optimism, humility, and narcissism all had a positive effect on firm innovation. The consequences are that innovation in financial institutions is increasing when CEOs are optimistic, humble and narcissistic. The results suggest that, in order for financial institutions to be innovative, they need to have the CEOs who are optimistic and who epitomize visionary objectives to be committed to innovation. Likewise, they should have CEOs who are humble enough to involve key stakeholders and a narcissistic CEO who can stand decisively for organizational change in the form of innovation. This study is important in understanding how the CEO's personality contributes to firm innovation.*

#### Keywords:

CEO optimism  
CEO humility  
CEO narcissism  
Firm innovation.

#### JEL Classification:

G39, G40, G41, O31.

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## 1. Introduction

Firm's ability to thrive and compete in a volatile business environment in the 21st century entirely depends on the ability to innovate. Innovations in organizations are the pillar for product development and the avenue for future revenue streams (Yar Hamidi & Gabrielsson, 2014). It improves a firm's long term survival and competitive advantage (Ghosh, 2016); (Zhou, Gao, & Zhao, 2017) as well as fulfilling the dynamic needs of diverse stakeholders. Firm innovation is a top agenda in the current business world and has become a valuable component in the strategic manual (Chakravarthy & Yau, 2017); (Wang & Dass, 2017) of diverse companies around the globe. According to Dobni, Klassen, and Nelson (2015) "firms that get it right eventually prove to be industry leaders, consistently create value for their products and services, improve their competitive advantage and financial performance." Therefore, innovation is a strategic function that corporate leadership has to pursue in order to foster success of the firm.

CEOs have a sizeable decision making authority and are essential for driving firm innovations (Zhang, Ou, Tsui, & Wang, 2017). Although CEOs have a critical role in driving strategic functions such as innovation, more focus has been directed to their demographics (Chatterjee & Hambrick, 2007) excluding their traits and yet CEOs play a key role in the company's strategic decision-making process. Further, of the studies that have investigated some traits has been done in developed countries compared to the less developed

economies. Therefore, to fill this gap the study examines key traits of the CEO; optimism, humility and narcissism that are underexplored in literature especially in the financial sector in Kenya.

The financial sector in Kenya is dynamic and competitive, due to its innovative capabilities (Dutta, Lanvin, & Wunsch-Vincent, 2018). Kenya is ranked 78th and 3rd in Sub-Saharan region after South Africa and Mauritius. Most innovations are in the finance sector which has partnered with mobile network operators such as Safaricom and Airtel to allow financial transactions to be effected using mobile phones. To legalize mobile money transfers the Central Bank of Kenya has since drafted laws under the National Payment System Act of 2011 and 2014 respectively. Kenya is the first country to allow payment systems using mobile phones (Hughes & Lonie, 2007).

The changes in the law to allow the use of mobile phones to execute financial transactions led to several other innovations since the launch of M-Pesa in 2007. These innovations include *M-Kesho*, *M-Shwari*, *Eazzy banking*, *Kopesha*, and *Pesalink* (Muthinja & Chipeta, 2018). Statistics indicate that about 80% of Kenyans use mobile banking services with M-PESA leading at nearly 70% of the total mobile money transfers (Lepoutre & Oguntoye, 2018). These innovations allow customers to allow people to deposit, send and withdraw cash using their mobile handsets, pay insurance premiums, undertake point-of-sale transactions and payment of utility bills such as school fees, electricity and water bills, government services, retail outlets, and air ticketing among others (Chipeta & Muthinja, 2018); (Lashitew, Van Tulder, & Liasse, 2019). As such, consumers can access financial services conveniently by a click of a button at the comfort of their homes or work places without going to the bank (Jack & Suri, 2011).

