

**Review of Research – CEO Narcissism and Firm Performance**

A Mini-Research Proposal

By

Ashok Bhandary, PhD  
Department of Management  
Rammani Multiple Campus

### **Abstract**

CEOs and more specifically the trials and tribulations they experience and their behaviors at work are topics poignant to management and firm performance research. Individuals with narcissistic personality are – in lieu of their personality - found in places of high authority such as top executives of organizations. In management literature CEO narcissism is a much discussed topic, however CEO narcissism and its effects on firm performance is not clear. Therefore, in this study, I reviewed past research on CEO narcissism and firm performance to better understand the consequences of CEO narcissism on performance of their firms. Review of empirical literature on CEO narcissism and firm performance revealed that consequences of CEO narcissism are diverse and cannot be generalized in a straightforward manner. Firms sometimes benefit from narcissistic CEOs while at other times they do not. When narcissistic CEOs benefit firm performance is often a matter of fit, and often just serendipity.

*Keywords:* narcissism, CEO, firm performance, traits, personality

## **Review of Research – CEO Narcissism and Firm Performance**

*“If I am a narcissist (which might be true), at least I am a useful one.”*

- Elon Musk on Twitter (now X) on Jul 8, 2018

Narcissists are individuals just like others, and not much more different than others, at least on the outside. However, in their doings, aspirations, and their behavior in general, narcissists are much different than others. Narcissistic individuals, by nature, seek positions of power and authority, and have the desperate need to look good in-front of others (Chatterjee & Hambrick, 2007). Because of their fragile self-esteem, narcissistic individuals seek those who praise them and admonish anyone who dares to criticize them (Maccoby, 2004).

Narcissism is defined as a multidimensional personality trait according to the American Psychiatric Association’s (APA) publication – the *Diagnostic and Statistical Manual for Mental Disorders* – the DSM (APA, 2013). According to the DSM, narcissism has five dimensions which include – *Grandiosity, Attention seeking, Unrealistic self-view, Self-regulation, and A general lack of regard for others*. Grandiosity is generally a belief that one is better or superior than others and is entitled to more compared to others. Attention seeking is one’s desire to be the center of attraction, someone that others pay attention to. Unrealistic self-view is about having an inflated, exaggerated view of one’s self or persona. Self-regulation is processes and mechanisms people use to give shape to their image and identity. A general lack of regard for others relates to a blatant disregard for empathy towards others, and seeing others as expendable.

CEO narcissism is a much discussed topic in management literature (Cragun et al., 2020; Petrenko et al., 2016). Because CEOs are the movers and shakers of a firm and because their behavior affects firm performance greatly (Hambrick & Mason, 1984), CEO narcissism is a topic

that is important in management research (Cragun et al., 2020). However, the consequences of CEO narcissism on firm performance are mixed (Chatterjee & Hambrick, 2007), and therefore not clear. Therefore, my objective in this review study is to clarify the consequences of CEO narcissism on firm performance. Specifically, my research question is: *What is the consequence of CEO narcissism on organizational performance?* To answer this question, I conducted a review of empirical literature on CEO narcissism and firm performance.

### **Research Methodology**

In this study, I utilized a descriptive research design to clarify the relationship between CEO narcissism and firm performance. Descriptive research designs are useful to describe and explain research artifacts, and is a technique useful for summarizing past research through systematic review.

### **Research Analysis**

I reviewed past empirical (and excluded theoretical) studies on CEO narcissism and firm performance. Specifically, I used the key words “CEO narcissism” and “firm performance” in Google Scholar search engine (scholar.google.com) to look for relevant literature to answer the research question. Out of 20,900 results that Google Scholar instantly indicated, I was able to retrieve only 14 research articles. The other articles were either theoretical or inaccessible or irrelevant to the topic. Only articles that were available freely for full-text download were used in the analysis as seen in Table 1.

