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RESEARCH ARTICLE

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The effects of CEO narcissism on corporate social responsibility and irresponsibility

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This study examines how chief executive officer (CEO) narcissism influences a firm's activities associated with corporate social responsibility or irresponsibility (CSR or CSIR, respectively). Employing upper echelons theory, the approach–avoidance motivation of narcissists, and the overinvestment hypothesis, we predict that CEO narcissism positively affects both CSR and CSIR. We also propose that these relationships are negatively moderated by corporate governance structure, captured by the ratio of outside directors and the ownership of institutional investors. Empirical results from a panel dataset of U.S. firms for the 2000–2012 period provide support for our hypotheses. Our finding establishes a better theoretical and practical understanding of how a CEO's psychological personality can change a firm's behavior with respect to its social responsibility.

1 | INTRODUCTION

Corporate social responsibility (CSR) has emerged as an important issue in all businesses and societies (Pedersen, 2010). CSR is monitored from a multifaceted perspective by stakeholders, as various media and institutions have become widely interested in it (Basu & Palazzo, 2008). When purchasing products, consumers tend to prefer to purchase products from companies with high standards of ethics (Manasakis, 2018). Social activists also influence corporate activities through product boycotts, picket demonstrations, and lobbying to exert influence on CSR (Briscoe et al., 2014). According to Mackey et al. (2007), most managers consider CSR to be a vital factor in making investment decisions (Mackey et al., 2007).

The impact of CSR on corporate performance or corporate value has generated much interest (Choi & Wang, 2009; Godfrey et al., 2009). In this study, we define CSR as the degree to which a company engages in socially responsible activities (Kölbel et al., 2017; Petrenko et al., 2014; Tang et al., 2015). Accordingly, existing studies have examined how CSR affects financial performance, such as accounting performance and market performance, or corporate value, such as Tobin's Q. CSR has shown a significant impact on the long-term financial performance of companies (Muller & Kräussl, 2011; Waddock & Graves, 1997). Although CSR affects corporate strategy, performance, and the interests and welfare of various stakeholders (Tang et al., 2015), previous studies have paid limited attention to the sources of CEOs' decisions, which can have a critical impact on a firm's participation in CSR (Harjoto & Jo, 2011; Jo & Harjoto, 2011, 2012). Thus, this study aims to explore a better understanding of the CEO's motivation to participate in CSR (Petrenko et al., 2014) while concentrating on how psychological traits that form a personal penchant to decide corporate social responsible and irresponsible behaviors and which corporate governance moderate such associations. From the perspective of upper echelon theory, CEOs can have a significant influence on discretionary decision-making, so a company's tendency to participate in CSR can be influenced by personal preferences and priorities derived from the CEO's values and personality (Chatterjee & Hambrick, 2007; Gerstner et al., 2013; Hambrick & Mason, 1984; Petrenko et al., 2014). CSR can be perceived as a type of corporate activity in which the psychological characteristics of top managers are reflected mainly (Chin et al., 2013; Petrenko et al., 2014; Tang et al., 2015).

Among the various psychological traits of CEOs, narcissism may well influence a firm's CSR (Yook & Lee, 2020). Because external perceptions related to a firm's CSR are more directly focused on a focal firm's CEO rather than on the focal company, CEOs who are likely to attract external attention and strengthen their self-image can be

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motivated to use a firm's CSR to achieve their personal goals (Petrenko et al., 2014). For example, Petrenko et al. (2014) found that CEOs with strong narcissism tend to make decisions related to CSR to receive external attention and strengthen their self-image. While narcissists are characterized by this 'approach motivation,' they tend not to show an 'avoidance motivation' that can mitigate the likelihood of adverse outcomes (Finkel et al., 2006; Foster et al., 2009; Foster & Trimm, 2008). Approach motivation refers to the invigoration of behavior triggered by positive stimuli, whereas avoidance motivation refers to the invigoration of behavior triggered by negative stimuli. In this vein, since previous studies rarely considered corporate socially irresponsible (CSIR) activities on the approach motivation about the impact of the CEO's narcissism on a firm's CSR (Dharwadkar et al., 2021; Kölbel et al., 2017), this study aims to extend the understanding of the relationship between CSR and CSIR by applying the 'approach–avoidance motivation' model. In this study, we define CSIR as the degree to which a company engages in socially irresponsible activities (Godfrey et al., 2009; Kölbel et al., 2017; Strike et al., 2006; Tang et al., 2015). We assume that firms conduct CSR and/or CSIR and that each activity can receive external attention through its own mechanism (Godfrey et al., 2009; Kotchen & Moon, 2012; Muller & Kräussl, 2011; Strike et al., 2006; Tang et al., 2015). In other words, since the mechanisms triggered by CSR and CSIR are distinguished by the contingent role of CEO narcissism, this study presumes that each social action can coincide in a firm. From that perspective, we develop and test hypotheses on how CEO narcissism can affect a firm's CSR and CSIR.

In addition, this study aims to verify the moderating effect on the mechanism by which corporate governance can moderate the relationship between CEO narcissism and CSR/CSIR. Corporate governance is a firm's primary control system of supervision and monitoring the CEO, top management team, and major shareholders to prevent agent problems. Key internal and external governance structures include the ratio of outside directors on the board and the share of institutional investors (Jo & Harjoto, 2011). In this vein, we propose whether the ratio of outside directors as an internal governance mechanism and the share of institutional investors as an external governance mechanism weaken the relationship between the CEO's narcissism and CSR.

The remainder of this study is structured as follows. Section 2 addresses the literature review and hypothesis development. Section 3 describes our sample and methodology, and the empirical results are presented in Section 4. Finally, the discussion and limitations of this study are addressed in Section 5.

2 | LITERATURE REVIEW

2.1 | Two sides of CSR

For a long time, studies have been conducted on the impact of CSR on financial performance or risk management performance (Kotchen & Moon, 2012; Muller & Kräussl, 2011). However, the results of these correlations were not consistent and appeared mixed. Regarding the confused causal relationship, some scholars have pointed out possible limitations due to CSR-related antecedents used in previous studies (Kotchen & Moon, 2012; Mattingly & Berman, 2006; Strike et al., 2006). For example, only one specific aspect among a variety of CSR activities was examined, or numerous indicators related to CSR were simply integrated into one variable (Lange & Washburn, 2012). However, since companies sometimes perform CSR and CSIR simultaneously, existing methods that synthesized these two aspects as a single variable were likely to show mixed results (Kotchen & Moon, 2012; Strike et al., 2006). In addition, since a company that conducts CSR does not necessarily participate in CSIR and there are opinions that a firm's CSIR receives more external attention than CSR, these two activities need to be considered separately (Godfrey et al., 2009; Kotchen & Moon, 2012; Lange & Washburn, 2012; Muller & Kräussl, 2011; Strike et al., 2006; Tang et al., 2015).

In this regard, Kotchen and Moon (2012) defined CSR as a series of activities that reduce costs related to distributive conflict or externalities and CSIR as a series of activities that increase costs. Similarly, Strike et al. (2006) articulated that CSR is a series of corporate activities that positively impact the interests of social stakeholders and do not contradict the legitimate demands of other stakeholders from a long-term perspective, while CSIR is a counter-activity to CSR. For example, suppose that CSR is the active implementation of programs to prevent environmental pollution, such as emission reduction facilities and programs to reduce the use of toxic substances. In that case, CSIR can be viewed as a company's activities that emit significant amounts of hazardous waste. Meanwhile, Kotchen and Moon (2012) found that companies tend to conduct CSR to offset the negative impact of accumulated CSIR. In addition, investment in CSR may be regarded as financial waste that diminishes shareholder value (Tang et al., 2015), while CSIR can be perceived as a cost-cutting strategy that can improve financial performance (Kölbel et al., 2017). Thus, since CSR and CSIR as both sides of the same coin can be interpreted differently depending on the point of view, it is vital to investigate what assumptions exist in personal values or psychological backgrounds that might influence the CEO's decision-making on corporate social behavior.