## **2. Literature Review**

### *2.1. Concept of Firm Innovation*

Earlier academicians described innovations as “creative destruction by an entrepreneur.” In particular, researchers in various fields continue to revisit the concept of innovation (Damanpour & Schneider, 2006) from a variety of perspectives, so there is no universal definition (Baregheh, Rowley, & Sambrook, 2009). For example, innovation is conceived as “an idea, practice or object taken as new by an individual or an institution” (Wangs, 2009). It is also a unique way to create or improve a new product (Merton, 1995) or the ability to make real value for new or existing opportunities in response to varied expectations (Tidd & Bessant, 2018) of the firm. New technology basically empowers firms to orchestrate with adjustments in the external environment, market, and customer requirements. Indeed, innovation is one of the key ingredients for the success of the firms although there are risks attached to its breakthrough. Innovation incorporates the efforts of different actors of the firm. However, it requires leadership that may influence and encourage employees to be innovative.

### *2.2. Concept of CEO Traits*

Traits are complex, self-contained characteristics that consist of differing cognitive, motivational and behavioral components (Chatterjee & Hambrick, 2007); (Ou et al., 2014). CEO traits are valuable and crucial for the management of companies. These traits explain why CEOs react differently to the same situation (Farrington, 2012). In the same way, it exposes CEOs persona or character (Haslam, 2007) to carry out their duties and responsibilities. CEO traits have captured the interests of the diverse scholars in an attempt to unearth their influence of various outcomes of the firm such as firm performance and investment among others (Galasso & Simcoe, 2011); (Li & Tang, 2010). Scholars have documented that leadership traits shapes how CEOs make decisions in different situations in the firm (Graham, Harvey, & Puri, 2013). Further, previous literature indicates that CEOs perceive their influence on strategic decisions and outcomes of the firm (Gupta, Nadkarni, & Mariam, 2018); (Zhang et al., 2017); (Ou et al., 2014); (Langabeer & Yao, 2012). Hence, the study studied three important traits that influence decision making: CEO optimism, humility, and narcissism. These traits were hypothesized to influence firm innovation in Kenya’s financial sector.

### *2.3. Link between CEO Traits and Firm Innovation*

Drawing from the view of upper echelons, firm outcomes represent the values and cognitive foundations of powerful CEOs in the organization (Carpenter, Geletkanycz, & Sanders, 2004); (Hambrick & Mason, 1984). The theory further postulates that the perception of the CEOs on their firm environment affects the strategic alternatives they make. In essence, the personal attributes of the CEOs determine the aspects that they can “see” and what they see as informing the decisions they make about the strategic choices that eventually affect the bottom line of the organization. In this regard, CEOs have a substantial decision making power and are key drivers for firm activities. Generally, they are among the top corporate leaders who oversee the overall management and success of the firm. Accordingly, CEOs have a sizeable influence strategic decisions and outcomes such as innovations (Finkelstein, Cannella, Hambrick, & Cannella, 2009); (Nyukorong & Quisenberry, 2016); (Islam & Zein, 2019). Importantly, their traits determine how firms perform (Hambricks, 2007). Indeed, drawing from existing literature certain traits make CEOs effective and efficient in executing their decision making authority. In other words, the power to make certain decisions such as to innovate stems from their character (Finkelstein, 1992). CEO traits, therefore, are important for strategic decision making and

leadership because they may affect the way the CEOs perceive or interpret the volatility of the corporate environment (Hambricks, 2007). So the ability of the CEOs to understand the dynamics of the business environment based on their character are more likely to influence innovations. Although a number of traits have been explored in literature, the results are mixed and are confined to developed countries than emerging economies like Kenya. Some of the notable traits that have been tested empirically include CEO hubris (Li & Tang, 2010), CEO overconfidence (Galasso & Simcoe, 2011) and pilot CEOs (Sunder, Sunder, & Zhang, 2017). This study investigated how important and yet underexplored traits such as CEO humility, narcissism and optimism influence innovations of firms in the finance sector of an emerging economy like Kenya.

