

CEO Narcissism and Firm Performance through Environmental, Social, and Governance

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Abstract

Purpose: This study investigates how CEO narcissism influences firm performance and examines whether Environmental, Social, and Governance (ESG) performance mediates this relationship.

Research Methodology: A quantitative approach was used to analyze data from 75 purposively selected firms listed on the Indonesian Stock Exchange (IDX) for the period 2019-2023. Regression methods were applied to test direct and indirect relationships with financial performance indicators such as ROA and ROE. ESG performance is used as a mediating variable.

Results: The study finds that CEO narcissism negatively affects ROA but positively influences ROE. ESG performance significantly impacts both ROA and ROE. The mediation analysis shows that ESG performance partially mediates the relationship between CEO narcissism and ROA but does not significantly mediate the relationship with ROE.

Conclusions: CEO narcissism affects firm performance directly and indirectly through ESG performance, emphasizing ESG as a strategic pathway for executive characteristics to shape financial outcomes.

Limitations: CEO narcissism was measured using photographs, which may introduce bias. This study is limited to Indonesian firms, which reduces generalizability.

Contributions: This study contributes to corporate governance, leadership studies, and sustainability management by highlighting the influence of CEO traits on ESG-driven performance. This study extends the Upper Echelons Theory by incorporating ESG dimensions into the CEO-firm performance relationship.

Keywords: *CEO Narcissism, ESG Performance, Firm Performance, Return on Assets, Return on Equity*

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1. Introduction

Environmental, Social, and Governance (ESG) considerations have received increasing scholarly and industry attention in the business sector in recent years. According to a Morningstar report, capital inflows into ESG-oriented funds reached USD 16.0 billion in the fourth quarter of 2024. This trend indicates that sustainability remains a key consideration in international investment decisions despite a slight year-on-year decline. The ESG market remains dominant in Europe, making it a crucial area for implementing sustainable business practices (Pucci, 2025).

Annual Global ESG Fund Assets (USD Billion)



Figure 1. Global ESG development data

The demand for ESG reporting continues to rise, and academics and practitioners are now focusing on leadership dynamics at the top of organizations. Previous research has shown that a firm's strategic decisions, such as leverage levels, new project initiations, and profitability targets, are often heavily influenced by CEO characteristics. Candy and Delfina (2023) note that CEOs with narcissistic traits often pursue aggressive risk-taking and set highly ambitious targets, which may enhance firm performance but also introduce instability. Consistent with this view, Kusiyah, Kalbuana, and Rusdiyanto (2022) show that excessive optimism among narcissistic leaders undermines rational decision-making and negatively impacts quarterly financial performance. Aabo, Kirch, and Thomsen (2024) observed that similar tendencies may be advantageous in uncertain environments but become detrimental when the market conditions stabilize. This paradox has emerged as a recurring theme in recent academic discussions on leadership.

Corporate decision-making is rarely driven solely by financial considerations, especially when ESG factors influence the process of decision-making. Companies with high ESG scores are generally perceived as having more structured and transparent governance practices. Therefore, an analysis of the impact of CEO narcissism on financial performance should consider the extent to which strong ESG performance offsets the potential adverse effects of CEO narcissism and helps sustain stakeholder confidence. The literature on dominant and self-focused executives is extensive; however, there is a significant gap regarding the role of ESG factors in this dynamic relationship. Narcissistic leaders are naturally inclined to pursue highly ambitious goals at elevated levels of risk, encouraging expansion while also increasing the potential for reckless behavior. A robust ESG framework has the potential to moderate these tendencies while facilitating firm growth. However, to date, empirical research remains limited in examining whether ESG performance can mitigate the negative financial impacts of narcissistic leadership (Poor & Zahedi, 2024).

Previous research by Candy and Delfina (2023) indicate that the relationship between CEO narcissism and firm performance can be mediated by capital structure. However, their findings indicate that CEO narcissism does not significantly impact firm performance through capital structure channels. This suggests that other factors have the potential to be significant mediators in this relationship but remain understudied. In contrast, Leng, Ozkan, Ozkan, and Trzeciakiewicz (2021) highlighted that overconfident leaders in certain sectors can manage leverage poorly and drive companies towards bankruptcy, although the study does not explicitly incorporate narcissism or ESG considerations.

