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ESG Disclosure and Firm Performance: A Personality Perspective of CEO Narcissism?

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Abstract
Over the past two decades, there has been a gradual transformation in how the corporate sector globally approaches reporting practices. In addition to conventional financial statements, there is a growing focus on qualitative reporting, specifically addressing issues related sustainability. Firms are increasingly taking a more assertive approach in addressing sustainability issues. This study seeks to examine effect of Chief Executive Officer narcissism (CEON) on corporates' Environmental Social Governance disclosure (ESGD) and Financial Performance (FP). The study relies partly on hand-collected visual data pertaining to the narcissism variable and archival data on ESGD sourced from Bloomberg database of public listed companies on PSX over 12 years starting from 2011. Generalized method of moments (GMM) applied to estimate the result of proposed models. The finding reveals that CEON has a negative effect on corporates' ESGD and FP. Further, analysis indicates that CEON produced consistent effect on each constituent of ESGD (i.e. ED, SD, GD) and ESGD also produce reverse causality relationship with CEON. Thus, findings confirmed the postulates made by the upper echelons' theory of management, organizational activities and outcomes are the reelection of its top-management. This may be attributed as Pakistan is facing concentrated ownership structure among the businesses. Concentrated ownership structure with an effective and close monitoring mechanism has stronger incentive to regulate the CEO at their own will which may resulted in outweigh the narcissistic behavior of the CEO. In hand study contributes by highlighting the need for targeted interventions and reforms to promote sustainable and responsible business practices. It also offers insightful implications for practitioners, regulators i.e. SECP, academic universe and policy makers in general and businesses in particular while formulating policy and regulatory framework in respect of businesses and its environment.
Keywords: CEO Narcissism, Environmental, Social, Governance, Disclosure, Firm Performance

The upper echelons theory of management suggests that, amongst numerous other aspects, "personal traits" of top executives play a role in shaping companies' strategic decisions. Consequently, outcomes may vary across businesses, even when all remaining circumstances are identical in decision making scenario (Hambrick & Mason, 1984). Available pool of literature has focused on what determines the corporates' environmental, social, and governance disclosure (ESGD) decisions as stakeholders' pressure at large has increased the importance for companies (Du and Wu (2019); Broadstock, Chan, Cheng, and Wang (2021); Singhania and Saini (2023); De la Fuente, Ortiz, and Velasco (2022)). Businesses generally have a stake in ESGD because of it serve as a fulfillment of its legal compliance (Schaltegger, Hörisch, and Freeman (2019); (Caputo, Pizzi, Ligorio, & Leopizzi, 2021) and ensure the transparency and accountability to its stakeholders at large (Lueg, Krastev, & Lueg, 2019). All these motives cannot limit that any other factor could not affect the corporate's tendency toward ESGD as top-level management has an imperative role in all decisions and especially in reporting decision. Despite the potential impact of internal factors, such as the personal traits of top executives, on this matter, they have not been reasonably investigated (Kind, Zeppenfeld, & Lueg, 2023). Among all available governance mechanisms, specifically the board of directors holds the greatest authority as a decision maker and plays a central role in fulfilling the environment and social oriented commitments to stakeholders (Shahbaz, Karaman, Kilic, and Uyar (2020); Martínez-Ferrero, Lozano, and Vivas (2021)). As upper echelons theory argued that in many case decisions of an enterprises influenced by the personal traits and values of high-level executives (Chin, Hambrick, and Treviño (2013); Hambrick and Mason (1984)), and the chief executive officer (CEO) is a prime example of this who is considered utmost powerful individual (Chen, Treviño, & Hambrick, 2009). The present body of literature emphasizes their narcissism as a key personality trait (Kind et al., 2023).

Although various studies have been done in this field and more importantly, less attention has been given on firms working in developing countries in general and Pakistan in particular where ESGD practice is still at the discretion of businesses. Narcissistic CEOs may use this discretionary power for their own recognition and social admiration. Moreover, because of political, economic, social, governance, ownership and legal differences, the results of the previous study may not be generalizable to other countries (Dixon-Fowler, Slater, Johnson, Ellstrand, & Romi, 2013). In order to determine whether and to what extent the findings of earlier single-country studies are generalizable, it is essential to have an international viewpoint (Breuer, Müller, Rosenbach, & Salzmann, 2018). Therefore, this study makes it possible to draw a more contextualized picture of CEON and ESGD than ever before. Moreover, currently, only a limited number of studies examine the correlation between CEON and ESG performance (Al-Shammari, Rasheed, and Banerjee (2022); Jamil and Siddiqui (2020)), CEON and ESG reporting (Kind et al., 2023) and as per our best knowledge there is lack of evidence in relation to the influence of CEON on corporates' ESGD and FP. ESG performance evaluates the results of a company's ESG initiatives, while ESG reporting communicates these efforts to stakeholders, promoting transparency and fostering stakeholder engagement (Lungu, Caraiani, & Dascălu, 2011). Corporates' reporting pertaining to its ESG practices, particularly effective in revealing CEON because one of its clearly stated objectives is to grape the focus on a business and its executives. This study contributes to the discussion on narcissism through formulating the persuasive question: How does CEON affects the ESGD and FP?

The present study investigates this inquiry by empirically examining the impact of CEON on corporates' ESGD and FP through GMM. It utilizes manually collected visual data pertaining to the narcissism variable and archival data on ESGD sourced from Bloomberg database. Findings of present study contributes novel insights into the existing literature and in persuasion of ongoing debate to call of the hour when the world especially emerging countries struggling to achieve its sustainable development goals and its regulatory and law-making bodies are showing grave concern to sustainable practices. Thus, the findings of this study offer insightful implications for practitioners, regulators i.e. SECP, academic universe and policy makers in general and businesses in particular while formulating policy and regulatory framework in respect of sustainable business practices. Moreover, It makes a methodological contribution by employing the relatively novel and unobtrusive approach of using financial and non-financial (photo size) aspects to comprehend a measure for narcissism. The rest of this study is designed in the following manner.