### *2.3.1. CEO Optimism and Firm Innovation*

CEO optimism is understood as a generalized view held by an individual that good things than bad will occur (Scheier, Carver, & Bridges, 1994); (Scheier & Carver, 1985). As such, it is a trait that promotes a person's assurance that positive outcomes may occur in the future. Indeed, optimists tend to be more resilient, have a positive view of the world and are action oriented (Carver & Scheier, 2014); (Chiesi, Galli, Primi, Innocenti, & Bonacchi, 2013). Optimists inspire others by sharing a positive vision and display a passionate interest to achieve that vision. Besides, they pursue goals even if frictions exist because they believe that good than bad is bound to happen to them in future (Trevelyan, 2008). Indeed, the role played by CEOs in firms is unique, more so their influence on strategic activities (Chatterjee & Hambrick, 2011) and firm outcomes (Finkelstein et al., 2009). Studies have investigated this trait with regard to other firm outcomes not related to innovation in developed countries. For instance, existing studies observed that CEO optimism is positively associated with investment efficiency of a firm (Chen & Lin, 2012). In essence, firms with CEOs who are optimistic tend to invest more than firms whose CEOs are pessimists. Other factors that CEO optimism enhances include corporate finance (Huang-Meier, Lambertides, & Steeley, 2016) mergers and acquisition (Malmendier & Tate, 2008) and firm valuation (Peterson, Walumbwa, Byron, & Myrowitz, 2009). In view of these studies, CEO optimism adds value to the firm in terms of positive expectations.

Although CEO optimism has broadly been studied in finance, a few studies have explored its influence on innovation more so in an emerging economy. Additionally, of the few studies that have been studied, there is no consensus on how CEO optimism actually affect innovation in firms. For instance, the literature indicates that CEOs who are highly optimistic contributes more to return volatility, patents and patents citations and succeed in research and development activities (Hirshleifer, Low, & Teoh, 2012). Equally, in other studies it has been found that CEOs who are overly optimistic are likely to engage in firm innovations more so in competitive industries (Galasso & Simcoe, 2011). According to optimism theory (Scheier & Carver, 1985) CEOs who are very optimistic tend to exude confidence that positive results are likely to occur and equally enthusiastic about risky and challenging strategic activities such as innovation. Thus, the study hypothesized that:

*Hypothesis 1: CEO optimism positively affects firm innovation.*

### *2.3.2. CEO Humility and Firm Innovation*

Humility has rich social psychological, philosophical and theological roots (Davis et al., 2011). and is perceived as a human virtue that shows a stable trait among individuals (Vera & Rodriguez-Lopez, 2004). This trait is linked to virtuous, moral, ethical, participative, empowering and servant leadership among executives (Hackett & Wang, 2012). CEO humility is the CEO's orientation towards obtaining accurate self-awareness, giving credit to others when it is due and being open to self-improvement (Ou et al., 2014). In addition, CEO humility is the readiness to acknowledge that self-pride is not a prerequisite for achievement (Xu, Xu, Anderson, & Caldwell, 2019) and as a disposition of self-accuracy, recognition of others' efforts and contributions, accepting one's own mistakes and ability to learn (Owens & Hekman, 2016).

Being aware of themselves enable them to engage openly and seek advice from others, thus can adjust and capitalize on existing opportunities to make decisions efficiently (Argandona, 2015). CEOs who are humble tend to disregard personal interests but rather those that are critical to the firm (Nielsen, Marrone, & Slay, 2010). As such, humble CEOs don't see themselves as superior to others but willing to share power with others (Morris, Brotheridge, & Urbanski, 2005). Humility among CEOs assists in promoting justice and fairness and creating an atmosphere that discourages self-opportunistic behaviors (Owens & Hekman, 2012).

