

**MASTER  
FINANCE**

**MASTER'S FINAL WORK**  
DISSERTATION

SELF-REPORTS and REAL- PERFORMANCE  
DOES NARCISSISM CLOUD YOUR JUDGMENTS?

FARZAD NAVAEI

NOVEMBER - 2020

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### **SELF-REPORTS and REAL- PERFORMANCE DOES NARCISSISM CLOUD YOUR JUDGMENTS?**

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*ERRATUM*

## GLOSSARY

CEO – Chief Executive Officer

CSR – Corporate Social Responsibility

HSNS - Hypersensitive Narcissism Scale

NARQ - Narcissistic Admiration and Rivalry Questionnaire

NPD – Narcissistic Personality Disorder

NGS - Narcissistic Grandiosity Scale

NPI – Narcissistic Personality Inventory

ROA - Return to Assets

ROS - Return to Sale

SCID - Structured Clinical Interview

TAT - Thematic Apperception Test

TMT - Top Management Team

## ABSTRACT

Narcissism is one of the most ancient and critical concepts in the history of psychology, and it has grown under superintendence of theories of psychodynamic. In recent years, narcissism has become a more interesting topic with a wide range of results for the researchers who are working in this field. Narcissism is normally described a personality with full of paradox inside it. Narcissists are those individuals with high self-confidence by considering their own main characteristics that always look for much more admiration and attention. Today, in organizational management and leadership, Chief Executive Officers (CEOs) have essential roles and they hold one of the most critical and highest-ranking positions in all of organizations. To that end, the effect of narcissistic CEO on organizational performance has grown attention of scholars. To evaluate the relationship between Portuguese CEOs narcissism and performance, subjective and objective measures were used. The results do not show any relation between narcissism and performance. As such, in line with some previous studies for Portuguese reality (e.g. Guedes, 2017), it seems that narcissist CEOs do not have any effects on organizational performance.

**Keywords:** Narcissism; Organizational Performance; Portuguese Companies; Narcissistic Admiration and Rivalry Questionnaire; Narcissistic Personality Inventory

## RESUMO

O narcisismo é um dos conceitos mais antigos e críticos da história da psicologia, e tem crescido sob a superintendência das teorias da psicodinâmica. Nos últimos anos, o narcisismo tornou-se um tema mais interessante com uma vasta gama de resultados para os investigadores que trabalham neste campo. O narcisista é normalmente descrito como alguém com uma personalidade cheia de amor próprio. Os narcisistas são aqueles indivíduos com elevada autoconfiança nas suas próprias características e que procuram sempre muito mais admiração e atenção. Atualmente, na gestão e liderança organizacional, os diretores executivos (CEOs) têm funções essenciais e ocupam uma das posições mais críticas e de maior destaque nas organizações. Desta forma, o efeito do CEO narcisista no desempenho organizacional aumentou a atenção dos investigadores. Para avaliar a relação entre o narcisismo e o desempenho dos CEOs portugueses, foram utilizadas medidas subjetivas e objetivas. Os resultados não mostram qualquer relação entre o narcisismo e o desempenho. Como tal, em linha com alguns estudos anteriores para a realidade portuguesa (por exemplo, Guedes, 2017), parece que os CEOs narcisistas não têm quaisquer efeitos sobre o desempenho organizacional.

**Palavras-chave:** Narcisismo; Desempenho Organizacional; Empresas Portuguesas; Questionário de Admiração Narcisista e Rivalidade; Inventário de Personalidade Narcisista

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SELF-REPORTED AND REAL PERFORMANCE  
DOES NARCISSISM CLOUD YOUR JUDGEMENT?

By Farzad Navaei

1. INTRODUCTION

The study of human behaviours and personalities in an organization is a valuable subject to consider for building a connection between the concept of personality characteristics and job features (Yakasai & Jan, 2015). Leadership is an important concept in organizational sciences and scientists are trying to study the main parts of the impacts of leader's and chief executive officer (CEO) personalities on organizations (Peterson et al., 2003). In other words, CEOs have a significant impact on organizational performance and knowing the characteristics of CEOs and also selecting and finding appropriate people for the high-ranking leadership position are important for organizations. (Wood & Vilkinas, 2005).

Business environment changes are caused a new way of looking at the concept of CEOs and their characters in an organization such as tenacity, learning ability, courage, and human-related skills except only considering the techniques. Due to this issue, many studies tried to understand the effect of these features on organizations and consider this point as one of the main research topics. One of the main characteristics that would influence the organizational performance is narcissism (Kets de Vries et al., 2004).

In recent years, narcissism has become a more interesting topic with different results for the scholars who are working in this field, and it is usually described as a personality with full of paradox inside it. This paradox in personality can be seen as a self-egoistic, self- absorbed or self-centred, and narcissistic are very easily against to feedback from other people and have a low level of tolerance regarding negative feedbacks (Morf & Rhodewalt, 2001). In other words, narcissism can be considered as a controlled and high flown characteristic that it becomes a challengeable subject for researchers in this field of study (Chatterjee & Hambrick, 2007) and as a human characteristic can have an effect on the ethical judgement in a negative way. (Cooper & Pullig, 2016).

This study aims to study the difference between self-reported (subjective) studies and real performance (objective) ones, with the purpose of showing how narcissism could affect judgments. In other words, the main goal of this study is to answer this question that “Does narcissism cloud your judgement?”

The dissertation is divided in five chapters, starting with the Introduction. Chapter 2 contains the Literature Review that introduces the issue in study and presents the proposed hypothesis; chapter 3 describes the Data and Methodology used; chapter 4 presents and analyses the obtained Results and chapter 5 contains the conclusions and limitations of the study, as well as suggestions for future investigation on this subject.

## 2. LITERATURE REVIEW

### 2.1. NARCISSISM

Narcissism is one of the old concepts in the history of psychology and it has grown under superintendence of theories of psychodynamic (Brown et al., 2009). The origin term of narcissism comes from Greek mythology that a young Narcissus flipped over with his own image that was reflected in a pool of water and the concept of narcissism originally coined and introduced by Ellis (1898) and it had a significant impact of Freud’s (1957) way of thinking (Chatterjee & Hambrick, 2007).