Section 2 describes the theoretical base and research hypotheses for the study; Section 3 presents the data and research methodology; Section 4 offers results and discussion, followed by Section 5 describes the conclusion and implication beside setting avenue for future direction.

Empirical Literature and Hypothesis Development

Theoretical Framework

The upper echelons theory of management, introduced by Hambrick and Mason (1984), claims that in addition to numerous other factors, businesses' strategic decisions are affected by the top-level executives' personal traits. As a result, even if all other factors in the decision-making environment are similar, results may vary amongst companies (Hambrick & Mason, 1984). This is especially correct for the CEO, who is considered utmost powerful individual (Chen et al., 2009). Being the utmost powerful personal inside an organization, the CEO plays a persuasive role. The CEO makes and endorsed the corporate strategic policy decisions (Kind et al., 2023). Due to his position as the firm's most powerful individual, the CEO undoubtedly has a significant role in deciding how the company reports, including on ESG. Contemporary literature considered narcissism as a prominent aspect of their personality (Kind et al., 2023). Narcissistic CEOs may take reporting mechanism as an opportunity to seek the recognition and social admiration in general and especially in an environment where ESGD wholly and solely is at discretion of businesses like Pakistan.

CEO Narcissism and ESG Disclosure

The concept of narcissism made its debut in psychological literature through the work of Ellis (1898) and describing it as an excess of self-love. Narcissism, as described by (Raskin & Terry, 1988), is a personality trait marked by an inflated self-image, arrogance, exploitative tendencies, vanity, and a lack of empathy. Driven by aspirations for success, power, and prestige, narcissists are recognized for their ascent to executive positions within corporate structures (Brunell et al., 2008). Although their charm and self-assurance facilitate their progress, narcissists also display negative characteristics like arrogance, exploitation, and vanity (Resick, Whitman, Weingarden, & Hiller, 2009). These behavioral patterns in narcissists are often accompanied by an incessant pursuit of opportunities for self-enhancement (Campbell, Hoffman, Campbell, & Marchisio, 2011). Thus, Narcissists are recognized for their tendency to exploit circumstances to benefit themselves.

Research indicates that CEOs exhibit higher levels of narcissistic traits compared to the general population (Ingersoll, Glass, Cook, & Olsen, 2019). Several factors contribute to this phenomenon. Firstly, narcissists are inclined towards careers that offer opportunities for grand achievements, drawing them to leadership positions within organizations (Maccoby, 2017). Additionally, narcissism correlates positively with the desire for power and admiration. Given that the CEO role embodies the highest authority and visibility within a company, it's not surprising that narcissists gravitate towards business education and subsequently pursue executive career paths (Brown, Akers, & Giacomino, 2013). Secondly, narcissistic traits often align with qualities associated with effective leadership, such as social dominance, extroversion, and high self-esteem (Ensari, Riggio, Christian, & Carslaw, 2011). Consequently, narcissists are frequently perceived as having leadership potential (Brunell et al., 2008). Moreover, their adeptness at manipulation and the ability to establish superficial relationships expedite their progression into leadership roles. This dynamic underscore the pivotal role of narcissism in the career advancement process, leading to a higher prevalence of narcissists in executive positions (Maccoby, 2017).

Studies in business field have revealed that CEOs with narcissistic tendencies can exert a substantial influence on the decision-making processes including discretionary reporting. Narcissistic CEOs consistently seek attention and actively avoid situations that may lead to image destruction (Chatterjee & Hambrick, 2007). Their propensity for risk-taking often manifests in actions such as ESG practices and superior business performance, aimed at garnering attention. These CEOs consistently exhibit narcissistic traits, including a desire for fame, excitement, and recognition from stakeholders (Kind et al., 2023). Consequently, corporate reporting becomes a focal area for satisfying the CEO's personality needs. They aim to cultivate high levels of public support and respect, leading to positive outcomes for the organization, such as enhanced disclosure practices and improved firm performance. Within sustainability initiatives, organizational activities contribute to building a favorable public image for the CEO, motivating their pursuit of environmental and socially responsible initiatives. In essence, a narcissistic CEO's influence significantly shapes ESG reporting to garner praise and respect from stakeholders at large.

CEO Narcissism and Firm Performance

The upper echelon theory postulates that organizational outcomes are reflection of priorities and values of its top executives (Hambrick & Mason, 1984; Kind et al., 2023). Decisions made by these executives are backed by their backgrounds, values, and personalities, within the confines of bounded rationality (Hambrick, 2007). Evidence suggests that a considerable portion of a company's profitability around 15 percent is attributed to the CEO (Nohria, Joyce, & Roberson, 2003). Literature is witness to that various characteristics of CEO such as nationality, age, dual role (act as CEO as well as chairman of the board at the same time), gender, directorship at other company, education level, ownership, founder status and origin and tenure influences the firm performance (Kaur & Singh, 2019; Nguyen, Nguyen, & Dinh, 2023). However, research on personality traits and their impact on organizational outcomes is relatively limited. This scarcity is primarily may due to the inherent difficulty in measuring personality characteristics, as they are not directly observable, resulting in less data available for analysis (Kind et al., 2023). Nevertheless, concentrating solely on CEO demographics may overlook the potential influence of certain psychological traits on organizational outcomes. This realization prompted the upper echelon literature to expand its focus to underlying personality dimensions, including narcissism, which can significantly impact strategic decision-making within a company (Chatterjee & Hambrick, 2007).