Although humility is a key trait for CEOs who control increasingly dynamic and competitive firms (Friedman, Fischer, & Schochet, 2017); (Frostenson, 2016), it has been largely ignored, more so in corporate strategic decision-making. Largely, literature shows that humility enhances competitiveness of the firm (Vera & Rodriguez-Lopez, 2004) and is positively associated with firm performance, job satisfaction (Owens, Johnson, & Mitchell, 2013) and effective leadership (Ziaran, 2015). In the recent past, a few scholars have attempted to investigate how CEO humility influence innovation in different firms, however, the focus has been directed to firms in developed countries than in developing markets. Moreover, the results could be different contextually since the legal and organizational cultures varies across firms in different countries. For example in a study done in the latest past, it was found that humility has no association with firm innovation (Zhang et al., 2017).

In other words, CEOs who are humble may not have the vitality to engage and inspire other members in the firm to innovate this is because they are at disadvantage position where they can admit their mistakes thus creating potential criticisms either from other top managers or subordinates hence reducing the appetite to innovate. Upper echelons theory propose that psychological traits shape how CEOs process available information, make strategic decisions, allocate resources, lead employees and ultimate how firm can succeed (Finkelstein et al., 2009). Therefore, the tendency of humble CEOs to learn and improve is a motivation pursue greater interests than self (Ou et al., 2014), thus are strongly persuaded to engage in strategic decisions such as to innovate. Equally, since innovation is not an outright success, they acknowledge others' strengths (Owens et al., 2013) and recognize that firm innovation cannot be achieved single handed but through collective responsibility. In this study, we proposed that:

*Hypothesis 2: CEO humility positively influences firm innovation.*

### 2.3.3. CEO Narcissism and Firm Innovation

Narcissism is a concept comprising of superiority, desire for attention and arrogance (Campbell, Goodie, & Foster, 2004). It is a trait linked to being self-centred, aggrandizing, dominant and interpersonally manipulative behaviour (Emmons, 1987). Hence, narcissistic leaders portray personalities such as dominance, self-love, and admiration, a sense of title and self-confidence, aggressive and hostile when criticized or confronted with negative feedback (Guedes, 2017). The sense of self-confidence and power of narcissist leaders often make them more appealing to follow and with their strong self-efficacy such leaders appear more effective and proactive in decision making (Chatterjee & Hambrick, 2007). Existing works have shown that CEOs are not exceptional in portraying such traits (Zhang et al., 2017); (Germain, 2018).

Literature indicates that CEO narcissism affect firm outcomes (Gerstner, König, Enders, & Hambrick, 2013). Chatterjee and Hambrick (2011) postulated that CEO narcissism positively relates to firm strategic dynamism. (Smith & Webster, 2018) suggested that grandiose narcissism has an indirect effect on innovation through adaptability. Additionally, Goncalo, Flynn, and Kim (2010) hypothesized that narcissistic CEOs increase creativity among groups and traits such as dominance and extraversion of narcissistic CEOs enable firms to maneuver in volatile environments (Gupta & Spangler, 2012).

These studies provide evidence that CEO narcissism influence firm outcomes in one way or another. However, with regard to innovation, few studies have been studied and the results are inconclusive. For example, (Zhang et al., 2017) found no association between CEO narcissism and firm innovation whereas (Kashmiri, Nicol, & Arora, 2017) find that companies led by narcissistic CEOs are likely to unveil a higher rate of new product introductions and a higher proportion of radical innovations in their new product portfolios, but are also more likely to face product-harm crises. According to upper echelons theory, narcissism is an important personality aspect of CEOs that influences strategic decisions of the firm such as innovation (Chatterjee & Hambrick, 2011); (Gerstner et al., 2013). In this case, a narcissistic CEO would devote much effort to innovation success to feel a sense of achievement and protect their public image (Bass & Steidlmeier, 1999). Thus, we hypothesize that:

*Hypothesis 3: CEO narcissism influences firm innovation.*

Figure 1 below displays a conceptual framework that provides a logic justification of relations among variables in the study. The framework explains and justifies how CEO traits influence innovations.