Table 1: Studies on CEO narcissism and firm performance for the period 2007-2024

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Author(s) (year)	CEO Narcissism Measure	Study Design	Key constructs and outcomes
Chatterjee & Hambrick, 2007	Narcissism measured from a combination of – CEO photo prominence, CEO's use of first-person personal pronoun, CEO compensation	Quantitative research design using CEO data	Found that CEO narcissism leads to extreme and fluctuating organizational performance, with firm's performance being no better or worse compared to non-narcissistic CEOs.
Liu, 2009	Used three different proxy variables to measure CEO narcissism – CEO option exercise timing behavior, media portrayal of CEO, and content analysis of CEO speech.	Quantitative research design using archival M&A data	CEO narcissism is negatively related to M&A performance, even though CEO narcissism is related to higher levels of M&As.
Wales et al., 2013	Narcissism measured using a continuous 16-item measure (NPI-16) developed by Ames et al. (2016)	Quantitative research design with survey data and archival data sources.	Found that entrepreneurial orientation (EO) partially mediated the relationship between CEO narcissism and firm performance variance.
Olsen et al., 2014	Used a composite measure based on CEO's relative cash pay, non-cash pay, and CEO's picture's prominence in company annual report	Quantitative research design using archival data	Firms with narcissistic CEOs have higher earnings-per-share and share price than those with non-narcissistic CEOs.
Capablo et al., 2017	Content analysis of CEO response to analyst's questions – Use of first-person singular pronouns (FSP)	Quantitative research design with archival data source.	Narcissistic CEOs engage in earnings management to make performance look better.
Perez, 2017	Narcissism measured from a combination of – CEO photo prominence and CEO's use of first-person personal pronoun.	Quantitative research design with archival data on CEOs collected from multiple sources.	Found that performance is better for firms with a narcissistic CEO during times of financial distress.

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Brouwer, 2018	Used a nine indicator measure of narcissism based on Emmons (1987)	Quantitative research design using archiving data	Found positive relationship between CEO narcissism and firm performance. Also found strong positive relationship between CEO narcissism and firm valuation.
Boswell , 2020	Used California Psychological Inventory (CPI) to measure the level of narcissistic traits in CEO.	Quantitative research design using archival data	Found a curvilinear relationship between CEO narcissism and total company stock return. Industry, company lifecycle, and capitalization moderated the impact of narcissistic tendencies.
Uppal, 2020	Narcissism measured using the survey instrument - Narcissism Personality Inventory (NPI-16) developed by Ames et. al (2006).	Quantitative research design with mixed methods – survey and archival data	Relationship between CEO narcissism and firm performance is curvilinear – i.e. CEO narcissism positively affects performance to a point but it has negative effect or no effect beyond that. Also this relationship was strongly affected by CEO duality and TMT and board member agreeableness.
Yook et al., 2020	Composite measure of prominence of CEO in company official documents	Quantitative research design using archival data, mediating relationship	CEO narcissism increases firm value in the market through better CSR as a result of increased CSR initiatives.
Cao & Xu., 2022	Narcissism measured using CEO photo size, CEO compensation, and CEO prominence in company publications.	Quantitative research design with data collected from US firms' CEOs and bran acquisitions and disposals	Found that narcissistic CEOs are less likely to dispose of brands and more likely to acquire brands compared to less narcissistic CEOs.
Candy, C. 2023	Used CEO's photograph in company documents to assess CEO narcissism	Quantitative research design with archival data	Found that capital structure - the combination of debt and equity ratios- is negatively affected by CEO narcissism. Study found that CEO overconfidence positively affects the capital structure. Capital structure is a significant determinant of company performance.

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Lee et al., 2023		Narcissism measured using composite index made up of several variables including CEO photo prominence, first-person singular pronouns	Quantitative research design with data collected from Korean multinational enterprises (MNEs)	Found that CEO narcissism is positively related to FDI risk-taking. Also, FDI risk-taking mediates the effect of narcissistic CEOs on global performance variance.
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Aabo & Ronnow, 2024		CEO narcissism measured using content analysis of CEO speech - Use of first-person singular pronouns (FSP)		Quantitative research design using archival data sources		Narcissism in female CEOs leads to better firm performance compared to male CEOs.
Aabo et al., 2024		Content analysis of CEO's conference calls – Use of first-person singular pronouns (FSP)		Quantitative research design with archival data source		Found that narcissistic CEOs improve their firm's performance during periods of high uncertainty. However, during periods of low uncertainty, narcissistic CEOs had worse firm performance.



These articles ranged in period from 2007 to 2024, spanning a time period of almost two decades. In the following pages, I present the gist of these 15 articles and discuss the implications these articles have.

### **It's All About Me – Narcissistic CEOs and Their Effects on Company Strategy and Performance (Chatterjee & Hambrick, 2007)**

Authors sought to find out the effects of CEO narcissism on a firm's strategy and performance. To measure CEO narcissism, authors used multiple sources which include – CEO's photo's prominence in annual reports, CEO's use of first-person singular pronouns in interviews, and relative compensation of the CEO as compared to the second-highest paid firm executive. By combining these three different sources, authors developed a composite score for measuring narcissism in CEOs. Sample wise, authors collected CEO data from computer hardware and software industries between the years 1992 and 2004. Authors used a Generalized Estimating Equation (GEE) method to analyze the data. The authors found that narcissistic CEOs prefer bold actions that attract attention. However, the bold actions result in extreme outcomes - sometimes big gains and sometimes big losses for the firm.