The potential effects of CEON primarily center around; excessive risk-taking, overinvestment, and self-serving behavior. Narcissistic CEOs engage in extreme risk-taking due to their conviction in their superior abilities. They are confident that they can influence the outcomes of business endeavors positively, leading to an upward shift in expected payoffs for virtually all alternatives (Shirokova, Galieva, Doktorova, White, & Marino, 2024). Moreover, CEON has been linked to overinvestments, particularly in research and development initiatives (Yang, Lin, Quan, Cunningham, & Huang, 2024). Narcissistic individuals tend to be exhibitionists, preferring bold and attention-grabbing projects to garner admiration and attention from others (Kraft, 2022). They prioritize highly visible actions over incremental improvements to the status quo (Chatterjee & Hambrick, 2007). Narcissistic CEOs can also harm their companies by failing to distinguish between self-serving behavior and actions that benefit the organization (Kraft, 2022). Their objectives often prioritize personal interests over those of shareholders, using the company as a means to fulfill their individual needs. When CEOs leverage their authority to shape corporate strategy and implement initiatives that prioritize their personal gains over the company's well-being, CEON can negatively impact corporate performance (Rehman, Alami, & Abidi, 2024).

Hypothesis Development

Being the utmost powerful personnel inside an organization, the CEO plays a persuasive role. The CEO makes and endorsed the corporate strategic policy decisions (Bildirici, Ersin, & Fidan, 2024). Due to his position as the firm's most powerful individual, the CEO undoubtedly has a significant effect in deciding how the company reports, including on ESG (Kind et al., 2023). These decisions of an enterprises influenced by the personal traits and values of its CEOs (Chin et al., 2013; Hambrick & Mason, 1984). The current literature highlights narcissism as a key trait of CEOs, attributed to three main features: lavish deeds (for example score themselves highly), a thirst for self-admiration (like constantly seeking focus), and absence of empathy (intense self-centeredness) (Cragun, Olsen, & Wright, 2020). CEO narcissism is a deeply rooted personality trait due to which a CEO pursues self-centered strategic goals to gain attention and praise (Cao & Xu, 2022). ESG related reporting is a better and even effective tool for exposing CEO narcissism, which has one of its specific goals to get attraction to a corporation and its executives in one hand (Kind et al., 2023) and demonstrate its commitment to sustainable development in other hand. The rising awareness and demand for ESG information from society and stakeholders have been among the record significant determinants of corporates' reporting over the past era (Martínez-Ferrero et al., 2021), Narcissistic CEOs are more likely to engage in ESG related reporting to get attention and elicit admiration from stakeholders and general public at large (Kind et al., 2023). Therefore, this study proposes the following hypothesis.

***Hypothesis 1**: CEOs with higher level of narcissism may leads to greater tendency toward corporates' ESGD.*

The existing body of research examined the impact of CEO narcissism on firm performance has generated conflicting results. Some studies have reported a positive influence of CEON (Cragun et al., 2020), while others have found no significant effect (Chatterjee & Hambrick, 2007; Resick et al., 2009) or even negative consequences (Rehman et al., 2024) on FP. However, considering the view point of upper echelon theory of management, top-level executives including CEOs relies on their cognition, experience, knowledge, and ability while formulating the businesses strategic decisions. Empirical evidence is also witness from a cognitive perspective, narcissistic CEOs are typically optimistic and confident (Shan, Liu, Chen, & Ma, 2023). They believe in their ability to overcome challenges and often embrace and effectively manage even risky endeavors to lead better business performance (Yook & Lee, 2020). From a motivational school of thought, narcissistic CEOs seek self-admiration, recognition and praise from external sources. This drives them to achieve superior performance and maintain a persistent drive to improve corporate outcomes. Therefore, this study proposes the following hypothesis.

***Hypothesis 2**: Narcissistic CEOs may lead to superior firm performance.*

Data, Variables and Methodology

Data and sample

Although various sources are available for data collection but this is pertinent to mention here that Bloomberg data provides comprehensiveness and standardization, which are accomplished by using a consistent approach applied across international borders (Firmansyah, Umar, & Jibril, 2023). Thus, considering most suitable database, the requisite data set consist on ESGD score, accounting & financial and other firms related measures extracted from the Bloomberg database of all public listed companies on PSX. CEON and corporate age-related data hand collected from the annual reports published by each company.

Since ESG issues became as global conversation center, different initiatives have also been made in Pakistan to encourage the business sector not only to emerge ESG practices into their business process but also disclose sustainability information. The Securities and Exchange Commission of Pakistan (SECP) in 2009 passed an order regarding corporate social responsibility that is applicable to all listed firms. It was further followed by the "Corporate Social Responsibility Voluntary Guidelines" in 2013. Later on, the Code of Corporate Governance, (2017) empowered the board of directors for the "implementation of ESG, health and safety business practices. It also includes a report on corporate social responsibility activities, status of compliance on corporate social responsibility (voluntary) guidelines 2013 (SECP, 2019). The guidelines leave it to the business's discretion to decide how and at what level it wants to incorporate sustainability into its operations and report thereon. The Sustainable Stock Exchanges Initiative reported that 63 states, most of which are in the Middle East and South Asia, have explicit disclosure guidance on ESG reporting. The level of its reporting is too low may due to lack of a standardized and harmonized reporting guidelines like GRI in many countries including Pakistan. According to a survey (2019) of the Centre of Excellence in Responsible Business (CERB) and the United Nations Development Programme (UNDP), Just 17% of companies report implementing the GRI criteria in Pakistan, compared to 73% globally. Because of this low-level tendency toward tendering ESGD, the reasonable firm year observations only found since 2011 for forty companies. Thus, this study finalizes the time span starting from 2011. All firm year observations with missing information or with invalid information for any of the variable also omitted from the dataset. Following the literature all variables have been winsorized at 99th percentile to limit the effects of extreme values. After applying all these filters, the final sample consists of 63 companies and 520 firm-year observations.