A different perspective is provided by (Chahyadi, Doan, & Naym, 2021), who found that executives who shift across industries tend to take greater risks than those with industry-specific tenure, although their study did not incorporate sustainability variables or narcissistic traits. Meanwhile, Rusydi (2021) warns of the importance of public scrutiny; CEOs who often engage in self-promotional behavior and manipulate earnings figures can damage a firm's reputation, particularly when ESG performance is

weak. Furthermore, Edi (2023) highlights the critical role of CEOs in strengthening the firm's internal environment through adequate disclosure of internal controls to enhance firm value. To address this gap, the present study investigates the influence of CEO narcissism on firm performance and examines whether ESG performance serves as an effective mediating mechanism. The findings are expected to extend the Upper Echelons Theory and offer practical implications for corporate governance and investment-related decision-making.

2. Literature Review and Hypotheses Development

Venugopal, Nerur, Yasar, and Rasheed (2023) emphasize that Upper Echelons Theory extends to executives' psychological attributes, noting that a CEO's mindset shapes most of the strategic decisions. Further research by Kind, Zeppenfeld, and Lueg (2023) and Martínez-Ferrero, Ramón-Llorens, and García-Meca (2024) shows that personal values, cultural background, and life experiences collectively influence managerial decision-making, directing firms toward sustainability, profits, and long-term growth. Within this framework, Meiliya and Rahmawati (2022) found that CEOs with high levels of narcissism tend to engage in earnings management to improve the firm's image in the eyes of investors. These findings suggest that CEO narcissism may enhance firm performance through strategies aimed at increasing market value.

When the Upper Echelons Theory framework is extended to incorporate personality factors, narcissism emerges as a trait with direct implications for both financial outcomes and sustainability metrics, such as ESG. Narcissistic CEOs often exhibit excessive self-confidence, pursue visibility, and prioritize short-term gains, a combination that increases the likelihood of bold and high-risk decision-making. Meiliya and Rahmawati (2022) found that leaders with these characteristics may manipulate earnings figures to embellish quarterly results, primarily to attract the attention of skeptical investors. Paradoxically, while this practice has ethical implications, it may temporarily enhance a firm's reputation and produce short-term financial gains.

Muttiarni et al. (2022) explained that CEOs with narcissistic tendencies often drive high-profile initiatives that may enhance financial performance. High levels of self-confidence encourage risky, although often carefully calculated, decision-making. When such strategies succeed, they can generate significant public attention. However, the same authors emphasize that such self-confidence is no guarantee of business sustainability, as the resulting gains are episodic and can fade over time. Kusiayah et al. (2022) similarly find that the effect of narcissistic traits on firm outcomes is contingent on the organizational conditions. Firms with excess liquidity may benefit from aggressive investment decisions driven by ego-driven leaders, whereas firms with tighter resources face higher risks of failure. Muttiarni et al. (2022) also note that large firms are better equipped to absorb the risks associated with narcissistic leadership, while smaller or capital-constrained firms may experience the same destabilizing behavior. These findings collectively indicate that context, not personality alone, determines whether narcissistic leadership becomes an asset or a liability.

However, narcissistic tendencies may lead to overly bold decisions that overlook long-term interests and disregard for the firm's long-term interests. This trait can potentially lead to impulsive decisions and weakened governance structures, ultimately harming the firm (Kusiayah et al., 2022). When these narcissistic tendencies are managed effectively, narcissistic CEOs can drive firm performance through bold and innovative expansion (Muttiarni et al., 2022; Tanha et al., 2025). Thus, whether CEO narcissism positively or negatively impacts firm performance is largely influenced by the balance between ambition and effective risk management. Based on this review, the following hypothesis is proposed:

H₁: CEO narcissism positively affects firm performance.

ESG considerations have become a major driver in the investment-management sector (Baldi & Lambertides, 2024). Today, the management of natural and human resources is increasingly regarded as equally important—if not more important—than financial capital management. As investor awareness of the link between ESG practices and corporate financial performance grows, many are willing to

forego short-term returns to support long-term sustainability commitment (Grajales & Albanes Uribe, 2024).