2.2 | CEO's decisions on corporate social behavior

Meanwhile, there is few cohesive decision theory and diverse assumptions exist about how CEOs decide whether or not to participate in CSR/CSIR activities. First, Barnea and Rubin's (2010) overinvestment hypothesis assesses the CEO's CSR/CSIR decision-making based on the principal–agent linkage between shareholders and managers (Goel & Thakor, 2008). The overinvestment hypothesis assumes that by boosting CSR/CSIR-related spending, the CEO can lower possible expenses associated with reputational risk and improve staff productivity. Although a firm's CSR/CSIR spending level should be decided to maximize corporate value (Manasakis et al., 2014), if a CEO believes that such social activity provides private benefits, such as one's reputation as a good citizen, decision-making can lead to overinvestment which can be costly to shareholders.

Second, according to the conflict resolution hypothesis, although CEOs' decisions are not capable of satisfying all stakeholders, they must consider the interest of shareholders and stakeholders at the same time (Calton & Payne, 2003; Harjoto & Jo, 2011; Jensen, 2002; Jo & Harjoto, 2011, 2012). For example, Jo and Harjoto (2011, 2012) found that CEOs participate in CSR activities to resolve conflicts between a firm and stakeholders surrounding the firm while assuming that monitoring systems of corporate governance and CSR are efforts to resolve such disputes. Similarly, Jo and Harjoto (2014) discovered a linkage between analyst coverage and CSR by looking into their simultaneous and causal effects, as well as the combined effects of CSR engagement and analyst coverage on firm risk. They interpret the findings in such a way that analysts provide indirect but further social pressure to the companies, causing them to curtail CSIR behaviors.

Third, the strategic-choice hypothesis proposed by Cespa and Cestone (2007) can explain CSR participation decision making. When a manager's performance is poor, this assumption provides a rational basis for conflicts of interest between managers, shareholders, and other non-investors. Faced with strong turnover threats, CEOs use their relationships with stakeholders and social activists as an entrenchment strategy (Cooper, 2017). According to the strategic-choice hypothesis, CEOs who perform poorly can minimize their chances of being replaced if they employ CSR initiatives as a strategic means of enhancing entrenchment and meeting the requirements of stakeholders like social activists and local communities (Lim & Chung, 2021).

However, because the previous decision literature on corporate social behavior has heavily dealt with CSR and lightly touched CSIR separately, it has been overlooked that due to the CEO's personal traits (Lim & Chung, 2021), each decision-making may appear at the same time (Dharwadkar et al., 2021). Although it is widely known that CEOs engage in CSR/CSIR for instrumental reasons to maximize personal interest through media exposure or out-of-company activities (Yook & Lee, 2020), it is still unclear what motivates CEOs to make CSR/CSIR decisions. In particular, little is known about the psychological states of CEOs' narcissistic traits on CSR/CSIR decisions. Narcissism is one of the many characteristics that might cause a CEO to make decisions centered on CSR or CSIR to maximize excessive private interests such as outside attention (Kölbel et al., 2017; Manner, 2010). The narcissistic CEO is likely to attract attention by strategically making a choice on CSR, which has lately been prioritized by stakeholders, or by ignoring CSIR caused by public criticism through arrogant exposures to media. In light of this context, it is vital to investigate empirically how the CEO's narcissistic features influence CSR/CSIR decisions and by what psychological process.

2.3 | CEO narcissism

Since top managers can profoundly affect a firm's situation and fate, scholars have been interested in the impact of their personality and personal preferences on organizational performance (Chatterjee & Hambrick, 2007). Kets de Vries (2004) focused on the difference between constructive and reactive narcissism. The latter, reactive narcissism, can be interpreted as narcissistic CEOs who fall into excess narcissism and, thus, become fixated on issues of power, status, prestige, and superiority (p. 189). Narcissistic people are perceived as confident and extroverted by others, have the charisma that an organizational leader should have, present a bold vision, and have the ability to cope with substantial social changes (Campbell et al., 2011; Maccoby, 2000; Rosenthal & Pittinsky, 2006). Narcissism is also known as the most frequently found pathological disorder among firms' senior executives (Kets de Vries, 2014). Despite being a personal trait primarily found in a firm's management, narcissism is recognized as a key personality dimension that has a profound impact on organizational performance (Chatterjee & Hambrick, 2007, 2011; Gerstner et al., 2013; Patel & Cooper, 2014; Zhu & Chen, 2014a,b).

Narcissistic CEOs prefer bold actions, such as large-scale acquisitions, to receive outside attention and are less responsive to objective indicators such as a firm's financial performance while being more sensitive to social praise (Chatterjee & Hambrick, 2011; Zhu & Chen, 2014a). Chatterjee and Hambrick (2011) found that narcissistic CEOs who have received praise or awards from the media are more aggressive in making risky investments and paying higher acquisition premiums when acquiring companies. Gerstner et al. (2013) argued that narcissistic CEOs tend to aggressively adopt technological discontinuities, especially when expecting their actions to elicit external attention and respect. Maccoby (2000) explained that narcissistic CEOs' aspiration for achievement results from a complex entanglement of hope for glory and an underlying sense of risk of extinction. Taking these findings together reveals that CEO narcissism significantly impacts a firm's strategic decision-making and corporate performance.

In suggesting an approach–avoidance desire model, Foster and Trimm (2008) found that those who received good reviews for their accomplishments from others considered themselves highly not only for their great achievements but also for their other actions. This implies that there is a possibility that such a narcissistic person is sensitive to punishment (Foster & Trimm, 2008, p. 1014). Narcissists show a high motivation to approach new opportunities with potential positive outcomes but a low need to avoid the possibility of negative consequences. According to Patel and Cooper (2014), the performance of a firm run by a narcissistic CEO with a low avoidance motivation fell sharply in the face of the 2008 financial crisis, while the performance of a firm managed by a narcissistic CEO with a high approach motivation improved significantly after the financial crisis.

Narcissism is a fundamental trait of temperament innate to an individual (Emmons, 1984; Kernis & Sun, 1994). Narcissistic CEOs are highly motivated by a sense of privilege and self-obsession (Chatterjee & Hambrick, 2007), which can be interpreted as an individual's desire to show off for continued respect and appreciation from others (Campbell et al., 2004; Olsen et al., 2013). On the other hand, a *proud*, rather than narcissistic, CEO tends to be motivated by her/his self-confidence rather than by respect or praise from others

(Tang et al., 2015). By examining the relationship between narcissism and CSR characteristics, this study can extend the understanding of the mechanisms in which CSR or CSIR is implemented.

Despite its increasing prominence in both psychology and decision literature, the organizational implications of narcissism in general and its implications for corporate ethical behavior in particular, have only lately begun to receive scholarly attention (Al-Shammari et al., 2019). The literature has indicated that CEO narcissism has an impact on the strategic decisions and CSR. Since they require continual affirmation of their inflated positive self-view, narcissistic CEOs have a proclivity for taking risks (e.g., large-scale acquisitions, extensive R&D, and innovations) (Zhu & Chen, 2014b). The link between CEO narcissism and CSR has lately been investigated, with a focus on how narcissistic CEOs exploit their status to get the attention from stakeholders (Yook & Lee, 2020). For example, verified CSR performance built on the premise that CEOs' traits can begin with their gender (Lim & Chung, 2021). Also, Al-Shammari et al. (2021) discovered the inverse U relationship as an alternative to the presumption of a linear relation between CEO narcissism and CSR based on a sample of Fortune 500 businesses from 2006 to 2013. In other words, while narcissistic CEOs can participate in CSR, extremely narcissistic CEOs are drawn to actions that garner more attention.