### **CEO Narcissism in M&A Decision-Making and Its Impact on Firm Performance (Liu, 2009)**

Author was interested in finding out whether highly narcissistic CEOs are more likely to conduct mergers and acquisitions (M&A) compared to CEOs with low narcissistic traits. To conduct their

study, author used a sample of 3100 CEOs and 1900 M&A deals. To assess narcissism in CEOs author used three separate measures – CEO media portrayal, CEO option exercise-based measure, and content analysis of CEO speech. For data, author uses information from 477 large firms listed in Forbes from the period 1980 to 1994. Author finds in support of their hypothesis that highly narcissistic CEOs indeed undertake more M&A deals compared to CEOs low on narcissism. Author also finds that CEO narcissism of the acquiring firm negatively impacts firm's short-term and long-term post-acquisition performance.

### **In Pursuit of Greatness: CEO Narcissism, Entrepreneurial Orientation, and Firm Performance Variance (Wales et al., 2013)**

Authors were interested in exploring whether companies with narcissistic CEOs show higher levels of entrepreneurial orientation (EO). Specifically, authors hypothesize that CEO narcissism is positively associated with entrepreneurial orientation. Also authors hypothesize that EO partially mediates the relationship between CEO narcissism and firm performance variance. For data, authors use both archival and survey data of US manufacturing firms with 10-250 employees and which have been in operation for 10 years or less. Narcissism was measured using a 16-item measure (NPI-16) developed by Ames et al. (2006). Authors find that higher levels of narcissism in CEOs was indeed related to higher levels of EO. Also authors find that EO partially mediates the relationship between CEO narcissism and firm performance variance.

### **CEO Narcissism and Accounting: A Picture of Profits (Olsen et al., 2014)**

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Authors are interested in clarifying the relationship between narcissistic CEOs and financial performance measures of the firm. For data, authors draw from a sample of the largest public companies listed in the Fortune 500. CEO information was collected for years 1992 through 2009. CEO narcissism was measured using a composite measure based on three sources – CEO's relative pay to the second-highest paid executive, CEO's relative non-cash pay to the second highest paid executive, and the size and composition of CEO's picture in the annual report. Authors find that in companies with narcissistic CEOs there are reports of higher EPS and share price compared to their non-narcissistic peers in other companies. Also, authors find that narcissistic CEO's decisions and influence over their company's operational activities are what affect the company's financial performance measures.

### **The Impact of CEO Narcissism on Earnings Management (Capablo et al., 2017)**

Authors are interested in testing the empirical relationship between CEO narcissism and earnings management. Specifically, authors want to test whether narcissistic CEOs distort earnings management information to fulfill their needs for higher self-importance and ego. For data authors gather information from 1192 New York Security Exchange (NYSE) listed companies, excluding financial services and insurance sector companies. For measuring CEO narcissism authors use the ratio of the first person singular pronouns to total first person pronouns. Authors find support for their hypothesis that indeed narcissistic CEOs manage earnings to make themselves look better.

### **Individual Executive Characteristics and Firm Performance – Evidence from CEO**

#### **Narcissism (Perez, 2017)**

Author is interested in examining the specific factors that influence the relationship between high CEO narcissism and firm performance. Specifically, author investigates the relationship between high CEO narcissism and firm performance under conditions of financial distress and firm visibility. The author uses data about CEO for firms listed in the S&P 1500 index for the years 2007-2013. For measuring CEO narcissism, author develops a combined measure of narcissism based on two different components – CEO prominence in company publications and CEO usage of first person pronouns during conference calls. Author finds through the study that financial distress has some effect on the relationship between high CEO narcissism and firm performance. That is, for financially distressed firms, high CEO narcissism leads to subsequent improvements in performance. However, firm visibility negatively influenced the relationship between high CEO narcissism and firm performance. That is, firm performance in case of high CEO narcissism was not associated with high firm visibility but rather with low firm visibility.

