

# CEO Narcissism and CSR Reporting in Malaysian Public Listed Companies

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## Abstract

**Purpose:** The objective of this study is to determine the relationship between CEO narcissism and CSR reporting in Malaysian public listed companies.

**Design/methodology/approach:** The type of this study is statistical analysis. The data source for this study is secondary data. Annual report in the year 2019 is taken from 30 companies based on market capitalisation.

**Findings:** This study found no significant relationship between CEO narcissism and CSR reporting in Malaysian public listed firms.

**Research limitations/implications:** This study having limited number of samples which only consisting of 30 public listed companies in Malaysia. This study also only focus in Malaysia that might lead to bias in the findings

**Practical implications:** Provide more literature on CEO narcissism to the academic researcher and the organization.

**Originality/value:** This study will become one of the fundamental research on CEO narcissism in Malaysian public listed companies.

**Keywords:** CEO narcissism, CSR reporting, personality traits, market capitalisation.

## Introduction

CEO narcissism play important part in determining the organization direction. Buyl et al. (2019) mention that narcissistic CEO tend to avoid any unfavorable outcome when they hold position as top management because they fell superior compare to others. The decision made by the CEO will not just reflect the organization but also to the stakeholder thus bringing an impact to the corporate social responsibility (Chatterjee & Hambrick, 2007).

CSR is not just pointing out they were good in promoting a welfare but also to show the organization having a good economic condition (Kemper et al., 2013). However, it seems that economic condition is also not a drive on their commitment to CSR. CEO personality also might be an important factor that contributing to the disclosure of CSR. This study attempt to look into the impact of CEO personality over CSR reporting. This study focus on CEO narcissism that became a recent attention in behavioral research. Prior study found that CEO personality traits, including narcissism have significant impact over firm strategic direction and firm performance (Olsen et al., 2014 and Zhu & Chen, 2015). CEO narcissism is being studied for its positive and negative impact over the organization. This study aim to determine the positive impact of CEO narcissism over the firm reporting. The objective of this study is to determine the relationship between CEO narcissism and CSR reporting in Malaysian public listed companies.

## Literature Review

### *CEO Personality Traits and CSR*

CSR is defined as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams & Siegel, 2001). The prior and recent corporate scandals made the firm to contribute and disclose more on corporate responsibility. (Peake et al., 2015). Most of the organization nowadays put more attention on corporate responsibility in order to influencing the stakeholder (Petrenko et al., 2016 and Wang & Choi, 2013). Stakeholder theory suggest that Research in CSR also increase that look into a factor and determinants of CSR reporting especially in public listed firms. Stakeholder theory argues that in some situation, the firm will focus more on stakeholder because the stakeholder play an important part in organization direction.

In recent years, there are many studies focusing on the factor that influencing the CSR reporting. Most of the studies focusing on external pressure that become the drivers for CSR disclosure (Bingham et al., 2011; Wolf, 2014), but the studies on internal determinants is somewhat limited. The research in internal determinants much more focusing on the board characteristics, management philosophy, earnings management but only a few focusing on board or management personality behavior.

Several studies are focusing on the impact of management personality traits over the company direction and performance (Reina et al., 2014 and Smith et al., 2018). It is agreed that personality traits will lead to the positive or negative trait. The narcissistic behavior is fall under negative trait. However, prior study found that narcissism can lead to the positive impact to the organization. Study done by Petrenko et al. (2016) found that narcissistic CEOs are more focused on corporate responsibility compared to the non-narcissistic CEOs, even though narcissism is a negative trait. The reason for that is they want to achieve fame and recognition from the stakeholder. CEO narcissism found to have a significant relationship with risk associated decision (Patel & Cooper, 2014 and Wales et al., 2013). Narcissistic CEO tend to aim for the riskier decision compared to the non-narcissistic CEOs. Its shows that regardless of the personality traits, it will an impact to the organization as well as to the stakeholder.

## Theoretical Framework and Hypothesis Development

### **CEO Narcissism and CSR Reporting**

Narcissistic CEOs always tend to look for an attention and try to avoiding a boredom (Chatterjee & Hambrick, 2007). Narcissistic CEO always take a riskier action that seem to bring attention to them such as merger and acquisition. They are always show narcissistics traits such as looking for fame, action and attention including the stakeholder (Petrenko et al., 2016). In this situation, CSR will become a main area for the CEO to achieve their personality needs. Narcissistic CEO always aim for the high support and respect from the public. This narcissism behaviour will lead to the positive impact to the organisation such as better disclosure and firm performance. In the CSR, the activities done by the organisation will bring a good and positive image to the CEO, and this is the reason why the CEO are looking for a good social responsibility. In other word, a narcissistic CEO will have a strong significant impact on the CSR reporting in order for the CEO to have a praise and respect from the stakeholder. Prior studies done by Marwan et al. (2019) and Petrenko et al. (2016) found there is significant positive relationship between CEO narcissism and CSR reporting This lead to the following hypotheses:

H<sub>1</sub>: CEO narcissism has significant positive relationship with the CSR reporting.