3 | RESEARCH MODEL AND HYPOTHESES

3.1 | CEO narcissism and CSR

A typical narcissistic CEO is highly competition-oriented and constantly looks for opportunities to dominate or be the best (Emmons, 1984; Maccoby, 2000). As a result, narcissists tend to conduct business vigorously if it can be rewarded in any form in the short term, even though it can be costly in the long run (Foster & Trimm, 2008; Patel & Cooper, 2014).

Narcissistic CEOs are likely to overinvest in CSR for personal interests, such as building their reputation (Barnea & Rubin, 2010). The overinvestment hypothesis is based on a CEO's pursuit of private interests. To strengthen her/his self-image, a narcissistic CEO with strong approach motivation has a desire for continuous and immediate respect, attention, and praise from other people (Campbell & Foster, 2007; Foster & Trimm, 2008). As CSR is covered extensively in the media, various stakeholders, including customers, respond with product purchases and boycotts while closely monitoring corporate activities (Basu & Palazzo, 2008; Fabrizi et al., 2013). Under these external pressures, narcissistic CEOs are less responsive to objective indicators such as the firm's financial performance but more sensitive to social concerns (Chatterjee & Hambrick, 2011; Zhu & Chen, 2014a). Narcissistic CEOs may intend to use CSR, which draws attention from the public, as a tool to reinforce their self-image. In other words, it can be expected that narcissistic CEOs will be motivated to actively carry out CSR as a means to improve their social reputation by receiving praise and respect within and outside of their organization. Overall, because narcissistic CEOs are often obsessed with receiving more attention than other CEOs, they are expected to overinvest in CSR even if it undermines corporate value in the long run.

In contrast, CEOs with vulnerable narcissism tend to have low approach motivation and do not focus on reinforcing their self-image (Chatterjee & Hambrick, 2007). Instead, they tend to pursue incremental change and defense strategies and have a lower incentive to overinvest in CSR. Overall, it can be expected that narcissistic CEOs with a high approach motivation will overinvest in CSR to build their reputation, which will make the company engage in more CSR activities. The above discussion leads to our first hypothesis.

> **Hypothesis 1.** There is a positive relationship between CEO narcissism and CSR.

3.2 | CEO narcissism and CSIR

Narcissistic CEOs have low risk-averse motivations for future risk factors. Patel and Cooper (2014) suggested that narcissistic CEOs will be relatively reluctant to hedge against performance crises in advance amid an economic downturn. This implies that narcissistic CEOs are considerably less willing to plan for potential threats in the future due to their low level of risk aversion desire. Thus, narcissistic CEOs do not doubt that they can intentionally influence the external environment (Patel & Cooper, 2014; Rosenthal & Pittinsky, 2006).

In this vein, narcissistic CEOs are expected to overlook the potential risks and not care about the adverse outcomes that may be brought about by CSIR. In addition, narcissistic CEOs tend to ignore external negative opinions or criticism of themselves, even when negative opinions are objective evaluations, such as financial performance figures (Brunell et al., 2008; Chatterjee & Hambrick, 2011; Zhu & Chen, 2014a). Narcissistic CEOs may pay little attention to stakeholder responses and remedial actions even if the media and society present negative opinions, including objective evaluations related to CSIR. Meanwhile, CEOs with weak narcissism tend to be cautious. Patel and Cooper (2014) argued that CEOs with solid avoidance needs tend to be reluctant to invest on a large scale when the economy enters a recovery phase after a recession. They will also actively monitor and respond to CSIR and external evaluations or opinions that may have a negative impact on the company in the long term.

According to the above discussion, narcissistic CEOs are likely to overlook the potential risks from CSIR and will not take steps to improve them due to a defense mechanism that causes them to protect their self-belief based on low avoidance motivation and the tendency not to accept negative views about herself/himself. On the other hand, CEOs with weak narcissism are expected to strive to reduce social antipathy by actively responding to CSIR. Thus, from the perspective of avoidance motivation, we propose that the stronger CEO narcissism is, the higher the level of CSIR activities.

> **Hypothesis 2.** There will be a positive relationship between CEO narcissism and CSIR.

3.3 | Corporate governance as moderator

Corporate governance is a system that coordinates the interests of various stakeholders surrounding a company in an institutional environment (Jamali et al., 2008). In particular, it is characterized as a regulatory mechanism against possible agency problems in companies in which ownership and management are separated (Tan & Tang, 2016). In terms of an institutional mechanism for managing the relationship between companies and stakeholders, corporate governance is closely interrelated with various CSR activities conducted by companies (Dam & Scholtens, 2012; Harjoto & Jo, 2011).

Corporate governance is primarily divided into two types: internal and external governance (Filatotchev & Nakajima, 2010). Internal governance is a control system within a corporation, including the general meetings of shareholders, the board of directors, and auditors (Jamali et al., 2008). External governance is a control system outside of the company, including institutional investors, the market for corporate control, and the CEO labor market (Jo & Harjoto, 2011). Based on previous studies (Filatotchev & Nakajima, 2010; Jamali et al., 2008), by adopting the ratio of outside board members and the share of institutional investors as major internal and external governance mechanisms, we investigate whether they have a moderating effect on the relationship between CEO narcissism and CSR and CSIR, respectively.

3.3.1 | The ratio of outside directors

Prior studies on the effects of outside directors have revealed mixed results. On the one hand, the number or ratio of outside directors has a positive impact on CSR activities and serves as a signal that the firm is showing interest in the external environment and legality (Arora & Dharwadkar, 2011; Johnson & Greening, 1999). Since outside directors often have a variety of backgrounds, they tend to urge companies to consider many different stakeholder groups (Dukho et al., 2010). On the other hand, since most board members are basically employed or appointed to protect the interests of shareholders, they may be skeptical about CSR activities that are pursued for the sake of philanthropy and thus incur unnecessary costs to the company (Coffey & Wang, 1998). As many outside directors are recruited based on their financial expertise, they will be much more familiar with financial monitoring than with research and development (R&D) or CSR activities, which are often associated with performance uncertainty (Arora & Dharwadkar, 2011; Baysinger & Hoskisson, 1990; Deutsch, 2005).

In this study, we consider that outside directors will supervise the management on behalf of shareholders while also taking into account the interests of stakeholders to improve long-term corporate value. According to the overinvestment hypothesis, if a narcissistic CEO engages in more than a certain level of overinvestment in CSR, outside directors will try to limit it, as corporate value will be damaged in the short term from the standpoint of shareholders. Since outside directors are relatively less restricted than inside directors in terms of their interest with the CEO, a high proportion of outside directors on the board will allow the opportunistic behavior of narcissistic CEOs to be monitored more effectively (Zhu & Chen, 2014b). For the proper management and supervision of the CEO and the top management team, the independence of the board of directors through a higher proportion of outside directors enables a desirable change in the governance structure (Arora & Dharwadkar, 2011; Baysinger & Hoskisson, 1990). The board may adjust CSR to a level that maximizes corporate value based on careful cost–benefit analyses (Arora & Dharwadkar, 2011). Therefore, as the proportion of outside directors increases, CSR behaviors by narcissistic CEOs can be mitigated.