The word of narcissism is a common concept and the main characteristics of it is related to self-respect, self-worth, self-absorption and obsession with power, and also constantly trying to get others attentions. Narcissism more formally is defined as an extensive model of greatness, self-focus, self-importance and according to American Psychiatric Association (1994), the narcissist person is someone who is full of dreams, the accomplishment of all goals, power, greatness and exceptional talent (Morf & Rhodewalt, 2001; Wallace & Baumeister, 2002; Judge et al., 2006).

For narcissism, two key elements exist: the first element is a positive, overblown and showy view of oneself and the second element focuses on a self-function strategy to keep and improve this self-positive type of view (Morf & Rhodewalt, 2001). According to the first element, narcissist in a self-positive view, they think in a different way and they seem to be a special person (Emmons, 1984), they have better results in life in comparison with

others (Campbell et al., 2004), they are more talented and physically adorable than others (Gabriel et al., 1994), and they tend to be better and more effective compared to others in agentic characteristics such as control or influence but not good at mutual characteristics like teamwork or manners (Campbell et al., 2002). According to the second element, narcissistic people use both intrapsychic and interpersonal ways to keep their positive self-views. On the intrapsychic part, the narcissist is living in a dream world about their reputation (Raskin & Novacek, 1991) and they try just for their own success. It means that they only believe in their own abilities (Campbell et al., 2000; Farwell & Wohlwend-Lloyd, 1998). On the interpersonal part, the narcissistic people pay attention to themselves in a special way (Buss & Chiodo, 1991), and they try to be in a challenge with others (Carroll, 1987). Narcissists also want to be considered as high-ranking people compared to others due to getting more value (Campbell, 1999) and it is not weird that these types of people blame others when they are not successful and fail. (John & Robins, 1994).

The narcissism can be measured by several factors like the purpose of test or period of test. Most of these measurements were based on projective instruments such as Thematic Apperception Test that showed the unclear scenes of respondent's imagination and thought that might be created to reply to test (TAT; Grayden, 1958; Harder, 1979) and the Rorschach test that was a measurement of disorder thought in aim of knowing mental illnesses by showing a series of ten-ink cards to participants (Harder, 1979; Urist, 1977). For measuring the narcissism, other scales such as Ashby, Lee and Duke (1979) developed an MMPI Narcissistic Personality Disorder Scale (NPD), Spitzer et al. (1987) developed the clinical concept that referred to Structured Clinical Interview (SCID), Rosenthal et al. (2007) developed the Narcissistic Grandiosity Scale (NGS), Hendin & Cheek (1997) developed Hypersensitive Narcissism Scale (HSNS), Back et al (2013) developed the Narcissistic Admiration and Rivalry Questionnaire (NARQ) and also Raskin and Hall (1979) built the Narcissistic Personality Inventory (NPI) too. The most common use scales for measuring narcissism are Narcissistic Personality Inventory (NPI) and the Narcissistic Admiration and Rivalry Questionnaire (NARQ).

However, previous studies have shown that narcissism as a human personality trait is a permanent and independent personality characteristic and it cannot be only a disarray trait (Emmons, 1984).

## 2.2. THE ROLE OF ORGANIZATION CEO

The concept of leadership and management is one of a critical issue in the organizational world and it makes the theory and shapes of managing of an organization. Thus, knowing and studying this concept is really critical. As a matter of fact, the absence of leadership and management means the absence of organization (Smircich & Morgan, 1982). In other words, the progress of an organization depends on its management and leadership decision-making process and it has to determine the answers for three important organizational questions – what, why and how. The question ‘what’ reflects the goals of organization to achieve, the question ‘how’ refers to the ways the organization will use to build a connection between its targets and the question ‘why’ shows the conceptual frameworks behind the connections that would be built (Whetten, 2002).

Today, in organizational management and leadership, CEOs have essential roles. They hold one of the most critical and highest-ranking positions in all of organizations and up to now this role has become an attractive topic for study (Hales 1986, Lafley 2009). It is assumed that CEOs build the organization face and that is how people to evaluate the organization from outside. It means that they become the image of organization. (Hayward et al., 2004; Wade et al., 2006). CEOs affect an organization reputation and the reputation will be depending on CEO stable leadership manner and the quality of his judgment (Love et al., 2016).

CEOs are in charge of all the activities of organization such as making top organizational decisions, setting and controlling the high level of strategy performance, daily-based operations and also a main part of connection between board of directors and the organization operations (Jain & Yadav, 2017). According to these all responsibilities, studying the CEO personality can affect the organization progress. For example, it might affect making decision due to investment in a vast range (Ben-David et al., 2007; Hirshleifer et al., 2012), impact on financial performance such as operating cash flows, net profit and working capital and also on operational performance such as marketing, sales and human resources. In other words, the personality of CEO can influence business performance of organization such as productivity, profitability and cost efficiency (Jiang et al., 2006; Smith et al., 1998). Also, dimensions of CEO personality can impact on entire

future organization performance and it can be a main reason for a positive progress and it would lead the organization to success or failure in competitive business environment (Libby & Rennekamp, 2012).

### 2.3. CEO NARCISSISM

Previous studies have shown that CEOs play a central role in an organization (Smircich & Morgan, 1982; Hales 1986, Lafley 2009). For example, studies in the field of strategic management have shown that CEOs by their experiences, abilities and visions can impact positively on organization progress (Zajac & Westphal, 1996). And also Studies in the field of organizational theory have shown that how the characteristics of CEOs impact strategic behaviour and performance of organizations (Finkelstein & Boyd, 1998; Sanders, 2001).

In the specific case of psychoanalytic CEOs characteristics, previous studies have shown that it may impact organizations (e.g. Zaleznik & Kets de Vries, 1975; Kets de Vries & Miller, 1985). For example, it may affect the forms of control, or risk acceptance (Gupta & Govindarajan, 1984). When studying narcissism, in particular, the previous studies showed that narcissism is a significant personal feature in concept of leadership because of its wide capacity to influence on power, control, form the structure and reputation of organization (Lubit, 2002; Chatterjee & Hambrick, 2007, Hayward & Hambrick, 1997; Resick et al., 2009). Then, studies related to this characteristic to effect on the organizational processes (Chatterjee & Hambrick, 2007, Hayward & Hambrick, 1997; Resick et al., 2009).