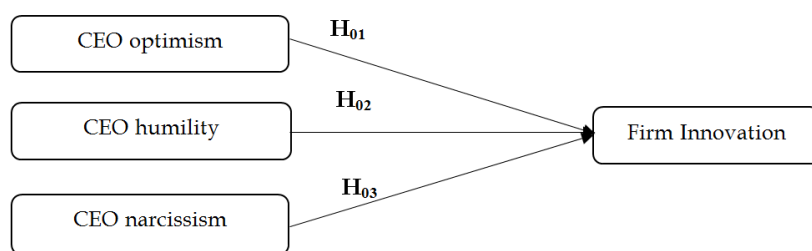


Figure-1. A conceptual framework.

### 3. Data and Methods

The target population was 219 financial institutions in Kenya. Financial sector was appropriate because of an elaborate and sound framework of governance and the unique levels of innovations (Ngugi, Pelowski, & Ogembo, 2010); (Daily, Dalton, & Cannella, 2003; Giorgis Sahile, Tarus, & Cheruiyot, 2015). The Yamane (1973) formula was used to arrive at a sample size of 183 firms as follows:

$$n = \frac{N}{1 + N_e^2} \text{ Where: } n = \text{Sample size; } N = \text{Total population size; } e = \text{the error of Sampling (0.03).}$$

$$n = \frac{219}{1 + 219(0.03)^2} = 183 \text{ financial institutions.}$$

The primary data was collected using questionnaires administered to both the CEO and two heads of department in each firm. A total of 549 questionnaires were distributed to the 183 firms, out of which 465 questionnaires were return but only 390 questionnaires for 130 were used for analysis. All these were equivalent to a response rate of 71.04%. The choice of the CEOs was because of the position they hold and extensive knowledge on issues pertaining to the firm. The two heads of department were chosen to assess CEO traits because of their frequent interactions with the CEO and it helped to mitigate the problem of self-report bias from the CEO (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Waldman, Ramirez, House, & Puranam, 2001).

3.1. Reliability and Validity

The reliability of the instrument was assessed using the Cronbach alpha. The alpha values all for all the variables were all above the recommended value of 0.70 (Sekaran & Bougie, 2016). Factor analysis was performed to check for construct validity. The analysis showed that firm innovation generated a one-factor solution with an Eigen value of 2.568 and item loadings greater than 0.50 (Hair, Black, Babin, Anderson, & Tatham, 2006). All independent variables had Eigen values > 1 and factor loadings were all above 0.50 thus, convergent validity was confirmed (Hair et al., 2006).

3.2. Measurement of Variables

Table 1 shows the measures of the variables were measured using five point-Likert scales.

Table-1. Summary of all the measures of the variables.

Variable	Authors	Five likert scales
Firm innovation	(Calantone, Cavusgil, & Zhao, 2002); (Lin, 2007)	6 items
CEO optimism	(Scheier et al., 1994) –LOT –R test	6 items
CEO humility	(Owens et al., 2013)	9 items
CEO narcissism	(Ames, P., & Anderson, 2006)	13 items
Firm size	(Jiang, Wang, & Zhao, 2012)	number of employees
Firm age	(Anderson & Reeb, 2003)	Number of years
Firm performance	(Flynn, Huo, & Zhao, 2010)	6 items

3.3. Analytical Model Specification

The study used both descriptive and inferential statistics. Descriptive statistics were used to summarize data and make general observations about the entire data in the study. On the other hand, a multiple regression model was utilized to test and draw conclusions on the hypotheses formulated. Before the analyses of data, the study tested the possibility of violation of multicollinearity assumption using the variance inflation factor and tolerance level. The multiple regression model was expressed as follows:

$$FI = \alpha + \beta_1(FS) + \beta_2(FA) + \beta_3(FP) + \beta_4(CEOopt) + \beta_5(CEOhum) + \beta_6(CEOnarc) + \epsilon \tag{1}$$

Where:

- 1. FI = Firm Innovation 2. FS = Firm Size 3. FA = Firm Age 4. FP = Financial Performance.
- 5. CEOopt = CEO optimism 6. CEOhum = CEO humility 7. CEOnarc = CEO narcissism.
- 1.  $\epsilon$  = Error term.