Descriptive statistics

Table 1 presents descriptive statistics for the variables used to estimate the deterministic role of CEON in corporates' ESGD and FP. The mean ROA, a measure of FP is 12.2 percent with minimum and maximum value -36 and 75.7 percent respectively which is consistent with statistical figure observed by Sheikh and Rafique (2018) and Sheikh, Rafique, and Abbasi (2016). Negative value indicates the cumulative losses beared by some firms included in the sample. Average score for ESGD of the Pakistani companies is 27.648 with minimum and maximum score 5.643 and 56.020 respectively which is consistent with the values observed by Zuraida, Houqe, and Van Zijl (2017). The mean value for CEON, a composite proxy for CEO narcissism is -0.038 ranging from -0.924 to 8.351 consistent with Abdel-Meguid, Jennings, Olsen, and Soliman (2021). The mean age and size measure as log of assets are 47.757 years and 4.794 time respectively. The mean of total debt ratio is 56.1 percent which shows that debt is the most dominant source of funds for the Pakistani companies. This finding endorses the view point of Sheikh and Wang (2011) and Sheikh et al. (2016), that Pakistan is a prime example of a developing country with weak institutions and limited access to equity finance, which leads to a heavy reliance on debt (Sheikh & Rafique, 2018). On average board consist of 9 members during sample period. On average, in 4.2 percent of cases, CEO of the company also serves as the chairman of the board of directors. On average, a CEO serve a company for 6.807 years.

Table 1.

Descriptive Statistics

Variables	Observations	Mean	Std. Deviation	Minimum	Maximum
ROA_{it}	519	0.122	0.115	-0.360	0.757
$ESGDS_{it}$	520	27.648	8.570	5.643	56.020
$CEON_{it}$	382	-0.038	0.955	-0.924	8.351
Age_{it}	520	47.757	19.366	4	109
$Size_{it}$	519	4.794	0.711	3.447	6.635
Lev_{it}	519	0.561	0.242	0	1.233
BS_{it}	520	9.021	2.076	4	17
$CEOD_{it}$	520	0.042	0.201	0	1
$CEOTen_{it}$	520	6.807	7.470	1	35

Source: Author's own work

Correlation Matrix

To examine whether multicollinearity may be an issue in the econometric models, this study employed the pearson's paired correlation coefficients for the variables included, as presented in Table 2. Results indicate that correlations between continues independent variables are not particularly high, being generally lower than 70% (Hair, Black, Babin, & Anderson, 2010) (Farooq & Noor, 2023) and 80% (Brooks, 2019). Thus, there is no multicollinearity issue with the given data set.

Measurement of variables

Definitions of variables and acronym against each used in the study are presented in table 3. The variables and their definitions are adapted from existing pool of literature so that findings of this study may be compared with earlier empirical studies.

Table 2.
Pearson correlation matrix

Variables	ROA_{it}	$ESGDS_{it}$	$CEON_{it}$	Age_{it}	$Size_{it}$	Lev_{it}	BS_{it}	$CEOD_{it}$	$CEOTen_{it}$
ROA_{it}	1.00								
$ESGDS_{it}$	0.02	1.00							
$CEON_{it}$	-0.06	0.06	1.00						
Age_{it}	0.03	0.07	0.04	1.00					
$Size_{it}$	-0.36***	0.19***	0.26***	0.02	1.00				
Lev_{it}	-0.39***	0.03	0.10**	-0.05	0.57***	1.00			
BS_{it}	-0.06	0.07*	0.04	0.06	0.18***	0.17***	1.00		
$CEOD_{it}$	0.08**	-0.09**	-0.04	0.08**	-0.04	-0.05	-0.08**	1.00	
$CEOTen_{it}$	-0.08**	0.04	0.20***	-0.10**	-0.18***	-0.26***	-0.04	-0.04	1.00

Note: *, **, *** significance level at 10%, 5% and 1% respectively.

Table 3.
Measurement of Variables

Variable	Acronym	Definition	Study
Return on Asset	ROA	Firm's EBIT to its total assets	(Mohammad & Wasiuzzaman, 2021)
ESG Disclosure	$ESGD$	Bloomberg proprietary yearly ESGD score assigned to each company, ranging from 0 to 100.	(Kind et al., 2023; Lassoued & Khanchel, 2023)
CEO Narcissism	$CEON$	Composite proxy of CEO's cash and non-cash compensation with photograph size in annual reports by using PCA method. PCA constructs a composite index by assigning weights that maximize the sum of squared correlations between the indicators and the index. CEO photograph prominence is measured on a 5-point likert scale: 1-No CEO photograph; 2-CEO with other executives; 3-CEO alone, photo < half a page; 4 - CEO alone, photo ≥ half a page with text; 5-CEO alone, photo occupies entire page.	(Abdel-Meguid et al., 2021)
Firm Age	Age	Difference between year t and year of incorporation	(Kind et al., 2023)
Firm Size	$Size$	Log of companies average total assets	(Kind et al., 2023)
Leverage	Lev	Total liabilities to total assets	(Abdi, Li, & Càmara-Turull, 2022)
Board Size	BS	Number of board members	(Lassoued & Khanchel, 2023)
CEO Duality	$CEOD$	1 if CEO is also act as chairman of board, 0 otherwise	(Nguyen et al., 2023)
CEO Tenure	$CEOTen$	Difference between year t and year of appointment as CEO in particular company in same spot.	(Kraft, 2022)