A Narcissistic CEO is someone with self-confidence, high power, and influence on others, a sense of privilege and low sympathy that can impact an organization in both positive and negative side. On the positive side, the narcissistic CEOs can be considered as effective people and accomplish in challengeable and risky situations and can be a motivation for creativity and innovation inside and outside of organization (Deluga, 1997; Maccoby, 2004), and also they can influence on organization by engaging in corporation of social responsibility (CSR) activities in positive way to show more appropriate of status to public (Petrenko et al., 2016). On the negative side, the narcissistic CEOs have seen as a disobey from principal standards of organization (Blickle et al., 2006; O'Connor et al.,

1995), and in the organization, they have dissatisfied employees and they build a devastating and absurd work environment and they close the rooms of exchanging information inside the organization between colleagues (Nevicka et al., 2011).

All taken together, narcissistic CEOs impact on the process of decision-making, setting the strategy and also on organizational outcomes. Narcissistic CEOs are more to be involved in high-risk activities (Li & Tang, 2010), engaging in extensive and overpaid purchases (Chatterjee & Hambrick, 2007), having large-scale research and development (R&D) (Hirshleifer et al., 2012), and attending organizational modernization process (Galasso & Simcoe, 2011; Gerstner et al., 2013). In some cases, narcissistic CEOs might spend more time and focus on their public side of the image compared to improving and obtaining the organizational aims (Bass & Steidlmeier, 1999; Conger, 1990) and because of this reason, narcissistic CEOs need endless social attention for their positive public image and they always try to engage more in corporation with social responsibility activities to improve their quality of social position. (Petrenko et al., 2016).

#### 2.4. ORGANIZATION REAL PERFORMANCE AND NARCISSISM

The business environment that we currently live in, is a competitive world and constantly changing. Thus, in this competitiveness and growing market, organizations should be able to answer the challenges properly and this needs the choice of an appropriate strategy that leads to positive outcomes (Gabcanova, 2012). Organization performance is a wide and argued concept which has been the main subject to study in management research. Past studies have shown it is a multidimensional concept that is associated strongly with time, market and stakeholders (Richard et al., 2009).

Organization performance is defined as the running of the organization and its result from the operations. In other words, the organizational real performance consists of evaluating the firm's performance compared to its goals. Thus, organizational performance compares the real outcomes or results with the expected outputs (Richard et al., 2009).

According to Richard et al. (2009) performance consists of three main parts of the firm results. The first part is a financial performance that shows the quality of the organization's financial health by measuring the profits, returning on assets, returning on

investment, and so on. The second case refers to the product-market performance that evaluates the amount of gaining or losing in the market share by analysing the sales, market share, and so on. The last one is shareholder value that dominates how much organization increases its shareholder's wealth by considering the total shareholder return, economic value-added, and so on.

The interesting question is to investigate how CEO's personality can impact on organizational performance. The evidence is complicated and far from established. On the one hand, some studies show that narcissistic CEOs can influence significantly organizational performance (O'Reilly et al., 2014). Mostly, the influence is, for example, Reina et al. (2014) have shown that the narcissistic CEOs are more interested in taking credit for real and perfect results such as market growth, price, and shareholder wealth growth. Thus, these narcissistic CEOs are tending to be less responsible for negative organizational results from their decisions. Ham et al. (2014), find a negative correlation between narcissism and performance, measured by returning on assets. These authors show that narcissistic CEOs are disposed to occasional investments and tend to overinvest, causing constraint and compromising sales growth. On the other hand, some studies found that narcissistic CEOs positively influenced their organization's strategic progress and number of acquisitions that the organization made. Chatterjee et al. (2007) believed that narcissistic CEOs can positively impact on organization's strategic progress and its achievements. Resick et al. (2009) by studying the personality of sports clubs' CEOs, investigated that narcissistic CEOs could improve the organization real performance but on the other hand, they are less interested in equal premium for others. Finally, narcissistic in crisis period, narcissistic CEOs faced a big fall in organization performance, but in post-crisis period, they achieved better performance benefits and they saved organization.

## 2.5. ORGANIZATION PERCEIVED PERFORMANCE AND NARCISSISM

Successful organizational situation and reputation has a significant impact on forming constant perspective and actions. The situation and reputation of an organization usually show the success or performance of the organization (Carmeli et al., 2007). Organizational perceived performance can be considered as the main structure in

organizational approach and it is related to self- identification of organization members with their organization (Berberoglu & Secim, 2015).

Organizational perceived performance can be defined as the organization's employees and management perspective regarding their entire organization performance (Allen & Helms, 2002 cited in Mullins, 2010). Organizational perceived performance can be seen in the concept of achievement, constancy, and progress from the point of view of employees and management (Berberoglu & Secim, 2015).

The role of CEOs and their influences on organizational perceived performance can be seen as the main subject in organizational research, especially the impact of narcissistic CEOs. narcissistic CEOs can influence the organizational perceived performance strongly; For example, on the top management team (TMT) behavioural integration and organization member's perspective. Narcissistic CEOs by having significant organizational perception, turn to make connection between their self-improving and organizational aims to achieve benefits for both organization and themselves and they are tending to consider more charismatic because of organization's value (Brunell et al., 2008; Deluga, 1997; Galvin et al., 2010), and also they can motivate employees and management positively by extending their vision regarding organizational goals' achievement (Galvin et al., 2010).

Chatterjee & Hambrick (2007) showed that narcissistic CEOs are positively correlated with performance volatility but it does not guide in a better or worse performance, and also narcissistic CEOs with low organizational perception are likely to abuse their power on self-improving which the previous studies investigate that this causes a negative impact on team performance (Greer et al., 2011) and it has seen they showed less integrity (Blair et al., 2008).