On the other hand, although CSIR can save costs and protect financial value in the short term, outside directors may curb such behaviors because they can undermine the interests of stakeholders and damage corporate value in the long term. In a study of the relationship between Hurricane Katrina in the southern U.S. region in September 2005 and the stock prices of U.S. Fortune 500 companies, Muller and Kräussl (2011) found that firms with a higher level of CSIR activities experienced a steeper drop in their stock price. This implies that when a company conducts CSR to manage reputational risk, it is more effective to reduce activities that have a negative impact on society than conducting activities that are beneficial to society. Given the possibility that CSIR can hurt shareholder value both in the long term and in the short term, we propose that the relationship between CEO narcissism and CSIR will also be adjusted as the ratio of outside directors increases. Based on this discussion, the following two hypotheses are established.

> **Hypothesis 3a.** The ratio of outside directors on the board will negatively moderate the positive relationship between CEO narcissism and CSR.

> **Hypothesis 3b.** The ratio of outside directors on the board will negatively moderate the positive relationship between CEO narcissism and CSIR.

3.3.2 | Institutional investor ownership

Institutional investors refer to corporate-type investors that manage large-scale funds and play an important role in inspecting and monitoring top management as well as pivotal shareholders (Dam & Scholtens, 2012). Institutional investors, on average, have a high shareholding ratio and have more specialized knowledge and capabilities to monitor and check companies than individual investors. As a focal group participating in the capital market, institutional investors manage funds entrusted by individual investors and try to exert a strong influence on a target firm's managerial decisions (Barnea & Rubin, 2010; Dam & Scholtens, 2012). Meanwhile, institutional investors are less likely to react promptly to changes in the market because they hold large amounts of stock and cannot dispose of their stocks without seriously affecting a firm's stock price (Pound, 1992). Thus, acting as strict shareholders, institutional investors are interested in improving a firm's long-term profit generation and value creation while overseeing the opportunistic behavior of the CEO and reducing agency costs between shareholders and managers (Barnea & Rubin, 2010; Heonseob, 2009).

Dam and Scholtens (2012) argued that many institutional investors pay less attention to long-term corporate value as the period of ownership of the stake is shortened. An increase in the ownership of institutional investors could lead to a decrease in CSR if institutional investors aim to maximize short-term financial performance on the part of shareholders (Arora & Dharwadkar, 2011; Barnea & Rubin, 2010; Coffey & Fryxell, 1991). However, since institutional investors cannot quickly dispose of their shareholdings, CSR can be more aggressively implemented to mitigate the potential risks from a firm's misconduct or customer complaints (Arora & Dharwadkar, 2011; Dam & Scholtens, 2012; Graves & Waddock, 1994; Neubaum & Zahra, 2006). Barnea and Rubin (2010) and Johnson and Greening (1999) found that institutional investors such as pension funds are characterized as long-term investors and concerned with social activities that can affect a firm's long-term financial performance.

Institutional investors with a high stake in a company are expected to limit the overinvestment in CSR by narcissistic CEOs, as they will try to protect the short-term interests of the institution itself and individual investors by actively overseeing the company (Arora & Dharwadkar, 2011; Barnea & Rubin, 2010; Dam & Scholtens, 2012). Since a narcissistic CEO's overinvestment in CSR can be utilized for the CEO's own purposes and leads to an increase in costs and a decline in shareholder value (Barnea & Rubin, 2010), institutional investors' stakes will adequately adjust the relationship between CEO narcissism and CSR.

Meanwhile, the existing literature also suggests that institutional investors are motivated to limit CSIR, which negatively affects their reputation, to manage a firm's reputation risk (Minor & Morgan, 2011). As mentioned above, when a substantial, undesirable event such as a workplace accident occurs due to alleged CSIR, corporate value may decline rapidly within a short period (Muller & Kräussl, 2011). Similarly, an increase in institutional investor ownership can exert a strong influence on a narcissistic CEO's active involvement in decision-making, enabling reputational risk management in advance. Therefore, it is expected that the higher the institutional investors' stake is, the more influential its mitigating role in the relationship between CEO narcissism and CSIR. Based on this discussion, the following two hypotheses are established.

> **Hypothesis 4a.** The ownership of institutional investors will negatively moderate the positive relationship between CEO narcissism and CSR.

> **Hypothesis 4b.** The ownership of institutional investors will negatively moderate the positive relationship between CEO narcissism and CSIR.

Figure 1 displays all the hypotheses of this study addressed above.

4 | METHODS

4.1 | Sample and dataset

This study compiled the MSCI ESG (Environmental, Social, and Governance) dataset, generally better known as KLD (Kinder, Lydenberg, and Domini Stats). KLD data are qualitative evaluation data on the strengths and concerns of CSR activities in various areas from 1991 to the present.

Our sample was limited to firm-CEO pairs that satisfy the following conditions. First, to ensure continuity and balance, the sample was limited to companies included 11 or more times in the KLD statistical dataset for 13 years from 2000 to 2012. Second, to secure enough annual reports for the company to measure CEO narcissism, the sample was limited to CEOs who were newly appointed after 1998. We obtained the corporate annual reports through the firms' websites, the US SEC's EDGAR Database, and the Mergent Online Database (Chatterjee & Hambrick, 2007). However, since many companies have published annual reports on their websites only since approximately 2000 and the EDGAR Database does not provide corporate annual reports for most firms for the 1990s, we were able to obtain corporate annual reports only from 1999 onwards. Third, newly appointed CEOs were considered those with a tenure of 3 years or more because it takes some time to assimilate their personality traits with the organizational traits (Hambrick & Fukutomi, 1991; Rijsenbilt & Commandeur, 2013). Data on the cash and noncash compensation ratio of the CEOs were obtained through S&P's Execucomp Database.

CEO narcissism was measured by calculating the average value of the data for a CEO's second and third years in office (Chatterjee & Hambrick, 2007, 2011). Since CEO narcissism is a relatively stable temperament compared to other characteristics, the average values for the second and third years in office were subsequently used as an independent variable even after the third year of tenure (Chatterjee & Hambrick, 2007). After merging data from S&P's Compustat, S&P's Execucomp, the Center for Research in Securities Prices (CRSP), BoardEx, and Thomson Reuters 13-F filings s34 Master File to construct control variables at the CEO, company, and industry levels, we obtained unbalanced panel data of 342 firms, 435 CEOs, and 2005 firm-CEO-years, excluding data with missing values.

4.2 | Variables and measures

We define CSR as the degree to which a company engages in socially responsible activities (Kotchen & Moon, 2012; Strike et al., 2006; Tang et al., 2015). Conversely, CSIR is defined as the degree to which a company engages in socially irresponsible activities (Godfrey et al., 2009; Strike et al., 2006; Tang et al., 2015). Our dependent variables, CSR and CSIR, were measured using seven categories of KLD (i.e., community, diversity, employee relations, natural environment, human rights, product quality and safety, and corporate governance). Following Mattingly and Berman (2006), we scored 1 or 0 for each category of KLD's seven main areas, depending on whether their