Companies that implement sustainable practices and mitigate environmental risks tend to gain strategic advantages, such as cost savings through energy efficiency, reduced legal penalties, broader market access, and an increased customer base that cares about sustainability. This ultimately supports the firm's financial performance (Chininga, Alhassan, & Zeka, 2024). Chininga et al. (2024) also found that environmental initiatives have a positive impact on earnings and market performance, while social and governance practices have no significant impact on accounting and market performance measures. Thus, companies that are environmental, social, and governance-oriented tend to be more sustainable, gain investor trust, and develop better relationships with stakeholders.

These findings align with (Ahmad, Mohti, Khan, Irfan, & Bhatti, 2024; Chininga et al., 2024; Gao, Li, & Zhou, 2025), confirming the positive influence of ESG performance on firm performance. However, several studies caution that ESG initiatives may amplify inefficient investment behavior if not properly managed. Companies with strong ESG performance are generally considered more resilient and better positioned to mitigate regulatory and reputational risk. Based on this description, the second hypothesis is proposed as follows:

H₂: ESG performance positively affects firm performance.

CEOs with high levels of narcissism generally exhibit personality characteristics that are egocentric, recognition-focused, and self-image-oriented. In the context of corporate leadership, these traits encourage CEOs to be proactive in building a positive corporate image, often expressed through increased ESG disclosure. ESG disclosure is seen as a strategic tool that allows narcissistic CEOs to highlight a firm's non-financial performance to strengthen their personal reputation among stakeholders (Falah & Mita, 2022). Empirically, CEO narcissism positively influences the ESG disclosure intensity. This is motivated by a desire for media visibility and stakeholder recognition, which can be achieved by portraying the firm as an environmentally and socially responsible entity. A cross-country study of the ASEAN-5 by Kusiyah et al. (2022) shows that companies led by narcissistic CEOs tend to be more active in publishing ESG information, indicating a tendency to use ESG reporting as a symbol of legitimacy.

However, reliance on disclosure driven by self-image motives raises concerns regarding the authenticity of ESG practices. When ESG initiatives are undertaken primarily for reputation building, they risk becoming superficial and detached from long-term sustainability objectives, leading to inconsistencies between disclosed information and actual practices (Meiliya & Rahmawati, 2022). Such symbolic behavior may weaken governance quality and expose firms to reputational risks, underscoring the need to distinguish between substantive ESG performance and image-driven disclosures.

Thus, CEO narcissism is seen as having a significant influence on a firm's ESG performance, both directly through increased disclosure intensity and indirectly through interactions with governance elements. However, this influence is ambivalent: while it may yield strategic reputational benefits in building a reputation, it increases the risk of information bias if not accompanied by adequate oversight mechanisms. Therefore, understanding CEO characteristics is essential for accurately interpreting a firm's ESG performance.

H₃: CEO narcissism positively affects ESG performance.

CEO narcissism is generally associated with leadership characteristics that are ambitious and oriented towards high-risk decision-making. Ali, Rehman, Suleman, and Ntim (2022) highlight that CEO attributes, such as age, stock ownership, and career experience, significantly contribute to firm performance, including in the context of investment decision-making. Within this framework, narcissistic CEOs tend to make aggressive decisions to strengthen their personal image among stakeholders, which may influence firm performance. However, this influence is often indirect and varies by region. Lee, Ha, Wei, and Sarala (2023) found that CEOs with narcissistic tendencies tend to pursue high-risk investments, particularly in the context of global expansion strategies. These decisions

can increase the variability of firm performance and create uncertainty in financial outcomes. Therefore, a mediating mechanism is needed to moderate or redirect the impact of narcissistic traits in a more positive manner. One relevant mediator is ESG performance, given its strategic role in enhancing firm reputation, stabilizing operations, and constraining excessive risk-taking by narcissistic CEOs (Romadhoni, Amin, & Arnida, 2025).

Bhuiyan, Liu, and Alam (2024) emphasized that the negative consequences of overly bold or aggressive decisions made by narcissistic CEOs can be minimized through the implementation of good governance and adequate management of environmental and social aspects. Therefore, companies with robust ESG strategies are better equipped to manage the risks associated with narcissistic leadership. In line with these findings, Meiliya and Rahmawati (2022) show that CEO narcissism positively influences earnings management practices, which in turn impacts firm value. Strong ESG policies also enhance investor appeal, contributing to higher firm values. In other words, ESG performance has the potential to serve as a balancing mechanism that mitigates adverse effects while leveraging its reputational benefits it may generate.