## 2.6. DIFFERENCES IN PERCEIVED AND REAL ORGANIZATIONAL PERFORMANCE

The economic environment of recent days has faced significant changes and it becomes more uncertain and complex, thus organizations must act in a better way to optimize and improve their perceived and real organizational performance. The most successful organizations would be those which try to accept changes and able to apply appropriate strategy (Taouab & Issor, 2019).

The definition and the process of analysing real organizational performance are changed during the years (Taouab & Issor, 2019). In the 50s, the real organizational performance was evaluated as equal to organizational efficiency that shows the organization's achievement regardless of any effort from its members. Productivity, flexibility and inter-organizational tightness were the main variables to analyse the real organizational performance (Georgopoulos & Tannenbaum, 1957). In more recent years, the real organizational performance definition considers the ability of an organization more to reach its goals constantly by optimizing the available resources (Peterson et al., 2003).

Organizational perceived performance can be seen as the view of the board of directors and personnel compared to the whole organization's performance process. This process involved the way of managing the human resources that directly influence the board of directors and personnel's attitude within an organization (Allen & Helms, 2002 cited in Mullins, 2010).

Previous studies showed the difference between the real and perceived organizational performance. Lebas (1995) and Ben Said (2014) showed that real performance mostly focuses on outside outcomes. These outside outcomes include the financial variables such as growth in profit, market variables such as growth in sales and market share and equity variables such as an increase in shareholder's wealth. In contrast, Berberoglu & Secim (2015) and Delaney & Huselid (1996) showed that the perceived performance considers the inner results of an organization such as management and employees vision regarding the stability, growth, development, and degree of satisfaction of management on employees from the organization more.

## 2.7. WHO IS BLAMED FOR THE ORGANIZATIONAL FAILURE AND POOR PERFORMANCE?

Over the past decades, many studies have tried to focus on investigating the causes of organizational failure and poor performance (Mellahi & Wilkinson, 2010) and also other researches have tried to show how organizations will learn from their events, experiences and other cases that cause to fail (Desai et al., 2017).

The reasons for organizational failure and poor performance can be divided into two groups, external and internal environmental causes (Mellahi & Wilkinson, 2004).

External causes can be gradual changes that come from small changes in the business environment such as employee culture, or fast changes that include an unpredictable event such as a change in technology or economy (Mellahi & Wilkinson, 2010). In contrast, the internal reasons for poor performance are the outcome of the manager's decisions (Mellahi et al., 2002) and the results of misleading actions that led to a fast fall in the organization (Mellahi, 2005).

The role of CEOs in case of blaming the failures is important, especially narcissistic CEOs. Previous studies showed that the narcissistic CEOs do not consider the other's feedback tend to blame the poor performance (Chatterjee & Hambrick, 2007, Barton & Mercer, 2005). For example, many companies such Ford Motor, Winn Dixie, WebMD and Delta Airlines CEOs blamed the poor financial outcomes due to terrorist attacks of September 11, 2001 (Barton & Mercer, 2005), and also CEOs of Callaway Golf and Hershey Foods blamed the poor financial performance regarding the winds of El Nino and economic problems in Asian markets (Perry et al., 2001). On the other side, narcissistic CEOs would blame employees for the poor performance and usually are aggressive to them (Jones & Paulhus, 2010).

In the light of the mixed evidence regarding narcissism and performance, it is difficult to choose a comprehensive hypothesis. Nevertheless, taken all together, the formulated hypothesis is:

H<sub>1</sub>. Narcissism positively affects the CEO judgements on organizational performance.

### 3. DATA DESCRIPTION AND METHODOLOGY

#### 3.1. DATA DESCRIPTION

The data for the study collected from an online questionnaire sent by e-mail and using the Qualtrics software. The participants were CEOs or a members of top management teams of the organizations. Saving time to collect the data, cost-effective way and unknown participants were the main reasons to choose a questionnaire. The main disadvantages of this method can be described as the possibility of ignoring and rejecting the emails that caused low-response rates (Hoonakker & Carayon, 2009).

With the purpose of ensuring the full comprehension of all questions, the questionnaire tested by management professionals before its final version sent. The contact of all registered Portuguese limited companies requested to Inform D&B and 11,828 e-mail addresses provided and sent. For having a higher number of responses the questionnaire was sent three times only to the respondents that had not yet completed it.

A total of 1036 e-mails were undelivered and a total of 449 responses were obtained. However, most of the questionnaires were incomplete and only 121 responses were considered which represents a response rate of approximately 1.023%

The main reason for the low rate of email reply was that the questionnaire sent during the Covid-19 epidemic situation. This abnormal situation caused many organizations to stop their operations temporarily because of safety. In addition, managers were more concerned to respond the crisis and were not available to contribute to academic research.

A complete and full description of the samples is available in Annex I. Out of 121 responds, 52.1% were male, 66.9% were married and aged between 41 to 50 years old. About 49.6 % of participants have bachelor degree and 35.5% were in top management position. About 73.6% were responsible for managing people in organization and 33.9% were in their current position by less than 5 years and also by 20.70% of work experience between 16 to 20 years in total. Almost all participants, about 95%, were active in private sector, and the majority of respondents, about 66.9% have more than 20 years' organizational age.

### 3.2. Measures and Scales

The purpose of this study is to evaluate how CEO narcissism relates with the perceived and real organizational performance. To that end, we can conclude that CEO narcissism has effects on the CEOs judgements about performance.

#### 3.2.1. NARCISSISM

One of the most common tools for measurement of narcissism is Narcissistic Admiration and Rivalry Questionnaire or NARQ. This scale is divided into two parts, narcissistic self-promotion which shows the uniqueness, grandiosity and charmingness as an admirable behaviour and narcissistic self-defence includes devaluation, supremacy,

and aggressiveness as a rival behaviour. In other words, NARQ evaluates the egotistic trait of narcissism as a two-dimensional approach with each dimension includes the respective, cognitive, affective-motivational, and behavioural facets. This scale produces valid results that are positively related to the mentioned dominations but distinguishable multifaceted dimensions (Back et al., 2013).