Source: Author's own work

Methodology

This study employs the Breusch-Pagan Lagrange multiplier and Hausman tests to determine the best valuation model, comparing pooled OLS, random effects, and fixed effects models. The Breusch-Pagan test suggests the random effects model is suitable, while the Hausman test supports the fixed effects model. However, classical econometric issues like heteroscedasticity, autocorrelation, and endogeneity must be addressed. The modified Wald test indicates heteroscedasticity, and the Wooldridge test confirms autocorrelation. Endogeneity, likely due to reverse causality and self-selection bias, is assessed using the augmented regression test, which also signals endogeneity (Wooldridge, 2010). To resolve these issues, the two-steps generalized method of moments (GMM) (Arellano & Bond, 1991) is recommended for consistent and unbiased results, addressing firm-specific effects with internal instruments (Roodman, 2009). Thus, this study finalizes GMM system dynamic panel-data estimation. It is extensively utilized across multiple fields, such as economics, finance, and social sciences. Furthered Sargan-Hansen test use to evaluates overidentifying restrictions. Insignificant value of Sargan test evinces that the instruments are valid as uncorrelated with the error term, and that the excluded instruments are appropriately excluded from the estimated equation.

Once the analytical technique is determined, we formulate the following regression model to investigate: (i) in model 1 (Eq. 1), the impact of CEON on corporates' tendency toward ESGD, thereby assessing hypothesis 1; (ii) in models 2 (Eq. 2), the impact of CEON on FP, thereby examining hypothesis 2; and (iii) in models 3 (Eq. 3), the reverse causality effect of ESGD on CEON, thereby evaluating hypothesis 3.

$$ESGDS_{it} = \beta_{0i} + \beta_1 CEON_{it} + \beta_2 Age_{it} + \beta_3 Size_{it} + \beta_4 Lev_{it} + \beta_5 BS_{it} + \beta_6 CEOD_{it} + \beta_7 CEOTen_{it} + Year\ dumy + \varepsilon_{it} \quad \text{(Eq. 1)}$$

$$ROA_{it} = \beta_{0i} + \beta_1 CEON_{it} + \beta_2 Age_{it} + \beta_3 Size_{it} + \beta_4 Lev_{it} + \beta_5 BS_{it} + \beta_6 CEOD_{it} + \beta_7 CEOTen_{it} + Year\ dumy + \varepsilon_{it} \quad \text{(Eq. 2)}$$

$$CEON_{it} = \beta_{0i} + \beta_1 ESGDS_{it} + \beta_2 Age_{it} + \beta_3 Size_{it} + \beta_4 Lev_{it} + \beta_5 BS_{it} + \beta_6 CEOD_{it} + \beta_7 CEOTen_{it} + Year\ dumy + \varepsilon_{it} \quad \text{(Eq. 3)}$$

Where the cross-sectional units are indicated by the letters i and the period by the letter t.

Results and Discussion

CEO Narcissism and ESG disclosure

Table 4 presents the effects of explanatory variable CEON on the corporates' ESGD practices under GMM model. Results indicate that CEON has negative impact on ESGD, inferring that higher level of CEON leads to lower tendency toward ESG related disclosure. Hence, hypothesis 1 rejected, in which hypothesized that CEOs with higher level of narcissism may leads to greater tendency toward corporates' ESGD. The results of in hand study support the view point of upper echelon theory of management. This negative finding is consistent with (Lin, Sui, Ma, Wang, & Zeng, 2018) but in contrary to the finding of (Al-Shammari, Rasheed, & Al-Shammari, 2019; Kind et al., 2023). There could be several plausible explanations for this negative effect of narcissistic behavior of CEO on corporates' ESGD practices. For instance, Pakistan has a high prevalence of concentrated ownership in the hands of a few entities, including families, state-controlled firms, corporations, and financial institutions (Javid & Iqbal, 2010; Kamran & Shah, 2014). Concentrated ownership structure with an effective and close monitoring mechanism, can provide checks and balances on management including CEO (Zhuang, 1999). Thus, shareholders may have power and stronger incentive to regulate the CEO at their own will which may resulted in outweigh the narcissistic behavior of the CEO and may get prioritize their ties over ESG considerations.

Table 4.

Results for effect of CEO narcissism on corporates' ESGD

ESGD	Coef.	Std. Err.	Z	Sig. Value
$ESGDS_{it}\ L1$	0.718	0.022	31.79	0.000
$CEON_{it}$	-0.389	0.181	-2.15	0.032
Age_{it}	0.168	0.061	2.75	0.006
$Size_{it}$	1.800	1.020	1.77	0.078
Lev_{it}	-4.412	2.368	-1.86	0.062
BS_{it}	0.349	0.135	2..58	0.010
$CEOD_{it}$	11.977	7.116	1.68	0.092
$CEOTen_{it}$	-0.145	0.098	-1.47	0.141
$Const_{it}$	-11.771	4.272	-2.76	0.006
$Year\ and\ Industry\ Dummies$	Yes			
N	298			
$Wald\ chi2$	12199.66			
$Prob > chi2$	0.000			
Groups/Instruments	59 / 81			
AR (2) Pr > Z	0.529			
Sargan Prob > chi2	0.987			

Source: Author's own work.