#### **An examination of optimal level of CEO narcissism: Why, how, and when narcissism impacts firm performance (Boswell, 2020)**

Author was interested in finding the answer to the question –is there an optimal level of CEO narcissistic traits, and if there is, what are the moderating factors that impact that level of narcissism? To answer the question, author used the California Psychological Inventory (CPI) to measure CEO's level of narcissistic traits. The author collected data from 180 CEOs for the period 2000 to 2019. To find out the optimum level of CEO narcissism, the author looked at CEO

narcissism levels and put that against company stock price and financial performance data. To measure financial performance of the company, authors used return on assets (ROA) and return on equity (ROE). Author also looked at the effect of moderators such as market capitalization, firm lifecycle, industry, and CEO's problem-solving ability on CEO narcissism. Author found a curvilinear relationship between CEO narcissistic traits and CEO alpha and company total return. Moderating effects of industry, company lifecycle, and market capitalization on narcissism were significant in the findings.

### **CEO Narcissism and Firm Valuation (Brouwer, 2018)**

Author is interested in exploring the relationship between CEO narcissism and firm valuation. The author asks the research question as follows: What is the relationship between CEO narcissism and firm valuation? CEO Data is collected from firms listed in the S&P 500 index for the period 1992 to 2017. CEO narcissism is measured with 9 indicators along the four determinants of CEO behavior – CEO compensation, CEO exposure, CEO power and CEO acquisition behavior as developed by Emmons (1987). Firm valuation is measured by Tobin's Q, a market-based measure, generally calculated as the ratio of market value of assets and book value of assets. The results from regression analysis indicate that CEO narcissism is positively related to firm valuation. Also, authors find a positive relationship between CEO narcissism and firm valuation. However, the effect of CEO narcissism on firm valuation was more than ten times the effect on firm performance.

**CEO Narcissism, CEO Duality, TMT Agreeableness and Firm Performance: An Empirical Investigation in Auto Industry in India** (Uppal, 2020)

The main purpose of the study was to investigate the relationship between CEO narcissism and firm performance. For data, author collected data from 373 CEOs in the automobile industry in India using survey. Narcissism was measured using the Narcissistic Personality Index (NPI-16) created by Ames et al. 2016. CEO duality (whether the CEO is also the chairman of the organization) was measured using a dummy code (yes or no). TMT agreeableness was measured using a 12-item agreeableness subscale of the NEO five-factor inventory developed by Costa and McCrae (1992). Author finds that the relationship between CEO narcissism and firm performance is curvilinear. That is, CEO narcissism positively affects firm performance to a point; however it becomes counter-productive beyond that. Authors also found a statistically significant moderating effect of CEO duality and TMT agreeableness on the relationship between CEO narcissism and firm performance variance.

**Chief Executive Officer Narcissism and Firm Value: The Mediating Role of Corporate Social Responsibility** (Yook & Lee, 2020)

Authors investigate whether CEO narcissism affects firm value through promotion of Corporate Social Responsibility (CSR) initiatives. Specifically, authors test a mediated model where CSR initiatives mediate the relationship between CEO narcissism and firm value. CEO narcissism is assessed through a composite measure based on prominence of CEO in annual reports (photo and signature) and media releases. CSR initiatives are measured with CSR rating and CSR contribution. Firm value is measured two ways. First, with Tobin Q calculated as the ratio with

numerator - common stock market value plus book value of liability and denominator - total assets. Also, firm value is measured as Return on Assets (ROA). For data, the authors compiled a dataset of Korean firms listed in the Korea Exchange from the period of 2010 to 2016. Authors find that narcissistic CEOs were more likely to engage their firms in CSR activities. Authors however did not find empirical evidence for the mediating effect of CSR initiatives on the relationship between CEO narcissism and firm value.

### **CEO Narcissism, Brand Acquisition, and Disposal, and Stock Returns (Cao & Xu., 2022)**

Authors are interested in exploring the relationship between CEO narcissism and the likelihood of brand acquisition and disposal. Narcissism is measured as the mean of standardized values of CEO photo size rating, CEO relative media exposures ratio, and CEO relative compensation ratio. Data is collected from US firms' CEOs and brand acquisition and disposals activities for the period 2007 to 2015. Authors find that high CEO narcissism leads to higher brand acquisition compared to low CEO narcissism. Also, authors find that high CEO narcissism leads to lowered possibilities of selling a brand compared to low CEO narcissism. Also, authors find support for their statement that CEO narcissism leads to increased brand asset over evaluation, thus negatively affecting acquirer firm's return and positively affecting seller firm's return.