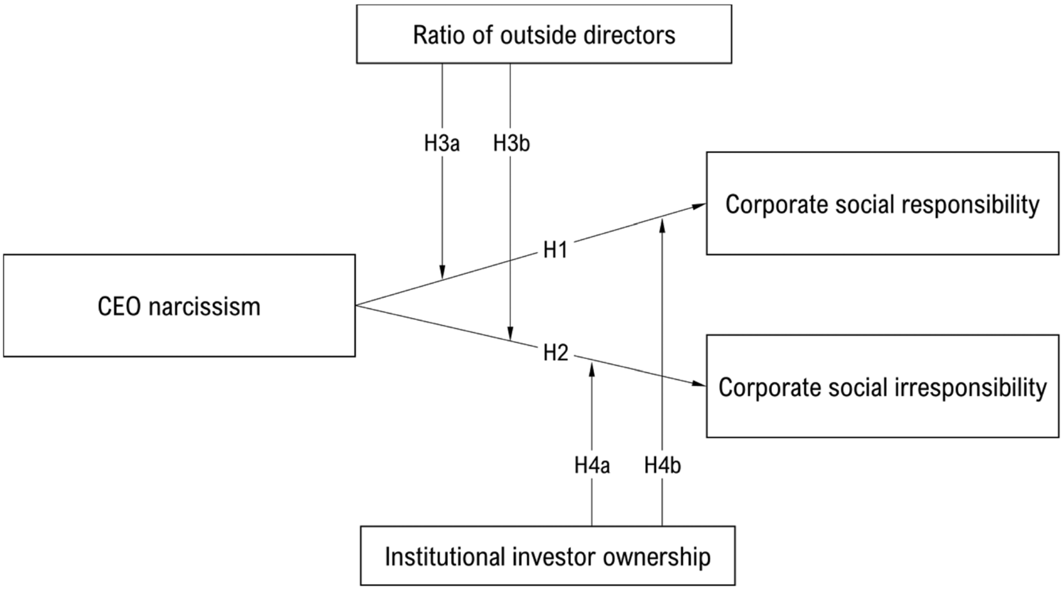

FIGURE 1 Research model

strengths and concerns met specific criteria (Mattingly & Berman, 2006; Tang et al., 2015). In this study, according to Kotchen and Moon (2012) and Tang et al. (2015), we regard all items related to the strengths of KLD as CSR while all items related to the weakness of KLD as CSIR. Thus, CSR was measured by summing all strength scores in seven primary areas to measure the degree of corporate participation in CSR activities (Kotchen & Moon, 2012; Strike et al., 2006; Tang et al., 2015). CSIR was measured by summing all weakness scores in seven primary areas to measure the degree of participation in activities against CSR (Godfrey et al., 2009; Strike et al., 2006; Tang et al., 2015).

CEO narcissism as an independent variable was measured by calculating the weighted average value of the index using each factor loading extracted through principal factor analysis and then converting it to a narcissism score. Although CEO narcissism is difficult to measure because respondents are highly likely to be affected by social desirability bias, several studies have verified narcissism from various perspectives as unobtrusive measurement methods are developed (Chatterjee & Hambrick, 2007). In unobtrusive measurement methods, CEO narcissism is measured by the size of the CEO's signature on the corporate document filed with the US SEC (Ham et al., 2014), by the CEO's portrait size and relative pay rate (Rijsenbilt & Commandeur, 2013), and by a third-party analysis method using a video about the CEO (Petrenko et al., 2014).

According to Olsen et al. (2013) and Olsen and Stekelberg (2014), we calculated the narcissism index using the CEO's interview indicators, the company's annual reports, and the CEO's cash and noncash relative remuneration ratio indicators. First, CEOs' narcissism tendency was calculated from 1 to 4 points for the size and characteristics of the CEO's photograph (Chatterjee & Hambrick, 2007, 2011). By reviewing annual reports, we coded 4 if the CEO's photograph occupies more than half of one page, 3 if the CEO's photograph occupies less than half of one page, 2 if the prominence of CEO's photograph is similar to that of other executives, and 1 if either there is no photograph of the CEO or if any report except for the 10-K report does not exist. Second, the CEO's relative cash pay ratio was measured by dividing the CEO's cash pay—that is, salaries and bonuses—by that of the next highest-paid executive. Third, the CEO's relative noncash pay ratio was calculated by dividing the CEO's noncash pay, excluding salaries and bonuses, by that of the next highest-paid executive (O'Reilly et al., 2014). Following prior studies, correlation confirmation factor analyses were conducted to confirm whether the three indicators converged into one construct. As a result of the correlation analysis between the three narcissism indicators, a positive correlation was verified ($p < .05$). After the principal component analysis, the eigenvalue was 1.41, which was loaded as a factor explaining 46.9% of the variance. Finally, all indicators were standardized to translate into one narcissism construct.

Our moderators are two corporate governance variables: the ratio of outside directors and the ownership of institutional investors. First, the ratio of outside directors (I.D. ratio$_{t-1}$) was measured by dividing the number of outside directors in each firm-year in the BoardEx database by the total number of board members. Second, the ownership of institutional investor$_{t-1}$ (Institutional investor$_{t-1}$) was calculated using Thomson Reuters 13-F filings s34 Master File. In this study, only the equity ratios of institutions with a stake of 5% or more, which are expected to exert an active influence on managerial decisions, were summed and used as moderators (Dittmar & Mahrt-Smith, 2007).

This study included control variables at the three levels. First, we controlled for the following six variables at the CEO level: CEO age in the previous year (CEO age$_{t-1}$), tenure in office (CEO tenure$_{t-1}$), whether the CEO served as chairman of the board in the previous year (CEO duality$_{t-1}$), whether the CEO was a founder (CEO founder), whether the CEO was recruited externally (CEO outsidehire), and the

TABLE 1 Descriptive statistics and correlation analysis

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. CSR	3.19	3.34										
2. CSIR	2.91	2.44	0.31**									
3. CEO narcissism	0.32	0.10	0.04**	0.15**								
4. CEO age$_{t-1}$	54.07	5.81	0.12**	0.15**	0.05**							
5. CEO tenure$_{t-1}$	5.09	2.59	0.06**	−0.04**	−0.04	0.23**						
6. CEO duality$_{t-1}$	0.56	0.50	0.19**	0.21**	0.24**	0.28**	0.23**					
7. CEO founder	0.01	0.09	0.09**	0.01	−0.02	0.05**	0.09**	0.00				
8. CEO outsidehire	0.27	0.44	−0.01	−0.09**	0.15**	−0.04**	−0.06**	0.01	−0.06**			
9. CEO ownership$_{t-1}$	0.70	3.82	−0.07**	−0.03	−0.01	−0.01	0.07**	−0.01	0.13**	−0.04		
10. Current ratio$_{t-1}$	2.09	1.29	−0.17**	−0.20**	−0.03	−0.13**	0.10**	−0.20**	−0.05**	0.01	−0.01	
11. ROA$_{t-1}$	6.41	8.16	0.08**	−0.06**	0.01	−0.03	−0.02	0.05**	−0.01	−0.03	−0.02	−0.01
12. Firm risk$_{t-1}$	4.16	6.24	−0.04	−0.06**	−0.03	−0.08**	0.01	−0.14**	0.03	0.09**	−0.02	0.26**
13. Firm size$_{t-1}$	32.74	53.25	0.38**	0.39**	−0.03	0.14**	−0.04	0.18**	0.20**	−0.06**	−0.02	−0.26**
14. Firm age$_{t-1}$	32.83	21.85	0.30**	0.36**	0.16**	0.23**	0.01	0.27**	−0.04**	−0.11**	−0.07**	−0.20**
15. SGA intensity$_{t-1}$	0.23	0.15	0.06**	−0.27**	−0.08**	−0.21**	0.01	−0.19**	0.06**	0.07**	0.00	0.24**
16. Independent director ratio$_{t-1}$	0.80	0.13	0.19**	0.16**	0.22**	0.06**	0.17**	0.28**	0.05**	0.10**	−0.07**	−0.19**
17. Institutional shareholding$_{t-1}$	0.19	0.12	−0.19**	−0.15**	−0.04**	−0.18**	0.01	−0.14**	0.06**	0.02	0.04**	0.11**
18. CSR$_{t-1}$	2.98	3.17	0.88**	0.26**	0.03	0.12**	0.07**	0.18**	0.10**	−0.02	−0.06**	−0.18**
19. CSIR$_{t-1}$	2.98	2.44	0.36**	0.86**	0.14**	0.19**	0.05**	0.22**	0.01	−0.08**	−0.02	−0.19**
20. Industry mean CSR	3.21	1.42	0.39**	0.13**	0.05**	0.16**	0.22**	0.13**	0.04**	0.03	−0.01	0.06**
21. Industry mean CSIR	2.88	1.36	0.10**	0.53**	0.03	0.15**	−0.01	0.15**	−0.04	−0.02	−0.01	−0.10**
Variable	**Mean**	**SD**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
12. Firm risk$_{t-1}$	4.16	6.24	−0.27**									
13. Firm size$_{t-1}$	32.74	53.25	0.02	−0.14**								
14. Firm age$_{t-1}$	32.83	21.85	0.00	−0.09**	0.26**							
15. SGA intensity$_{t-1}$	0.23	0.15	0.01	0.18**	−0.14**	−0.18**						
16. ID ratio$_{t-1}$	0.80	0.13	0.00	−0.02	0.08**	0.22**	−0.08**					
17. Institutional investor$_{t-1}$	0.19	0.12	−0.15**	0.12**	−0.17**	−0.17**	0.10**	0.01				
18. CSR$_{t-1}$	2.98	3.17	0.07**	−0.03	0.37**	0.30**	0.05**	0.20**	−0.19**			
19. CSIR$_{t-1}$	2.98	2.44	−0.07**	−0.04**	0.40**	0.39**	−0.27**	0.20**	−0.16**	0.33**		
20. Industry mean CSR	3.21	1.42	−0.02	0.03	0.05**	0.19**	0.04**	0.25**	−0.04**	0.34**	0.21**	
21. Industry mean CSIR	2.88	1.36	−0.03	−0.09**	0.09**	0.18**	−0.26**	0.14**	−0.06**	0.04**	0.43**	0.26**