Another reason could be that the Pakistan being a developing economy facing high political instability problem and frequent changes in government structure in addition to social and financial pressure may lead narcissistic CEOs to prioritize economic growth over ESG considerations. Moreover, narcissistic CEOs consistently seek attention and avoid situations that could harm their image (Chatterjee & Hambrick, 2007). Since sustainable development goals are sensitive and likely to attract negative attention (Homroy & Slechten, 2019). For example, Matsumura, Prakash, and Vera-Munoz (2014) finds that reporting pertaining to carbon emissions typically has a greater beneficial effect on businesses compared to companies that do not report their emissions., whereas in same time it's also disseminate that impression of damaging its environment. As a result, companies face penalties regardless. Consequently, a narcissistic CEO might attempt to conceal unfavorable information, for instance their genuine carbon emissions, in their reporting, resulted in low levels of ESG reporting (Kind et al., 2023). Thus, narcissistic CEOs may exploit this relationship to avoid accountability and transparency in ESGD. Shareholders with a vested interest in sustainable practices can challenge and hold the CEO accountable for transparent and meaningful ESG reporting.

Amongst control variables, leverage negatively whereas age, size, board size, CEO duality are positively related to ESGD. Indicates that older and big firms with low leverage under large board size in command of CEO are more likely to place greater emphasis on ESG disclosure. Meanwhile react in align with Lassoued and Khanchel (2023).

CEO Narcissism and firm performance

Table 5 presents the effects of explanatory variable CEON on FP under GMM. Results indicate that CEON has negative impact on FP measured by ROA, deducing that higher the level of CEON leads to inferior FP. Therefore, hypothesis 2, which posited that narcissistic CEOs may lead to superior FP, is rejected. The results of given study endorse the viewpoint of upper echelon theory of management. This negative association between CEON and corporates' FP consistent with (Ham, Seybert, & Wang, 2018; Rehman et al., 2024) but in contrary to the finding of (Cragun et al., 2020; Shan et al., 2023). There could be several tenable explanations for this negative effect of narcissistic behavior of CEO on corporates' FP. For example, narcissistic CEOs may dominate the board and governance structures in strategic decisions and use company resources to seek personal reputation and recognition such as pet projects rather than allocating resources to projects with high potential for growth and profitability. Thus, they sacrifice long-term interests of the businesses over their own self-admiration and short-term goals.

Table 5.

Results for effect of CEO narcissism on FP

ROA	Coef.	Std. Err.	Z	Sig. Value
$ROA_{it}\ L1$	0.494	0.028	17.41	0.000
$CEON_{it}$	-0.009	0.003	-2.96	0.003
Age_{it}	0.005	0.001	2.98	0.003
$Size_{it}$	0.047	0.016	2.97	0.003
Lev_{it}	-0.311	0.020	-14.86	0.000
BS_{it}	0.007	0.001	3.80	0.000
$CEOD_{it}$	-0.046	0.091	-0.51	0.611
$CEOTen_{it}$	-0.007	0.000	-7.96	0.000
$Const_{it}$	-0.285	0.1223	-2.33	0.020
$Year\ and\ Industry\ Dummies$	Yes			
N	298			
$Wald\ chi2$	445572.20			
$Prob > \ chi2$	0.000			
Groups/Instruments	59 / 81			
AR (2) Pr > Z	0.594			
Sargan Prob > chi2	0.997			

Source: Author's own work

Another possible reason for the negative effect could be that since Pakistan is a developing nation and 95 million nationals, around 39.4% of the population, is estimated to be living below the poverty line as reported by the world bank, who may prioritize cost-effectiveness while making decisions about their purchasing. Narcissists desire favorable attention rather than unfavorable (Van Scotter, 2020). It is more likely for them to receive negative attention under the grave concern. Thus, narcissistic CEOs may resist changes and adaption of ESG into their business processes and show their reluctance toward research and development of product that may not be cost efficient resulted in stagnation and even decline in FP. The expenses attached with adopting ESG practices might overshadow the advantages. Substantial costs are associated with adopting ESG practices (such as expenses for reducing carbon emissions, enhancing working conditions, or refining governance practices). If a company fails to execute these changes in a strategic and efficient manner, utilizing them to boost revenues and curtail costs, they might find themselves in a situation where the costs of ESG implementation outweigh the benefits, resulting in diminished FP. In such instances, a company's endeavors towards ESG objectives may not translate into an enhanced reputation, and its products or services may not be more appealing than those of competitors who haven't incurred ESG-related costs, putting them at a disadvantage (Demıraj, Dsouza, & Demıraj, 2023).

Control variables, leverage and CEO tenure are negatively whereas board size, firm age, and size are positively associated with FP. Indicates that big and older companies with low level of leverage in presence of large board, in leadership of newly appointed CEO have a higher likelihood of superior FP. Produce the consistent behavior with Shan et al. (2023) and to somehow contrary to (Seow, 2023).

Robustness test

To ensure the robustness of the results and following Kind et al. (2023), ED, SD, and GD individual score have been taken in lieu of ESGD score (as whole) and regressed with CEON. Findings of all three constituents (i.e. ED, SD, and GD) remain consistent with main findings of this study. Further, CEON also deployed with TQ, alternate proxy for FP. Findings of robustness test not only endorse the main findings of this study but also Kind et al. (2023). Table 6 documented the identical results as our primary findings presented in table 4 and 5.

Table 6.