### **CEO Narcissism and CEO Overconfidence on Firm Performance: The Role of Capital Structure as Mediating Variable (Candy, 2023).**

Author looked at the role of capital structure and its mediating effect on CEO narcissism and firm performance. Author also looked at the role of capital structure mediating the relationship between CEO overconfidence and firm performance. CEO narcissism was assessed through CEO photographs in company publications. Data was obtained from 39 infrastructure companies listed on the Indonesian Stock Exchange from a period of 2017 to 2021. Authors found that CEO narcissism doesn't affect firm performance, when performance is measured by return on assets (ROA). However, when firm performance is measured as return on equity (ROE), CEO narcissism affects firm performance in a positive manner. The role of capital structure as a mediating variable between CEO narcissism and return of equity (ROE) was also supported.

### **CEO Narcissism and Global Performance Variance in Multinational Enterprises: The Roles of Foreign Direct Investment Risk-Taking and Business Group Affiliation (Lee et al., 2023)**

Authors are interested in exploring the different mechanisms through which CEO narcissism affects global performance variance. More specifically, authors first test whether the relationship between CEO narcissism and global performance variance is moderated by foreign direct investment (FDI) risk-taking. Second, authors test whether business group affiliation moderates the mediated relationship. For their study, authors are interested in the Asian emerging market multinational enterprises (MNEs). Specifically, authors collect data from Korean MNEs which are publicly traded on the Korean Stock Exchange and engaged in outward FDI during the period 2006-2016. Authors find support for their hypothesis that CEO narcissism and global performance variance is mediated by FDI risk-taking. Also, authors find that the mediated



relationship (FDI risk-taking mediating the relationship between CEO narcissism and global performance variance) is moderated by business group affiliation. That is, authors provide evidence confirming a moderated mediation model for CEO narcissism and global performance variance.

### **Female CEOs with a squeeze of narcissism: A perfect cocktail for Corporate Performance?**

(Aabo & Ronnow, 2024)

Authors investigate the relationship between CEO narcissism and corporate performance for female CEOs. Specifically, authors test that the relationship between CEO narcissism and corporate performance is positive for female CEOs. For measuring CEO narcissism, authors track CEO's usage of first-person singular pronouns during speech in Q&A sessions of quarterly earnings conference calls. Corporate performance is measured two ways – return on assets (ROA) and Tobin's Q. Data is collected from 76 female CEOs and 1903 male CEOs in 849 non-financial firms during the period 2007-2020. Authors find that the relationship between CEO narcissism and corporate performance is positive in the case of female CEOs. That is, authors find that gender moderates the relationship between CEO narcissism and firm performance. Specifically, narcissistic female CEOs outperform their narcissistic male counterparts in terms of firm profits and valuation benchmarks.

**Give Me Uncertainty and I will Shine: CEO Narcissism and Corporate Performance** (Aabo et al., 2024)

Authors are interested in the relationship between CEO narcissism and corporate performance and whether uncertainty affects that relationship. To understand the relationship, authors collect data from 820 non-financial firms listed in the S&P 1500 for the period 2007-2020. CEO narcissism is measured from the use of first-person singular pronoun (e.g., I, me, my, mine, myself by CEOs during Q&A sessions of quarterly earnings conference calls. Uncertainty is measured as the CBOE Volatility Index (“VIX”), commonly known as the stock market’s “fear gauge”, which measures the implied volatility of the index. Corporate performance is measured two ways – Tobin’s Q and profitability (ROA). Authors find that uncertainty moderates the relationship between CEO narcissism and corporate performance. More specifically, authors find that during periods of high uncertainty, CEO narcissism positively impacts corporate performance. However, during periods of low uncertainty, CEO narcissism negatively impacts corporate performance.

### **Conclusion**

CEOs are a reflection of their organizations, and their actions and behaviors have direct consequences for their firms (Hambrick & Mason, 1984). CEO narcissism is an important topic in management research, and past works on its impact on firm performance have shown mixed results. By exploring results from various studies showcasing the multitude forms of relationship between CEO narcissism and firm performance, this study has contributed to better understanding of CEO narcissism and its consequences. The conclusion from this study is that the consequence of CEO narcissism on firm performance vary based on context, and there is no linear one-size-fits-all effect of CEO narcissism on firm performance. The practical application

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of this study can be different for different contexts and stakeholders. More specifically, this study may be useful for business owners and employees in cases where they have a narcissistic CEO at the helm and they are trying to understand why business performance is the way it is. This research may also be insightful to the Board of Directors to pick a CEO from among the mix of candidates they have – narcissistic and otherwise. Finally this research review may be useful to management researchers to build on CEO narcissism research and take it to newer heights.

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