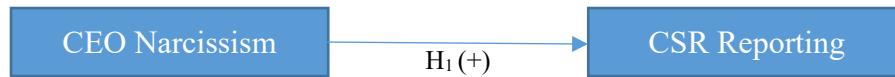


Figure 1: Theoretical Framework

## Research Method

### Type of research and sample selection

The type of this study is statistical analysis. The data source for this study is secondary data. Annual report in the year 2019 were chosen as the data collection method because this study involves a sample of Malaysian public listed companies. The sample for this study begin with 50 largest Malaysian public listed companies by market capitalisation. This study select the only firm that the CEO remain in the position for more than 1 year. The final sample for the study was 30 firms.

### Measurement of variables

CEO narcissism were measured using narcissism score consisting of four indicators; CEO photograph in annual report, CEO social media, CEO statement in annual report and CEO compensation. Dummy variables were used in CEO photograph which 1 if the picture of CEO size is more than half page in annual report and 0 if below than half page. For the CEO social media it is measured the number of social media own by the CEO divided by 4 (Facebook, Instagram, Twitter & LinkedIn). CEO statement of measured by dummy variables, 0 if the statement less than 3 pages, 1 if the statement more than 3 pages. CEO compensation is measured by remuneration received by the CEO during the year divided by total remuneration of all top management. For the CSR reporting, this study operationalized the total number of pages for each CSR elements (employee relations, community relations, environmental policies, and diversity) in the annual report.

### Findings

This study begin with demographic analysis and further explain the findings on CEO narcissism affecting CSR reporting.

### Demographic Analysis

Table 1: CEO narcissism

	CEO Picture	CEO Statement	CEO Social Media	CEO Compensation	CEO Narcissism
Mean	0.70	0.90	0.3917	0.3423	2.33
Median	1.00	1.00	0.2500	0.3300	2.54
Std. Deviation	0.466	0.305	0.21459	0.11307	0.802
Variance	0.217	0.093	0.046	0.013	0.644
Minimum	0	0	0.00	0.10	0.53
Maximum	1	1	0.75	0.62	3.26

This study found that in average, more than 70% of the CEO are having more than half page size image on their picture on annual report, 90% of CEO statement is more than 3 pages, 39% of CEO are having social media and CEO compensation is 34% from the total compensation of all management. The total average of CEO narcissism of 30 public listed companies is 2.33 out of 4 show the average score is more than half.

Table 2: CSR Reporting

	Employee	Community	Environmental	Diversity	CSR
Mean	3.37	3.37	3.33	1.77	11.83
Median	3.00	3.00	3.00	2.00	11.00
Std. Deviation	1.098	1.189	0.922	0.728	3.435
Variance	1.206	1.413	0.851	0.530	11.799
Minimum	2	2	2	1	7
Maximum	5	6	5	3	19

This study found that in average, diversity scored the lowest pages and employee and community scored highest with 3.37 pages. Average CSR reporting is 11.83 pages. Median score for CSR is 11, with the standard deviation of 3.435 and variance of 11.799. Maximum number of pages published by the company 19 pages of CSR reporting with minimum of 7 pages. This indicate that in average the sample are publishing CSR reporting for about 11-12 pages.

Table 3: Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.292 <sup>a</sup>	.085	.053	3.343
a. Predictors: (Constant), CEO Narcissism				

The regression analysis was carried out to find out the impact of CEO narcissism over CSR reporting. R<sup>2</sup> values of 0.085 indicate that narcissistic behavior contributing to the academic performance by 8.5%, while 91.5% can be attributed by other factors that are not included in this study. This shows that impact of narcissistic behavior towards academic performance are moderately low.

Table 4: Co-efficient of CEO narcissism

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.195	1.906		4.676	.000
	CEO Narcissism	1.250	0.774	.292	1.616	.117

a. Dependent Variable: CSR Reporting

Table 4 shows the beta value of CEO narcissism. The t-values for NPI are significant hence it is found that there are no significant relationship between CEO narcissism and CSR reporting at 0.117. This result is not supported with findings from Marwan et al. (2019) and Petrenko et al. (2016) that found narcissistic personality person tend to perform better than other, especially reporting disclosure. The CEO narcissism might only influence the company decision and strategic planning but it did not have significant influence over CSR reporting in annual report.

The firm may not pursuing CSR disclosure in order to satisfy the CEO's psychological needs rather than financial result or moral compulsion

### **Discussion and Conclusion**

The purpose of the study is to determine the relationship between CEO narcissism and CSR reporting. This study initial hypotheses is we believe that narcissistic CEOs are more likely to disclose more CSR reporting than non-narcissistic CEOs. Our result does not support this argument that CEO narcissism has significant impact over CSR reporting. This probably means that the firm may not pursuing CSR disclosure in order to satisfy the CEO's psychological needs rather than financial result or moral compulsion. This study having limited number of samples which only consisting of 30 public listed companies in Malaysia. Larger sample size will provide better result. This study also only focus in Malaysia and these factors might lead to bias in the findings. Future research can be focusing on increasing the number of sample size and having a cross regional study to get more accurate result on influence of CEO narcissism over CSR reporting.

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