NARQ items are divided in a 6 Likert-scale, ranging from 1 (not agree at all) to 6 (totally agree). The participants were asked to score the appropriate statements that based on the one admiration or rivalry dimension with its fact. The total score of NARQ is the average of items and highest scores show more narcissistic traits (Back et al., 2013).

The Cronbach's alpha coefficient of the scale is 0.813, meaning the measure has very good reliability (DeVellis, 1991).

### 3.2.2. PERCEIVED PERFORMANCE

The perceived performance can be assessed from interview or survey. Wiklund & Shepherd (2003) developed a performance scale which considers multi dimensions of performance by comparing with competitor organizations. The participants were asked to assess their organizational performance with competitors in ten performances fields over last three years. These fields are grown in sales, revenue and growth in the number of employees, net profit margin, innovation in product/service, innovation process, new technology adoption, quality of product/service, variety of product/service and customer satisfaction. The scale scored from 1 (=lowest) to 5 (= highest) and the total score of performance was gained from the sum of all ten answers (Naldi et al., 2007). The Cronbach's alpha coefficient of the scale is 0.802, meaning the measure has very good reliability (DeVellis, 1991).

### 3.2.3. OBJECTIVE PERFORMANCE

For evaluating the performance, there are two measurements: real performance (objective performance) and perceived performance (self-reported performance). The real performance of organization was evaluated using two different financial performance measures. The return on assets (ROA) refers to the ratio of net income to assets and return on sales (ROS) that can be defined as a ratio of net income to sale (Reina et al., 2014). For this purpose, we collected the financial data of last three years from Informa D&B.

3.3. VARIABLES

Table 1 summarizes the definition of the variables used.

**Table 1 – Variables of the model**

Variable		Description
<b>Dependent Variables</b>	Performance (PERF)	Sales, revenue and growth in the number of employees, net profit margin, innovation in product/service, innovation process, new technology adoption, quality of product/service, variety of product/service and customer satisfaction. The total performance was calculated by sum of all items (Perceived Performance).
		Return on Asset (ROA): the ratio of net income to assets (Real Performance)  Return on Sale (ROS): the ratio of net income to sale (Real Performance)
<b>Independent Variables</b>	Narcissism (NARQ)	Narcissism score is given by the NARQ scales scores
	Narcissism (NPI 16)	Narcissism score is given by the NPI scales scores.

**Table 1 – Continue**

<b>Control Variables</b>	<b>Individual related Variables</b>	
	Hierarchical Position (HPOS)	Dummy variable: 1 if Top-level management; 0 if otherwise
	Work Experience (EXP)	1 if up to 5 years; 2 if between 6 and 10 years; 3 if 11 - 15 years; 4 if 16 – 20 years; 5 if 21 – 25 years; 6 if 26 – 30 years; 7 if 31 – 35 years; 8 if 36 – 40 years; 9 if more than 40 years.
	Age (AGE)	1 if up to 19 years old; 2 if 20 – 29 years old; 3 if 30 – 39 years old; 4 if 40 – 49 years old; 5 if 50 – 59 years old; 6 if 60 – 69 years old; 7 if 70 years old or older.
	Gender (GEN)	0 if female; 1 if male
	Education level (EDU)	1 if up to high school; 2 if undergraduate degree; 3 if master’s degree; 4 if post-graduation; 5 if PhD
	<b>Organizational related variable</b>	
	Organizational Age (OAGE)	1 if 1 year or less; 2 if 1-5 years; 3 if 6-19 years; 4 if 20 years or more

**3.4. METHOD**

For testing the relationship between CEO narcissism and organizational performance based on our hypothesis, a multiple linear regression analysis with the robustness standard errors was performed. There are four models where the independent variable is narcissism score by NARQ scale.

The organizational performance as dependent variables are divided to perceived and real performance variables. In equation 1, the only relation between organizational performance and narcissism is considered. Equation 2 adds control variables related to individual (Hierarchical Position, Professional Experience, Age, Gender and Education) and equation 3 adds as control variable that related to organization (organizational age).

Equation 4 adds both control variables related to the individual and organization.  $\alpha$  represents the constant,  $\beta$  is the estimation of coefficients and  $\varepsilon$  is considered as the error of term.

$$(1) \text{ PERF} = \alpha + \beta_1 \text{ NARQ} + \varepsilon$$

$$(2) \text{ PERF} = \alpha + \beta_1 \text{ NARQ} + \beta_2 \text{ HPOS} + \beta_3 \text{ EXP} + \beta_4 \text{ AGE} + \beta_5 \text{ GEN} + \beta_6 \text{ EDU} + \varepsilon$$

$$(3) \text{ PERF} = \alpha + \beta_1 \text{ NARQ} + \beta_2 \text{ OAGE} + \varepsilon$$

$$(4) \text{ PERF} = \alpha + \beta_1 \text{ NARQ} + \beta_2 \text{ HPOS} + \beta_3 \text{ EXP} + \beta_4 \text{ AGE} + \beta_5 \text{ GEN} + \beta_6 \text{ EDU} + \beta_7 \text{ OAGE} + \varepsilon$$

Also t-test were applied for testing the equality of means between groups.

## 4. RESULT

### 4.1. DESCRIPTIVE STATISTICS

Table 2 shows the descriptive statistics according to organizational performance as the dependent and NARQ as a main independent variable. For narcissism, there are 18 statements and the first row shows the final score of both scales. From the result, all aspects of the organizational perceived performance show a positive result, and that means for all are more than 3, thus perceived performance in each item is on average between similar and good compared to competitor organizations. Growth in number of employees shows has the lowest mean with 3.099 and customer satisfaction with the mean 3.711, shows the highest dimension of perceived performance. The overall mean for the perceived performance on average is 34.215 which shows a very positive result but the reason for the very positive result is that the data is collected by self-reporting questionnaires and CEOs will consider their performance better than others. According to result for narcissism, the sentence with highest score is *I enjoy my successes very much* with a mean of 4.017 and the sentence with lowest mean of 1.479 is *Other people are worth nothing*. The mean of the total NARQ score is 2.609.