Furthermore, implementing an effective ESG strategy can increase corporate accountability and transparency, thereby indirectly suppressing the tendency of narcissistic CEOs to engage in self-serving behavior. This aligns with the findings of Ali et al. (2022), who emphasized the importance of corporate governance and oversight mechanisms in maintaining stable business performance. Thus, the relationship between CEO narcissism and firm performance is mediated by ESG performance. Implementing a robust ESG strategy allows companies to minimize the negative impact of narcissistic leadership while increasing stakeholder and investor confidence.

H₄: ESG performance mediates the relationship between CEO narcissism and firm performance.

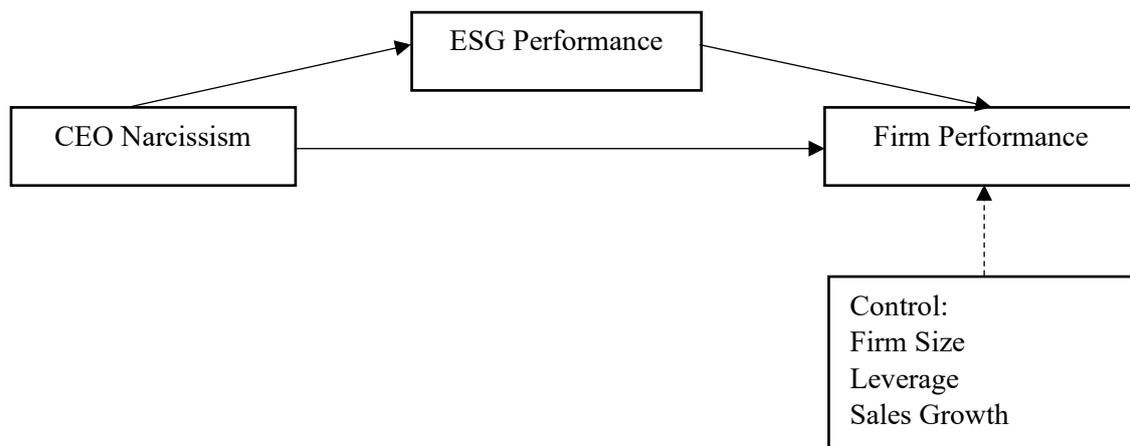


Figure 2. Research model

3. Methodology

This study used a quantitative approach with a non-probability sampling method and purposive sampling technique. Sample selection was based on the following criteria: (a) the firm has been operating for at least five years, (b) the firm publishes financial reports in Indonesian Rupiah (IDR), (c) the firm publishes an annual report featuring a photo of the CEO, and (d) the firm has reported ESG performance. Based on these criteria, 75 firms listed on the Indonesia Stock Exchange (IDX) were selected from an initial pool of 85 eligible companies for the study. Data were collected for the period 2019-2023, and all data processing and statistical analyses were conducted in 2025. This study examines the mediating effect of ESG performance on the relationship between CEO narcissism and firm performance. Data analysis was conducted using Stata software to estimate the regression models used in this study.

Table 1. Variable measurement

Variables	Measurement		Source
Firm performance	Return on assets (ROA)	(Net profit)/(Total assets)	Chininga et al. (2024)
	Return on equity (ROE)	(Net profit)/(Shareholders' equity)	Kalia and Aggarwal (2023)
CEO Narcissism	CEO photo	a. A score of one was given if there was no photo CEO. b. A score of two is given if the CEO is shown in a photo with one or more fellow executives. c. A score of three is given if the photo The CEO is featured on less than half a page. d. A score of four is given if the photo of the CEO is featured on more than half the page. e. A score of five was given if the CEO's photo was displayed in its entirety on one page.	Candy and Delfina (2023)
ESG Performance	ESG score	$(\omega_{(E)} \times \text{Score E}) + (\omega_{(S)} \times \text{Score S}) + (\omega_{(G)} \times \text{Score G})$	Liu, Wu, and Lin (2025)
	Firm size	Natural log (total assets)	Chininga et al. (2024)
	Leverage	Total debt/Total assets	Shobhwani and Lodha (2023)
	Sales growth	$((\text{New Sales})/(\text{Old Sales}))^{(1/n)} - 1$	Maji and Lohia (2023)

Table 1 highlights a key limitation of the measurement approach: the potential perceptual bias inherent in using CEO photographs as a proxy for narcissism. This visual-based indicator does not capture the psychological depth of narcissistic traits and may be influenced by factors outside the CEO’s control, such as the firm’s reporting style, editorial design choices, or cultural norms regarding executive presentation. As a result. This measure may only reflect the outward portrayal of leadership rather than the underlying personality characteristics. Acknowledging this limitation is important to ensure the accurate interpretation of the findings and to encourage future research to incorporate more comprehensive and validated instruments for assessing CEO narcissism.