Results for Robustness Test

Variables	ESGD			FP
	ED	SD	GD	TQ
EDS_{it} $L1$	0.735***			
	(114.67)			
SDS_{it} $L1$		0.848***		
		(36.99)		
GDS_{it} $L1$			0.501***	
			(22.020	
TQ_{it} $L1$				0.047***
				(5.41)
$CEON_{it}$	-0.221**	-0.500**	-0.840***	-0.176***
	(-2.15)	(-2.30)	(-2.89)	(-8.13)
Age_{it}	0.285***	0.089***	0.092	0.041***
	(25.66)	(3.36)	(0.90)	(6.17)
$Size_{it}$	8.367***	-0.520	7.496***	-0.538***
	(14.71)	(-0.57)	(5.120	(-3.39)
Lev_{it}	-6.758***	1.493	-1.594	-1.177***
	(-14.88)	(0.95)	(-0.36)	(-3.22)
BS_{it}	0.329***	-0.284***	0.168	0.059***
	(4.32)	(-2.80)	(1.00)	(2.88)
$CEOD_{it}$	-133.934***	-5326	24.819***	2.871***
	(-4.42)	(-1.07))	(6.21)	(2.73)
$CEOTen_{it}$	-0.053*	0.200***	0.105*	-0.053***
	(-1.72)	(3.80)	(1.64)	(-5.05)
$Const_{it}$	-44.829***	-1.513	-19.181**	2.564***
	(-14.63)	(-0.33)	(-2.19)	(3.92)
$Year\ and\ Industry\ Dummies$	Yes	Yes	Yes	Yes
N	298	298	298	298
$Wald\ chi2$	680000000	94336.25	33519.62	116912.07
$Prob >\ chi2$	0.000	0.000	0.000	0.000
Groups / Instruments	59 / 81	59 / 81	59 / 81	59 81
AR (2) Pr > Z	0.287	0.376	0.412	0.580
Sargan Prob > chi2	0.962	0.999	0.990	0.990

Note: ( ) represents z-statistics and ***P<0.01, **P<0.05, *P<0.10 portray the level of statistical significance. Whereas EDS = environmental disclosure score, SDS = social disclosure score, GDS = governance disclosure score, and TQ = Tobin's Q.

Reverse Causality Effect

One of the main objectives of empirical research in the social sciences is to establish causal relationship (Abadie, 2005). Earlier empirical witnesses are agreed upon, narcissists strongly desire high levels of praise, attention and strongly desire a positive public image over negative one (Van Scotter, 2020). Given that ESG has become a central topic for the discussion (Homroy & Slechten, 2019), It is more probable to attract adverse consideration, as ESG disclosure can reveal controversies. For example, while reporting on ESG practices, carbon emissions reporting typically holds a positive sign compared to non-reporting in one hand, it also conveys the impression that it may be harming the environment on other hand (Kind et al., 2023). Therefore, penalty is there in either way. Thus, businesses and its executives may have to face criticism on controversies which may create a causal relationship. Hens, the study hypothesize that ESG disclosure may create controversy and face criticism resulted in likely hemorrhage narcissistic behavior of the CEOs. In persuasion, study in hand estimate this effect by using Eq. 3 and table 7 presents the reverse causality effect of ESGD and its each constituent (i.e. ED, SD, GD) on CEON.

Table 7. *Reverse Causality Effect of ESGD on CEON*

CEON	Coef.	Std. Err.	Z	Sig. Val.	Coef.	Std. Err.	Z	Sig. Val.	Coef.	Std. Err.	Z	Sig. Val.	Coef.	Std. Err.	Z	Sig. Val.
$CEON_{it}\ L1$	0.992	0.014	69.42	0.000	0.986	0.014	67.88	0.000	0.988	0.013	75.27	0.000	1.001	0.015	65.83	0.000
$ESGDS_{it}$	-0.010	0.003	-3.36	0.001												
EDS_{it}					-0.011	0.002	-4.97	0.000								
SDS_{it}									-0.000	0.001	-0.51	0.609				
GDS_{it}													-0.004	0.001	-4.05	0.000
Age_{it}	-0.013	0.003	-4.21	0.000	-0.012	0.002	-4.98	0.000	-0.013	0.002	-4.50	0.000	-0.013	0.003	-4.08	0.000
$Size_{it}$	0.587	0.057	10.21	0.000	0.640	0.063	10.03	0.000	0.545	0.056	9.62	0.000	0.565	0.057	9.77	0.000
Lev_{it}	0.352	0.082	4.29	0.000	0.261	0.102	2.54	0.011	0.379	0.083	4.52	0.000	0.413	0.082	4.98	0.000
BS_{it}	0.001	0.012	0.12	0.905	-0.003	0.008	-0.43	0.669	0.004	0.012	0.33	0.742	-0.002	0.013	-0.15	0.879
$CEOD_{it}$	-2.440	3.040	-0.80	0.422	-0.974	3.528	-0.28	0.782	-1.886	2.691	-0.70	0.483	-1.189	2.427	-0.49	0.624
$CEOTen_{it}$	-0.052	0.005	-10.40	0.000	-0.052	0.004	-11.79	0.000	-0.053	0.003	-13.50	0.000	-0.054	0.004	-12.27	0.000
$Const_{it}$	-1.623	0.397	-4.09	0.000	-1.997	0.387	-5.16	0.000	-1.621	0.347	-4.67	0.000	-1.742	0.371	-4.68	0.000
$Year\ and\ Ind\_ustry\ dummie$	Yes				Yes				Yes				Yes			
N	276				276				276				276			
$Wald\ chi2$	211545.44				488677.55				258621.75				916354.36			
$Prob > chi2$	0.000				0.000				0.000				0.000			
Groups/ Instruments	58 / 81				58 / 81				58 / 81				58 / 81			
AR(2) Pr > Z	0.179				0.169				0.170				0.181			
Sargan Prob > chi2	0.998				0.998				0.997				0.999			

Source: Author's own work

Results indicate that ESGD and its constituents except SD has inverse effect on CEON, reveal that higher level of ESGD destructing the CEON. Therefore, posit for reverse causality effect is hereby accepted. There could be several plausible explanations for this causality effect of corporates' ESGD practices on CEON. For instance, ESGD practices may empower stakeholders to demand more responsible and sustainable practices and lead to increased scrutiny from stakeholders, regulators, and media making it more difficult for narcissistic CEOs to manipulate information and maintain their self-image. A shift towards greater accountability and transparency may hemorrhage narcissistic behavior of the CEO.