Based on the Pearson correlation table, correlation between perceived performance and narcissism is 0.0068 which means that these two variables are not positively and significantly correlated.

**Table 2 – Descriptive statistics of Organizational Performance and Narcissism**

	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>	<b><math>\alpha</math></b>
<b>Overall Performance</b>	<b>34.215</b>	<b>4.170</b>	<b>10</b>	<b>50</b>	<b>0.802</b>
Sales Growth	3.388	0.663	1	5	
Revenue Growth	3.372	0.72	1	5	
Growth in the number of employees	3.099	0.712	1	5	
Net profit margin	3.339	0.69	1	5	
Product/service innovation	3.405	0.653	1	5	
Process innovation	3.429	0.693	1	5	
Adoption of new technology	3.347	0.771	1	5	
Product/service quality	3.653	0.667	1	5	
Product/service variety	3.471	0.684	1	5	
Customer satisfaction	3.711	0.688	1	5	
<b>Overall NARQ Score</b>	<b>2.609</b>	<b>0.425</b>	<b>18</b>	<b>90</b>	<b>0.813</b>
1. I am great.	3.116	0.848	1	5	
2. I will someday be famous.	2.24	0.847	1	5	
3. I deserve to be seen as a great personality.	2.545	0.957	1	5	
4. I show others how special I am.	2.752	0.969	1	5	
5. I enjoy my successes very much.	4.017	0.741	1	5	
6. Being a very special person gives me a lot of strength.	3.421	0.892	1	5	
7. Most of the time I am able to draw people's attention to myself in conversations.	3.579	0.761	1	5	
8. I manage to be the center of attention with my outstanding contributions.	3.033	0.795	1	5	
9. Mostly, I am very adept at dealing with other people.	3.843	0.742	1	5	
10. Most people won't achieve anything.	2.132	0.93	1	5	
11. Other people are worth nothing.	1.479	0.72	1	5	
12. Most people are somehow losers.	2.562	1.251	1	5	
13. I secretly take pleasure in the failure of my rivals.	2.223	1.107	1	5	
14. I want my rivals to fail.	2.14	1.051	1	5	
15. I enjoy it when another person is inferior to me.	1.678	0.819	1	5	
16. I react annoyed if another person steals the show from me.	1.876	0.881	1	5	
17. I often get annoyed when I am criticized.	2.512	1.017	1	5	
18. I can barely stand it if another person is at the center of events.	1.826	0.873	1	5	

Note: N = 121. N is the number of observations; Min. is the minimum; Max. is the maximum; SD is standard deviation;  $\alpha$  is the Cronbach's alpha.

The Tables 3 shows the descriptive statistics of the remaining independent variables, individual and organizational related variables.

**Table 3 – Descriptive statistics of independent variables**

Variable	Mean	SD	Min	Max
Organization position	0.355	0.481	0	1
Work experience	22.207	11.083	1	44
Age	45.231	10.754	23	75
Gender	0.521	0.502	0	1
Education	2.298	0.963	1	5
Organization Age	3.612	0.597	1	4
Organization Sector	0.95	0.218	0	1

Note: N = 121; Min. is the minimum; Max. is the maximum; SD is standard deviation

To perform the test, the variables Hierarchical Position, Work Experience, Age, Gender, Education, Organization age and organization sector were recorded to estimate the models better. Table 4 shows the recoded variables.

**Table 4 – Recoded Variables**

Variables	Description
Hierarchical Position (HPOS)	1 if top-level manager; 2 if lower-level manager
Work Experience (EXP)	1 if up to 20 years; 2 if more than 20 years
Age (AGE)	1 if up to 40 years old; 2 if more than 40 years old
Gender (GEN)	1 if Male; 2 if Female
Education (EDU)	1 if above to undergraduate degree; 2 if up undergraduate degree
Organization Age (OAGE)	1 if up to 5 years; 2 if more than 5 years

#### 4.2. T-TEST

The t-test can be described as a type of inferential statistical test to show significant difference between the means of variables by comparing them from the perspective of narcissism. The uniformity of means between the groups of the variable will call null hypothesis.

The Table 5 shows the results for t-test. All results are not significant. The null hypothesis is not rejected. The results show that there is no statistical difference in narcissism in the considered groups.

**Table 5 - t test**

Hierarchical Position	top-level manager	lower-level manager	t-value
NARQ	2.603	2.613	-0.122
Work Experience	up to 20 years	more than 20 years	
NARQ	2.613	2.607	0.082
Age	up to 40 years old	more than 40 years old	
NARQ	2.597	2.616	-0.229
Gender	Male	Female	
NARQ	2.659	2.557	1.326
Education	above to undergraduate degree	up undergraduate degree	
NARQ	2.647	2.592	0.659
Organization Age	up to 5 years	more than 5 years	
NARQ	2.683	2.605	0.465

Note: \*, \*\* and \*\*\* indicate significance levels of 10%, 5% and 1%, respectively

#### 4.3. LINEAR REGRESSION MODEL

The results of the linear regressions, with perceived performance as the dependent variable, are presented in table 6.

**Table 6 – Linear Regression Model Results (Perceived Performance)**

Variables	1 NARQ	2 NARQ + Individual	3 NARQ + Organization	4 All
NARQ	0.067 (0.074)	-0.162 (-0.177)	-0.211 (-0.234)	-0.395 (-0.431)
Organization position		0.146 (0.151)		0.067 (0.070)
Work experience		-0.052 (-0.423)		-0.029 (-0.236)
Age		0.061 (0.476)		0.046 (0.361)
Gender		0.599 (0.727)		0.596 (0.729)
Education		0.675 (1.648)		0.619 (1.518)
Organization age			-1.192* (-1.855)	-1.091 (-1.658)
Constant	34.041*** (14.319)	31.114*** (7.678)	39.072*** (10.880)	35.988*** (7.225)
Observations	121	121	121	121
R-squared	0.000	0.038	0.028	0.066
Prob>F	0.941	0.618	0.183	0.401

t-statistics in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

All results from regressions in the table shown a negative association between narcissism and organizational performance. However, the relationship is not significant.