Note: Year dummies are not included in this table.

Abbreviations: CSR, corporate social responsibility; CSIR, corporate social irresponsibility; CEO, chief executive officer; ROA, return on assets; SGA, selling, general and administrative expense.

$^{\dagger}p < .1$.

$^{*}p < .05$. $^{**}p < .01$.

CEO's previous year ownership (CEO ownership$_{t-1}$) (Chatterjee & Hambrick, 2007, 2011; Finkelstein, 1992; Patel & Cooper, 2014). Second, we controlled for the following seven variables at the firm level: the firm's current ratio (Current ratio$_{t-1}$) (Chatterjee & Hambrick, 2007, 2011); firm performance in the last year, as measured by the total return on assets of the company (ROA$_{t-1}$) (Tang et al., 2015; Waddock & Graves, 1997); the firm's long-term debt ratio in the previous year (Firm risk$_{t-1}$); firm size, as measured by the number of employees in the company (Firm size$_{t-1}$) (Huang, 2013; Kang, 2013); firm age in the previous year (Firm age$_{t-1}$) (Tang et al., 2015); selling, general and administrative (SG&A) expenditure intensity in the previous year as a proxy variable for product differentiation (SGA intensity$_{t-1}$) (Finkelstein & Boyd, 1998); and CSR and CSIR activity levels in the previous year (CSR$_{t-1}$ and CSIR$_{t-1}$) (Tang et al., 2015). Third, at the industrial level, we controlled for the average CSR activity levels of the companies in each industry in the current year (industry mean CSR and CSIR) (Kang, 2013). We also included year dummies in each model (Chatterjee & Hambrick, 2011; Tang et al., 2015).

4.3 | Estimation method

Since the dataset of this study has multiple observations for almost all companies, we applied a generalized estimating equation (GEE) that can handle maximum likelihood estimation and nonindependent observations and analyzed it with a random-effects model (Chatterjee & Hambrick, 2007, 2011). When the number of CEO panels is large and the number of years observed for each panel is small, applying a fixed-effects model causes an estimation error problem. Moreover, it is not desirable to estimate variables that do not change over time, such as CEO narcissism, with a fixed-effects model (Chatterjee & Hambrick, 2011). Therefore, we tested our hypotheses with a random-effects model through GEE instead of a fixed-effects model. In defining the GEE model precisely, we formulated the Gaussian (normal) distribution with an identity link function and imposed a robust covariance structure for misspecification caused by repeated measurements (Olsen & Stekelberg, 2014).

5 | RESULTS

5.1 | Descriptive statistics and correlations

Table 1 presents the descriptive statistics and correlations for our variables. The average age of the CEOs was 54 years, with an average tenure of 5 years. CEO narcissism showed a positive correlation between CSR and CSIR ($p < .05$). There was also a positive correlation between CSR and CSIR ($p < .05$). CEO narcissism showed a significant correlation with most control variables. To avoid the multicollinearity problem, the mean centering method was applied to the independent and control variables. The variance inflation factor (VIF) ranged from a minimum of 1.31 to a maximum of 1.76, which is much lower than the usual threshold of 10; thus, multicollinearity was not a concern in this study.

5.2 | Generalized estimation equation

Tables 2 and 3 show the results of GEE random-effects model analyses in which CSR and CSIR were used as dependent variables to verify the hypotheses. The Wald χ^2 test confirmed that all models were significant at the .01 level.

Hypothesis 1 predicts that CEO narcissism tendencies have a positive effect on CSR. In Model 2 of Table 2, Hypothesis 1 was supported, as CEO narcissism was positively and significantly associated with CSR ($\beta = 0.62$, $p < .05$). Consistent with Al-Shammari et al.'s (2019) findings, this result can be interpreted as strengthening CSR initiatives as an opportunity for narcissistic CEOs to better expose themselves outside the firm. Hypothesis 3a predicts the moderating effect of the ratio of outside directors on the relationship between the level of CEO narcissism and CSR. In Model 3, the interaction coefficient was insignificant, so Hypothesis 3a was rejected ($\beta = -1.51$, $p = .53$). Hypothesis 4a predicts the moderating effect of institutional investor shareholdings on the relationship between CEO narcissism and CSR. In Model 4, Hypothesis 4a was supported, as the interaction coefficient was negatively significant ($\beta = -4.74$, $p < .1$). In other words, the higher institutional investors' ownership is, the weaker the positive correlation between CEO narcissism and CSR. When we included both moderating variables in Model 5, only the moderating effect of the ownership of institutional investors was significant ($\beta = -4.79$, $p < .1$). The coefficient for the moderating effect of the ratio of outside directors on CSR was insignificant ($\beta = -1.60$, $p = .50$). Although we assumed that outside directors and institutional investors could play a monitoring group for the overinvestment of narcissistic CEO into CSR (Arora & Dharwadkar, 2011; Barnea & Rubin, 2010; Filatotchev & Nakajima, 2010; Jo & Harjoto, 2012a), the role of institutional investors as watchdogs was confirmed while the outside directors have not affected the relationship. Although the positive relationship between the narcissistic CEO and stakeholder management was moderated by the role of the outside director in the restaurant industry (Ahn et al., 2020) and family businesses (Kim et al., 2018), it may be impossible to totally rule out conflicts of interest between them and the CEO due to social relationships, especially given their high education and diverse industrial expertise (Jamali et al., 2008).