Another tenable position is that narcissists dislike negative attention over positive one (Van Scotter, 2020). Since ESG practices now a days become a topic of central discussion (Homroy

& Slechten, 2019), It is more likely to attract adverse attention easily. For example, ESGD may reveal poor governance practices, such as cronyism, nepotism and other controversies become the adornment of the media. Moreover, Matsumura et al. (2014) reveal that corporates' reporting pertaining to carbon emissions typically benefits businesses compared to those that do not report, every extra thousand tons of emissions reported reduces the company value as this is a signal for damaging an environment. Hence, companies face penalties either way. As a result, heightened scrutiny and criticism could exacerbate narcissistic behavior exhibited by the CEO (Chatterjee & Hambrick, 2007).

Control variables, firm age and CEO tenure are negatively whereas firm size and leverage are positively associated with CEON. Indicates that big and younger levered companies in leadership of newly appointed CEO have a higher likelihood of greater on emphasis on ESGD.

Conclusion, Implication and Avenue for Future Research

The primary objective of this study is to investigate how CEON influences corporate ESGD and its FP. The final sample for in hand study consists of 63 numbers of public listed companies on PSX and 520 year-observations over 12 years' time span starting from 2011. GMM used to estimate the results for in hand study. The finding indicates that firms in command of narcissistic CEO leads to less emphasis on ESGD and inferior FP. Causality effect determined between the ESGD and CEON documented that controversies and crisis on ESG practices may hemorrhage narcissistic behavior of CEOs. These findings are consistent with earlier empirical studies by (Ham et al., 2018; Kind et al., 2023; Lin et al., 2018; Rehman et al., 2024). However, it contradicts the findings of (Al-Shammari et al., 2019; Cragun et al., 2020; Shan et al., 2023). The results of in hand study confirmed the view point of upper echelon theory of management.

There could be several plausible explanations for this negative effect of narcissistic behavior of CEO on corporates' ESGD practices and FP. For instance, Pakistan's corporate sector often features concentrated ownership among families, state-controlled firms, corporations, and financial institutions (Javid & Iqbal, 2010; Kamran & Shah, 2014). This kind of structure enables the shareholders to monitor and regulate CEOs closely, may resulted in ranking their own interests over ESG considerations (Zhuang, 1999). Moreover, political uncertainty, excesive government turnover, and socio-economic pressures in Pakistan may push the narcissistic CEOs to emphasis on economic growth rather than ESG ambitions. Narcissistic CEOs probably always looking for attention and evasion from image-damaging conditions (Chatterjee & Hambrick, 2007), since sustainable development goals are sensitive in nature and its possible to appeal negative attention (Homroy & Slechten, 2019). In case of example, carbon emissions related corporate's reporting can create positive impact on businesses, however it can also expose environmental damage, forthwith may penalized (Matsumura et al., 2014). Resultantly, narcissistic CEOs may conceal such information, resulted in lower level of ESG reporting (Kind et al., 2023). Consequently, scrutiny and criticism avoidance CEOs might exploit this type of reporting to seek evasion from accountability and transparency in ESG disclosure. Furthermore, narcissistic CEOs may have the dominance over governance structures, ranking personal projects first and over long-term business interests. Given Pakistan's economic challenges and high poverty rates, these CEOs may resist costly ESG initiatives, focusing instead on short-term financial performance. The expenses associated with ESG practices, if not managed strategically, can outweigh the benefits, leading to reduced financial performance and competitive disadvantages (Demıraj et al., 2023). Shareholders with a vested interest in sustainable practices can challenge and hold the CEO accountable for efficient and effective integration of ESG practices into their business processes.

Likewise, there could be several tenable explanations for this causality effect of corporates' ESGD practices on CEON. ESGD practices can empower stakeholders to demand more responsible and sustainable actions, increasing scrutiny from stakeholders, regulators, and the media. ESGD may reveal poor governance practices, such as cronyism, nepotism and other controversies become the adornment of the media. This increased scrutiny and criticism on controversies may impair the narcissistic behavior of CEOs (Chatterjee & Hambrick, 2007).

This study has made a several notable contributions. First, limited research exists on personality traits and its impact on corporates' non-financial reporting and its FP generally and specially in context of developing nations. Our best knowledge affirms the findings of prior research in the context of a developing economy, like Pakistan, that remains unexplored and this study held a pioneer in this regard. Second, the debate presented in the article contributes to integrating theoretical perspectives into empirical investigations of the connection between CEON, ESGD and FP. Third, this study serves as a bridge between previous studies that concentrated solely on empirical investigations or offered theoretical foundations to explain the relationship between

CEON, ESGD and FP. Although this association may not yield highly odd empirical results, the study explains the results in more logical manner in the context of Pakistan's economy with additional support of previously available literature and existing theories. Hence, each argument receives robust support from both theoretical frameworks and empirical analysis.

This study caries a new empirical evidence in persuasion of ongoing debate to call of the hour when the world especially emerging countries struggling to achieve its sustainable development goals and its regulatory and law-making bodies are showing grave concern to sustainable practices. Our contribution to previous research on the personality traits of top executives lies in demonstrating the relationship between narcissism and various firm outcomes across different contexts. Thus, In hand study contributes by highlighting the need for targeted interventions and reforms to promote sustainable and responsible business practices. It also offers insightful implications for practitioners, regulators i.e. SECP, academic universe and policy makers in general and businesses in particular while formulating policy and regulatory framework in respect of businesses and its environment.

The current study has certain limitations. It is confined to a singular emerging economy, Pakistan, potentially restricting the generalizability of our findings as these constituents may exhibit different behaviors in varying contexts. Considering the findings of this study, it is imperative to distinguish between family and non-family ownership business for a comprehensive and in depth understanding which is the task of future research.

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