Table 7 shows the results for Return on Assets (ROA), the objective accounting performance measure. The results show that there is no association with the performance with all organizational variables.

The results from the linear regression model and Pearson correlations table show that correlation between narcissism and the objective performance measures is non-significant.

**Table 7 – Linear Regression Model Results (ROA)**

Variables	1 NARQ	2 NARQ + Individual	3 NARQ + Organization	4 All
NARQ	0.065 (1.185)	0.055 (0.983)	0.062 (1.095)	0.052 (0.912)
Organization position		0.012 (0.199)		0.011 (0.180)
Work experience		-0.011 (-1.472)		-0.011 (-1.416)
Age		0.012 (1.530)		0.012 (1.495)
Gender		0.077 (1.527)		0.077 (1.520)
Education		-0.022 (-0.874)		-0.023 (-0.897)
Organization age			-0.017 (-0.415)	-0.015 (-0.330)
Constant	-0.169 (-1.159)	-0.432* (-1.750)	-0.099 (-0.443)	-0.367 (-1.195)
Observations	121	121	121	121
R-squared	0.012	0.066	0.013	0.067
Prob>F	0.239	0.248	0.459	0.335

t-statistics in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The overall results show that there is not a significant relationship between narcissism and performance, either measured by perceived or objective measures. As such, the proposed hypothesis is rejected.

These results are in line with Filipe (2016) and Guedes (2017) that also found that there is no relationship between performance and narcissism.

However, the results are in contrast with the results of Chatterjee & Hambrick (2007) that showed that narcissistic CEOs is positively correlated with performance volatility and can positively impact on organization's strategic progress and its achievements, or with the results findings by Ham et al. (2014) who found a negative relationship between narcissism and performance.

Overall, the study finds not to support that narcissism is a bad personality trait (Blickle et al., 2006; O'Connor et al., 1995; Nevicka et al., 2011), or that it affects the judgements of managers.

4.3.1. ROBUSTNESS CHECKS

We conducted different analyses to assess the robustness of our findings. Firstly, we measured narcissism and real performance by using other alternative models. For measuring narcissism, the newer and shorter versions of NPI based on 16 subject developed by Ames et al. (2006) and for evaluating the real performance, Return on Sales (ROS) developed by Reina et al., (2014) used.

The below Tables present the results for robustness check point. The overall results from NPI-16 and ROS show a negative and non-significant relation between narcissism and perceived and real performance, as same as the results from NARQ and ROA.

**Table 8 – Robustness check regression (Perceived Performance)**

Variables	1 NPI	2 NPI + Individual	3 NPI + Organization	4 All
NPI	0.146 (0.894)	0.100 (0.588)	0.115 (0.725)	0.076 (0.456)
Organization position		0.117 (0.129)		0.067 (0.075)
Work experience		-0.050 (-0.414)		-0.027 (-0.231)
Age		0.059 (0.482)		0.044 (0.356)
Gender		0.511 (0.652)		0.502 (0.648)
Education		0.653 (1.483)		0.598 (1.376)
Organization age			-1.108* (-1.900)	-1.013* (-1.733)
Constant	33.697*** (49.105)	30.477*** (8.919)	37.807*** (16.608)	34.555*** (7.701)
Observations	121	121	121	121
R-squared	0.008	0.041	0.033	0.061
Prob>F	0.373	0.688	0.101	0.308

t-statistics in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 9 – Robustness check regression (ROA)**

Variables	1 NPI	2 NPI + Individual	3 NPI + Organization	4 All
NPI	0.012 (1.401)	0.010 (1.199)	0.011 (1.422)	0.009 (1.210)
Organization position		0.005 (0.169)		0.004 (0.139)
Work experience		-0.011 (-1.314)		-0.011 (-1.303)
Age		0.012 (1.401)		0.012 (1.398)
Gender		0.076* (1.964)		0.076* (1.959)
Education		-0.022 (-0.881)		-0.023 (-0.879)
Organization age			-0.018 (-0.715)	-0.016 (-0.585)
Constant	-0.041 (-0.789)	-0.328* (-1.430)	0.026 (0.395)	-0.263 (-1.318)
Observations	121	121	121	121
R-squared	0.014	0.066	0.016	0.068
Prob>F	0.164	0.527	0.348	0.630

t-statistics in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 10 – Robustness check regression (ROS)**

Variables	1 NPI	2 NPI + Individual	3 NPI + Organization	4 All
NPI	-193.986 (-1.004)	-183.524 (-1.002)	-185.324 (-1.000)	-176.728 (-0.996)
Organization position		1212.284 (1.011)		1225.977 (1.007)
Work experience		-46.518 (-0.851)		-51.988 (-0.861)
Age		60.468 (0.898)		64.354 (0.897)
Gender		1012.435 (-1.011)		-1008.349 (-1.008)
Education		-83.304 (-0.672)		-62.506 (-0.568)
Organization age			272.095 (0.971)	246.422 (0.852)
Constant	-1020.780 (1.007)	-426.361 (-0.436)	-7.713 (-0.024)	-1449.388 (-0.792)
Observations	116	116	116	116
R-squared	0.017	0.055	0.019	0.057
Prob>F	0.312	0.983	0.606	0.993

t-statistics in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The results are in line with the main findings as, once more, the relationship is non-significant.

## 5. CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

Analysing organizational performance and making decisions based on performance is one of the most challenging subjects in the business world. There is a lot to be said due to the decision-making process of CEOs, their personality, and their impact on the future of organizational performance in a competitive environment. One of the most critical characteristics of CEOs is narcissism. This feature of personality due to a negative point of view, in recent years, has become one of the main issues regarding effecting on organizational performance. We can see that still organizations prefer to hire narcissistic CEOs according to the competitive environment of business and its challenges. Therefore, many studies are considering this issue as an interesting case to study and trying to provide significant theoretical discussions and empirical evidence to discover the subject.

The results show that there is no association between narcissism and objective or perceived performance. In other words: narcissism does not cloud the CEOs judgements.