Hypothesis 2 suggests that CEO narcissism will have a positive impact on CSIR. In Model 7, Hypothesis 2 was supported, as CEO narcissism has a significantly positive effect on CSIR ($\beta = 1.01$, $p < .01$). Hypothesis 3b suggests the moderating effect of the ratio of outside directors on the relationship between the level of CEO narcissism and CSIR. In Model 8, Hypothesis 3b was rejected, as the interaction coefficient was insignificant ($\beta = -0.17$, $p = .84$). Hypothesis 4b suggests a moderating role of institutional investors' shareholdings on the relationship between CEO narcissism and CSIR. In Model 9, Hypothesis 4b was rejected, as the interaction coefficient was insignificant ($\beta = -2.94$, $p = .23$). In Model 10, we included both moderating variables and found that neither was significant. We reasoned that the representative's indifference to negative comments from stakeholders would be the basis for a narcissistic CEO's impact on CSIR. CSR initiatives that fall short of socially justifiable criteria may not be a concern for narcissistic CEOs (Tang et al., 2015). Although governance monitoring will be effective when CEOs make excessive investments due to their fixation with CSR, sanctioning them for problems caused by their indifference to CSR (CSIR) may be difficult (Patel & Cooper, 2014). When an unethical incident occurs (e.g., illegal wastewater treatment, abusing affiliates, and forced subcontracting), corporate governance regularly works because the media quickly provides critical news (Kölbel et al., 2017); thus, punishing the CEO based on such societal apathy be challenging (Manasakis et al., 2014). Since the ability of corporate governance processes to work and control the internal mechanism on decisions may depend on the characteristics of CEOs (Al-Shammari et al., 2019, 2021; Arora & Dharwadkar, 2011), governance needs to be concerned with observing how narcissistic CEOs implement CSIR.

In sum, our results support Hypothesis 1 and Hypothesis 2, which address the main effects of CEO narcissism on CSR and CSIR. With regard to the moderating effect, the role of outside directors was insignificant. The moderating effect of institutional investor ownership was significant only on the relationship between CEO narcissism and CSR.

5.3 | Supplementary tests

Following previous studies, the robustness of our results was verified by subcategorizing corporate CSR into technical CSR and institutional CSR according to major target stakeholders (Godfrey et al., 2009). Mattingly and Berman (2006) and Godfrey et al. (2009) identified the parties that are directly and essentially related to the management of a company as primary stakeholders and defined CSR activities targeting them as technical CSR (e.g., employee relations, product quality and safety, and corporate governance in KLD). Separately, CSR activities targeting the parties that can exert influence on the primary stakeholders—and thus indirectly influence a company—are defined as institutional CSR (i.e., community, diversity, natural environment, and human rights in KLD).

We predicted that when CEOs with intense narcissism tended to strengthen their CSR to build their social reputation, institutional CSR would be more common than technical CSR. In addition, in strengthening CSIR, we expected that institutional CSIR that could harm companies in the long term would be stimulated more than technical CSIR, which could negatively impact companies in the short term. After classifying the KLD items into technical CSR and institutional CSR, their strengths and weaknesses were scored, and four dependent variables were created: technical CSR, institutional CSR, technical CSIR, and institutional CSIR.

Our supplementary analysis confirmed the following. First, CEO narcissism was not significant for technical CSR ($\beta = 0.03$, $p = .88$) but positively significant for institutional CSR ($\beta = 0.51$, $p < .05$). This implies that strong CEO narcissistic tendencies have increased institutional CSR. Second, CEO narcissism was positively significant in both technical CSIR ($\beta = 0.54$ $p < .05$) and institutional CSIR ($\beta = 0.53$, $p < .01$). In other words, a CEO's narcissistic tendency boosts not only institutional but also technical CSIR, partially supporting our prediction.

In addition, we applied the aggregation approach employed in previous studies to our hypothesis tests. A net CSR score obtained by subtracting the sum of all weaknesses from the sum of all strengths of each item in the KLD data was used as the dependent variable. As a result, CEO narcissism was not significant for the net CSR score ($\beta = -0.52$, $p = .27$). The moderating effects of the outside director ratio ($\beta = -0.64$, $p = .85$) and institutional investor ownership ($\beta = -3.06$, $p = .37$) were also not significant.

6 | DISCUSSION

Building upon the literature on upper echelons theory and approach–avoidance motivation, this paper delved into the psychological or pathological personality of leaders, specifically exploring the impact of CEO narcissism on both CSR and CSIR activities. We also paid attention to the factors that affect this association. We suggest that internal and external corporate governance mechanisms moderate the relationship between CEO narcissism and CSR or CSIR. Our hypotheses were partially supported. Both Hypotheses 1 and 2, which discuss the main effects of CEO narcissism, were supported. The moderating effect of the ownership of institutional investors on the relationship between CEO narcissism and CSR was supported, but the effect on that between CEO narcissism and CSIR was not. The moderating effect of the ratio of outside directors was not supported in either case.

This study theoretically contributes to the following literature. First, by linking the overinvestment hypothesis to a narcissistic CEO's approach–avoidance desire, we contribute to expanding the impact of CEO narcissism on CSR activities. In upper echelons theory, the psychological characteristics of top management are a fundamental determinant of corporate behavior and performance (Hambrick, 2007). In this regard, studies have been conducted on the influence of the characteristics of CEO narcissism on managerial decisions (Chatterjee & Hambrick, 2007, 2011; Gerstner et al., 2013; Olsen et al., 2013; Olsen & Stekelberg, 2014; Patel & Cooper, 2014; Zhu & Chen, 2014a). Extending this line of research, this study suggested that the overinvestment hypothesis could better explain the purpose of CSR than other hypotheses. In particular, the approach–avoidance motivation perspective was employed to clarify the theoretical reasoning for both the CSR and CSIR activities of a firm. Second, we reconfirmed the aggregation approach method to figure out that CEO narcissism affects the CSR/CSIR. Because we predicted that a strong CEO narcissism propensity increased both CSR and CSIR, aggregating both activity scores did not reveal significant effects caused by CEO narcissism. While a firm can participate in

TABLE 2 Effects of CEO narcissism on CSR

Variables	Dependent variable: CSR Model 1	Model 2	Model 3	Model 4	Model 5
CEO age$_{t-1}$	0.00	0.00	0.00	0.00	0.00
CEO tenure$_{t-1}$	0.01	0.01	0.01	0.01	0.01
CEO duality$_{t-1}$	0.02	0.01	0.01	0.01	0.01
CEO founder	−0.46	−0.47	−0.47	−0.51	−0.51
CEO outsidehire	0.05	0.05	0.05	0.05	0.05
CEO ownership$_{t-1}$	−0.01	−0.01	−0.01	−0.01	−0.01
Current ratio$_{t-1}$	−0.04†	−0.05†	−0.05†	−0.04†	−0.04†
ROA$_{t-1}$	0.01**	0.01**	0.01**	0.01**	0.01**
Firm risk$_{t-1}$	0.01	0.01	0.01	0.01	0.01
Firm size$_{t-1}$	0.00**	0.00**	0.00**	0.00**	0.00**
Firm age$_{t-1}$	0.00	0.00	0.00	0.00	0.00
SGA intensity$_{t-1}$	0.44†	0.45†	0.44†	0.46†	0.45†
Independent director ratio$_{t-1}$ (A)	0.01	−0.07	−0.11	−0.06	−0.10
Institutional shareholding$_{t-1}$ (B)	−0.59†	−0.58†	−0.59†	−0.60*	−0.60*
CEO narcissism		0.63*	0.62†	0.60†	0.59†
CEO narcissism × (A)			−1.51		−1.63
CEO narcissism × (B)				−4.74†	−4.79†
CSR$_{t-1}$	0.89**	0.89**	0.89**	0.89**	0.89**
Industry mean concerns	0.20**	0.19**	0.19**	0.19**	0.19**
Endogeneity control	−0.18	−0.69	−0.60	−0.67	−0.57
Constant	−0.29	−0.23	−0.19	−0.21	−0.17
Year dummy	Yes	Yes	Yes	Yes	Yes
Wald χ^2	12,881**	13,391**	13,394**	13,416**	13,431**
Number of observations	2005	2005	2005	2005	2005
Number of groups	435	435	435	435	435

Abbreviations: CSR, corporate social responsibility; CSIR, corporate social irresponsibility; CEO, chief executive officer; ROA, return on assets; SGA, selling, general and administrative expense.
†$p < .1$.
*$p < .05$. **$p < .01$.