4. Results

4.1. Descriptive Statistics

Table 2 presents the descriptive statistics and correlation analysis. From the results, there is a positive and significant correlation between all the independent variables and firm innovation. Notably, the correlation results revealed that CEO optimism ( $r = .677, p < .01$ ), CEO humility ( $r = .296, p < .01$ ) and CEO narcissism ( $r = .567, p < .01$ ) are all positively and significantly correlated with firm innovation. Hence, it suggests that CEO traits are key factors that may influence firm innovation in financial institutions in Kenya.

Table-2. Descriptive statistics and correlation matrix.

Variables	1	2	3	4	5	6	7	Mean	SD
Firm innovation	1							3.58	0.506
CEO optimism	.677**	1						3.42	0.516
CEO humility	.296**	.291**	1					3.87	0.582
CEO narcissism	.567**	.397**	.026	1				3.17	0.565
Firm size	.109	.084	.080	-.048	1			1.82	1.462
Firm age	-.137	-.022	-.006	-.333**	.181*	1		2.81	0.451
Firm performance	.239**	-.039	.054	.206*	-.088	-.206*	1	3.75	0.699

\*\* Correlation is significant at the .01 level (2-tailed), \* Correlation is significant at the .05 level (2-tailed). Where: 1. Firm Innovation, 2. CEO optimism, 3. CEO humility, 4. CEO narcissism, 5. Firm Size, 6. Firm age, 7. Financial performance. N = 130, Level of Significance, \* $p < .05$ , \*\* $p < .01$ . Standard errors are given in parentheses. All numbers are rounded to three decimal places.

Regarding the control variables, none of the variables correlates with firm innovation except for financial performance which had a positive and significant association with firm innovation ( $r = .239$ ,  $\rho < .01$ ). This suggests that profitable firms are more likely to engage in firm innovation.

#### 4.2. Hypothesis Testing

Table 3 shows the regression model that was used to test the hypothesis. The results indicate that the model was significant ( $F = 33.983$ ,  $\rho < .01$ ) with the combined predictive power of all the predictor variables registering about 62% of the total variation in firm innovation ( $R^2 = .624$ , Adjusted  $R^2 = .605$ ). The results for Hypothesis 1 to 3 were all presented in Table 3. Hypothesis 1 had proposed that CEO optimism would positively affect firm innovation. The results revealed that CEO optimism had a positive and significant effect on firm innovation ( $\beta = .502$ ,  $\rho < .01$ ). Thus, the hypothesis was supported. This implies that CEO optimism is a key factor that inspires new innovation. Hypothesis 2 had predicted that CEO humility would enhance firm innovation positively. As displayed in the Table, there was a positive and significant influence between CEO humility and firm innovation ( $\beta = .105$ ,  $\rho < .05$ ). So, the hypothesis was accepted. This means a humble CEO has the ability to initiate new innovations. Hypothesis 3 had postulated that CEO narcissism would positively influence firm innovation. As observed in Table 3, the results demonstrate a positive and significant link between CEO narcissism and firm innovation ( $\beta = .293$ ,  $\rho < .01$ ). Consequently, the hypothesis was held. This suggests that the more the CEOs become narcissist, the more they contribute to firm innovations.

Table-3. Regression results.