However, it does not mean that narcissistic CEOs do not impact the firm with their particular personality trait. It is possible that may influence other decisions made by a narcissistic CEO such as investments, hiring of employees, or other. Further studies shall look into this.

There are some issues can be considered as limitations of the study. First of all, easy ignoring the questionnaire to reply, misinterpretation of the questions leads that participants escape to answer the questions that caused the low-rate responds. And also not being sure that all questions were answered by CEOs can be considered as main limitation of this method of collecting data. Self-reporting measurement used for perceived performance and the results from self-perception scale should be interpreted carefully since the narcissistic CEOs used to show their performance much better than others.

We only used one financial measurement to evaluate the real performance, and in future research, different financial measurements such as the growth performance, market- share growth or net revenue growth can be used. Also, studying this issue that when the managers face with the results between perceived and real performance, they

would accept it or they would reject and blame others can be an interesting subject for future research.

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APPENDICES

**Annex A – Sample Description and Additional Descriptive Statistics**

**Table A1 – Sample Description**

		<b>Frequency</b>	<b>Percentage</b>
Gender	Female	58	47.9
	Male	63	52.1
	Total	121	100
Marital Status	Single	26	21.5
	Married	81	66.9
	Divorced	12	9.9
	widow	2	1.7
	Total	121	100
Age	21 – 30 years old	12	9.9
	31 – 40 years old	27	22.3
	41 – 50 years old	44	36.4
	51 – 60 years old	28	23.1
	61 – 70 years old	9	7.4
	More than 70 years old	1	0.8
	Total	121	100
Education	High school	22	18.2
	Bachelor degree	60	49.6
	Master degree	22	18.2
	Postgraduate studies	15	12.4
	PhD	2	1.7
	Total	121	100
Professional Status	Employee	100	82.6
	Self-employed	21	17.4
	Total	121	100
Organizational Position	Top-level management	43	35.5
	First-level management	30	24.8
	Middle-level management	26	21.5
	No management position	22	18.2
	Total	121	100
Organizational Sector	Private	115	95
	Public	4	3.3
	Non-profit	2	1.7
	Total	121	100

**Table A1 – Continue**

Organization Age		1 - 5 years	7	5.8
		6 - 19 years	33	27.3
		20 or more	81	66.9
		Total	121	100
Managing People		No	32	26.4
		Yes	89	73.6
		Total	121	100
Work Experience		5 years or less	10	8.3
		6 – 10 years	14	11.6
		11 – 15 years	10	8.3
		16 – 20 years	25	20.7
		21 – 25 years	15	12.4
		26 – 30 years	22	18.2
		31 – 35 years	9	7.4
		36 – 40 years	11	9.1
		More than 40 years	5	4.1
Total		121	100	
Current Experience	Position	5 years or less	41	33.9
		6 – 10 years	22	18.2
		11 – 15 years	23	19
		16 – 20 years	17	14
		21 – 25 years	5	4.1
		26 – 30 years	10	8.3
		31 – 35 years	3	2.5
		Total	121	100

**Table A2 – NPI - 16**

<b>Overall Score NPI 16</b>	<b>3554</b>	<b>2582</b>	<b>0</b>	<b>16</b>	<b>0.656</b>
1. I know that I am good because everybody keeps telling me so. (n) When people compliment me I sometimes get embarrassed.	0.264	0.443	0	1	
2. I like to be the centre of attention. (n) I prefer to blend in with the crowd.	0.074	0.263	0	1	
3. I think I am a special person. (n) I am no better or worse than most people.	0.231	0.423	0	1	
4. I like having authority over people. (n) I do not mind following orders.	0.397	0.491	0	1	
5. I find it easy to manipulate people. (n) I do not like it when I find myself manipulating people.	0.240	0.429	0	1	
6. I insist upon getting the respect that is due to me. (n) I usually get the respect that I deserve.	0.124	0.331	0	1	
7. I am apt to show off if I get the chance. (n) I try not to be a show off.	0.041	0.199	0	1	
8. I always know what I am doing. (n) Sometimes I am not sure of what I am doing.	0.479	0.502	0	1	
9. Everybody likes to hear my stories. (n) Sometimes I tell good stories.	0.091	0.289	0	1	
10. I expect a great deal from other people. (n) I like to do things for other people.	0.256	0.438	0	1	
11. I really like to be the centre of attention. (n) It makes me uncomfortable to be the centre of attention.	0.198	0.400	0	1	
12. People always seem to recognize my authority. (n) Being an authority does not mean that much to me.	0.322	0.469	0	1	
13. I am going to be a great person. (n) I hope I am going to be successful.	0.190	0.394	0	1	
14. I can make anybody believe anything I want them to. (n) People sometimes believe what I tell them.	0.322	0.469	0	1	
15. I am more capable than other people. (n) There is a lot that I can learn from other people.	0.091	0.289	0	1	
16. I am an extraordinary person. (n) I am much like everybody else.	0.231	0.423	0	1	

Note: N = 121. N is the number of observations; Min. is the minimum; Max. is the maximum; SD is standard deviation;  $\alpha$  is the Cronbach's alpha.

**Table A3 - Pearson correlations**

Variables	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
(1) Self-reported performance	1.000									
(2) ROA	0.0424	1.000								
(3) ROS	0.0436	0.0227	1.000							
(4) NARQ	0.0068	0.1080	-0.0354	1.000						
(5) Organization Position	0.0739	0.0839	0.1240	-0.0116	1.000					
(6) Work experience	0.0171	0.0373	0.0923	-0.0226	0.4523***	1.000				
(7) Age	0.0329	0.0835	0.1031	-0.0072	0.4773***	0.9591***	1.000			
(8) Gender	0.1054	0.1754*	-0.997	0.1196	0.3322***	0.1184	0.1520*	1.000		
(9) Education	0.1666*	-0.0483	-0.0286	0.0827	0.1298	-0.0792	-0.0719	0.1424	1.000	
(10) Organization age	-0.1671*	-0.0554	0.0606	-0.1658*	-0.0086	0.1382	0.1076	-0.0426	-0.1162	1.000

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1