CSR and CSIR simultaneously, these two aspects of CSR are conceptually distinctive and have different dynamics. In a similar vein to Strike et al. (2006), our findings suggest that the two sides of CSR should be examined separately. Based on similar beliefs, Al-Shammari et al. (2019) examined the impact of a narcissistic CEO on CSR, and Tang et al. (2015) assessed at the impact of CEO hubris on CSIR. Following these existing studies, we considered the CEO's narcissistic psychological state as a trait that can coexist, rather than being implemented as CSR and CSIR, respectively. Third, we present corporate governance as a function of curbing the narcissistic CEO's excessive sticking to social attention. Previous studies found that decent corporate governance reduces the CEO's ability and opportunity to overinvest in CSR activities (Gompers et al., 2003; Harjoto & Jo, 2011). In this study, unlike the previous research results, institutional investors played a defensive role only in overinvestment in CSR when the CEO was narcissistic. Evaluating and censoring the CEO for the CSIR caused by indifference is considered to be difficult to view as the role of rational corporate governance since it may be unclear whether the individual CEO's strong narcissism causes the CSIR or whether the company has characteristics that do not require attention to social issues (Arora & Dharwadkar, 2011; Goel & Thakor, 2008; Rijsenbilt & Commandeur, 2013).

The following are the managerial implications of our findings. First, the narcissistic CEO's concurrent CSR and CSIR engagements can convey mixed signals to stakeholders; thus, an internal control system is required. Because CSR/CSIR is so closely linked to a firm's competitive advantage and long-term value creation, wrong message caused by the narcissistic CEO's involvement in CSR/CSIR could harm the company's reputation and image when the initiatives are misinterpreted. When the narcissistic CEO's involvement in CSR/CSIR sends the wrong message, the firm's reputation and image may suffer. As our findings reveal, narcissistic CEOs prefer to undertake both CSR and CSIR, necessitating a strategy to improve CSR or decrease CSIR. Second, our results urge independent directors to assess a CEO's

TABLE 3 Effects of CEO narcissism on CSIR

Variables	Dependent variable: CSIR Model 6	Model 7	Model 8	Model 9	Model 10
CEO age$_{t-1}$	−0.01*	−0.01*	−0.01*	−0.01*	−0.01
CEO tenure$_{t-1}$	0.00	0.00	0.00	0.00	0.00
CEO duality$_{t-1}$	0.01	0.00	0.00	0.00	0.00
CEO founder	−0.19†	−0.20†	−0.20†	−0.22*	−0.22
CEO outsidehire	−0.09	−0.10	−0.10	−0.09	−0.10
CEO ownership$_{t-1}$	−0.01*	−0.01**	−0.01**	−0.01**	−0.01
Current ratio$_{t-1}$	−0.02	−0.03**	−0.03†	−0.03	−0.03†
ROA$_{t-1}$	0.00	0.00	0.00	0.00	0.00**
Firm risk$_{t-1}$	0.01*	0.01*	0.01*	0.01*	0.01
Firm size$_{t-1}$	0.00	0.00**	0.00**	0.00**	0.00**
Firm age$_{t-1}$	0.00	0.00	0.00	0.00	0.00
SGA intensity$_{t-1}$	−0.33	−0.30*	−0.30*	−0.30*	−0.30†
Independent director ratio$_{t-1}$ (A)	0.15	−0.02	−0.02	−0.01	−0.02
Institutional shareholding$_{t-1}$ (B)	0.03	0.02	0.02	0.01	0.01*
CEO narcissism		1.01**	1.01**	0.99**	0.99**
CEO narcissism × (A)			−0.17		−0.24
CEO narcissism × (B)				−2.94	−2.95
CSIR$_{t-1}$	0.80**	0.80**	0.80**	0.80**	0.80**
Industry mean concerns	0.20**	0.20**	0.20**	0.20**	0.20**
Endogeneity control	−0.54	−1.42	−1.41	−1.41	−1.40
Constant	0.83*	0.93*	0.93*	0.94*	0.95*
Year dummy	Yes	Yes	Yes	Yes	Yes
Wald χ^2	9652**	8691**	8708**	9352**	9384**
Number of observations	2005	2005	2005	2005	2005
Number of groups	435	435	435	435	435

Abbreviations: CSR, corporate social responsibility; CSIR, corporate social irresponsibility; CEO, chief executive officer; ROA, return on assets; SGA, selling, general and administrative expense.
†$p < .1$.
*$p < .05$. **$p < .01$.

narcissistic traits to understand current behaviors and predict future decisions related to CSR as well as CSIR. The insignificant role of outside directors is in line with the results of previous studies that the managerial control effect of outside directors does not meet expectations despite the adoption of the outside director system (Adams & Ferreira, 2009; Westphal & Stern, 2006; Zhu & Chen, 2014b). Outside directors should increase the board of directors' independence to prevent the company's competitive advantage from being harmed by the narcissistic CEO's excessive investment in CSR/CSIR. Outside directors' independence should be strengthened by eliminating conflicts of interest between them and the controlling shareholders or the CEO. Existing studies have researched the independence of the board from the perspective of economic ties such as transaction records, social ties such as companionship, and demographic homogeneity (Adams & Ferreira, 2009; Westphal & Stern, 2006; Zhu & Chen, 2014b). Zhu and Chen (2014b) found that CEOs are already aware of their level of narcissism and appoint a director with narcissistic traits similar to their own or with experience working with another similarly narcissistic CEO. Regardless of the outside director ratio, a board of directors that features prevalent and homogeneous narcissism is likely to agree with CEOs' overinvestment decision making, invalidating the moderating effect on CEOs' narcissism and CSR or CSIR. Third, boards of directors should plan proactively to prevent CEOs from overinvesting in CSR due to their arrogance by fostering the active engagement of institutional investors. The ownership of institutional investors has eased the relationship between CEO narcissism and CSR. Since institutional investors often force companies toward an increase in long-term corporate value, our results imply that their ownership can effectively mitigate the overinvestment of CEOs with intense narcissism in CSR activities (Dam & Scholtens, 2012). For example, since controlling shareholders who are directly in charge of management in large Korean conglomerates are mostly chaebols, there is a strong probability they will utilize their status to further family interests. In this regard, the Korea National Pension Service, as a representative institutional investor, has been instrumental in preventing haphazard managerial tyranny (e.g., sudden donations, large-scale tree planting, and unrelated overseas aid) and limiting chaebols' superior position.

This study also has limitations, from which we suggest directions for future research. First, as our sample consists of companies that were listed on the stock market and appeared more than 11 times in the KLD database from 2000 to 2012, there may be sample selection bias. Second, we used an unobtrusive measurement method when measuring a CEO's narcissistic propensity. This method can be complemented by opinions from stock analysts or psychologists. Future studies can factorize narcissism by conducting a narcissistic personality inventory (NPI) survey of CEOs to enhance the validity of the research. Third, we measured the levels of CSR and CSIR with activity scores based on KLD data. For more accurate empirical tests, it would also be desirable to use other scales, such as CSR investment expenditures and their link to corporate behaviors. Fourth, we did not specifically clarify the relationship between CSR and CSIR. A firm may tend to undertake CSR to offset the negative impact of CSIR. Future research can contribute to the literature by revealing the sophisticated relationship between CEO narcissism and these two sides of social responsibility.

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CONFLICT OF INTEREST

The authors declare no conflict of interest.

DATA AVAILABILITY STATEMENT

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