Variable	Unstandardized coefficients		Standardized coefficients	Collinearity statistics	
	B	Std. Error	Beta	Tolerance	VIF
(Constant)	-.082	.379			
Control variables					
Firm size	.030	.020	.088	.953	1.049
Firm age	.009	.068	.008	.837	1.194
Financial performance	.141*	.042	.195	.913	1.095
Predictor variables					
CEO optimism	.502**	.063	.513	.732	1.365
CEO humility	.105*	.051	.121	.894	1.119
CEO narcissism	.293**	.059	.327	.701	1.426
Model summary					
R	.790				
R <sup>2</sup>	.624				
Adjusted R <sup>2</sup>	.605				
R <sup>2</sup> change	.624				
F change	33.983**				

Dependent Variable: Firm innovation.

Note: N = 130, Level of Significance, \* $p < .05$ , \*\* $p < .01$ . Standard errors are given in parentheses. All numbers are rounded to three decimal places.

## 5. Discussion and Conclusion

Responding to the growing interest in CEO traits, this study examined how CEO optimism, humility and narcissism affect firm outcomes such as innovation among financial firms in an emerging economy like Kenya. By incorporating the upper echelons theory and optimism theory we find that indeed CEO traits influence firm innovation. This study found that all the predictor variables are positively related to innovation. In particular, the findings indicate that in the Kenyan context, traits of the CEO are key in strategic decision making. Notably, of the variables investigated in the study, CEO optimism stands out as a key factor that drives innovation in most financial institutions in Kenya. First, it was hypothesized that CEO optimism influences firm innovation. The findings are in tandem with scholarly work of Hirshleifer et al. (2012). Galasso and Simcoe (2011) that CEOs who highly optimistic envision greater opportunities for innovation. In other words despite the uncertainties that innovation may pose to most firms, CEOs who are very optimistic are enthusiastic to face such risks and positively expect to succeed in coming with up new innovations. Second, the study hypothesized CEO humility affect firm innovation. Indeed the findings confirmed that humility among CEOs is important for innovation. According to upper echelons theory (Hambrick & Mason, 1984), humble CEOs are able to process information that is needed for innovation since they have a tendency to recognize the competencies and expertise of others. Though not very significant compared to the other two variables, CEO humility influences innovation. However, our findings do not concur with Zhang et al. (2017) who argued that there is no association between CEO humility and firm innovation. Our argument is that having humble CEOs in financial institutions it is possible to accommodate everyone to be creative and engage in firm innovations.

Further, the findings indicate that CEO narcissism is crucial trait that significantly influences firm innovation. These results are in agreement with Kashmiri et al. (2017) that CEOs who are narcissistic are able to decisively come up with new innovations. We attribute this positive results to be resulting from the fact that CEOs who are narcissistic tend to be result oriented, have the desire to achieve better results and protect their reputation (Bass & Steidlmeier, 1999). In contrast, the findings do not agree with Zhang et al. (2017) who proposed that CEO narcissism has no relation with firm innovation. Therefore, in this study it is important for financial institutions in Kenya to have narcissistic CEOs in order to be innovative. Our findings have theoretical and practical implications.

### *5.1. Theoretical and Practical Implications*

This study extends upper echelons theory by confirming that important traits of CEOs such as humility and narcissism have inferences for firm outcomes. Although earlier studies have focused on a limited set of CEO traits (Zhang et al., 2017); (Peterson, Galvin, & Lange, 2012). The findings of this study broaden the understanding of CEO traits by showing that humility and narcissism are associated with firm innovation. More importantly, this study also used the theory of optimism to show how optimistic CEOs play a role in firm innovation. According to this theory, innovation as a strategic function requires an optimistic CEO who epitomizes visionary goals of the firm. Finally, our study extends academic knowledge on the role of CEO traits in influence firm outcomes more so in a developing economy.

With regard to practical implications, the study suggests that the traits at the CEO level should not be disregarded in strategic decision making especially for firms operating in volatile and turbulent business environment. Therefore the appointing authority specifically the board of financial institutions in Kenya should focus on traits such as optimism, humility, and narcissism when appointing CEOs because firms are likely to be more innovative when such CEOs are at the forefront of corporate leadership.

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