4. Results and Discussions

Table 2 shows that the highest value of the ROA variable is 0.37 out of 375 sample data points, and the lowest value is -0.17. The ROA variable has an average value of 0.042, indicating that some companies experienced losses while others achieved 37% profitability. The ROA standard deviation value of 0.063 is greater than its average value.

Table 2. Descriptive statistics

Variable	Obs	Mean	Std. dev.	Min	Max
ROA	375	0.042	0.063	-0.170	0.370
ROE	375	0.112	0.086	0.000	0.300
CEO photo	375	3.768	1.164	1.000	5.000
ESG score	375	36.457	26.855	0.000	88.860
Sales growth	375	113.305	1166.838	-99.425	20599.610
Firm size	375	31.211	1.685	26.124	35.315
Leverage	375	0.202	0.194	0.000	0.744

Table 2 shows that the ROA variable data are highly volatile. ROE indicates that the average profitability of the equity of companies in the sample is approximately 11.2%. The ROE variable was always positive, indicating that no company experienced negative equity. The average ROE of the sample data is 0.112, with a standard deviation of 0.086, indicating relatively small variations in ROE between companies. From 2019-2023, 274 sample data indicate that companies are run by narcissistic CEOs, while 101 other data indicate that businesses are run by non-narcissistic CEOs. The measurement of CEO narcissism uses CEO photos on a scale of 1-5, with an average value of the CEO photo variable of 3.768 and a standard deviation of 1.164, indicating variability in the assessment of CEO photos. To produce correct and accurate research results, several step-by-step tests are required to determine the model that best fits the research data.

The firm size variable is calculated using the LN (total assets) formula. With a mean value of 31.211 and a standard deviation of 1.685, the firm size variable in this study indicates that most companies in the sample are large. The range of values from 26.124 to 35.315 indicates a variation in the size of the firm's assets, although with a relatively low deviation. With a mean value of 113.30% and a very large standard deviation of 116.683%, the sales growth variable shows significant variation in sales growth among companies, including the possibility of outlier. The maximum value indicates a remarkable surge in sales, whereas the minimum value indicates a significant decline in sales for some companies. Companies use debt amounting to 20.2% of their total assets, which can be seen based on the firm's average leverage. The minimum and maximum values indicate that one firm does not use debt at all, while another relies on debt up to 74.4%. Moderate deviations indicate differences in the capital structure policies between companies.

Table 3. ROA variable correlation test

	ROA	CEO photo	ESG score	Sales growth	Firm size	Leverage
ROA	1.0000					
CEO photo	-0.0512	1.0000				
ESG score	0.2812	0.1387	1.0000			
Sales growth	0.0688	-0.0472	-0.0600	1.0000		
Firm size	0.0234	0.2940	0.5103	-0.0068	1.0000	
Leverage	-0.1661	0.0838	-0.0478	-0.0025	-0.0101	1.0000

Table 3 shows a negative correlation between ROA and the CEO's photograph. The control variables for ROA had two positive and one negative correlations.

Table 4. ROE variable correlation test

	ROE	CEO photo	ESG score	Sales growth	Firm size	Leverage
ROE	1.0000					
CEO photo	0.4445	1.0000				
ESG score	0.0883	0.1387	1.0000			
Sales growth	-0.0154	-0.0472	-0.0600	1.0000		
Firm size	-0.0647	0.2940	0.5103	-0.0068	1.0000	
Leverage	0.0204	0.0838	-0.0478	-0.0025	-0.0101	1.0000

The results of the correlation tests are presented in Tables 3 and 4. It can be seen that CEO narcissism, as an independent variable, is positively related to ROE but is negatively related to ROA. This is in line with the hypothesis of this study, namely, that CEO narcissism has a significant effect on firm performance. Based on the correlation test, ESG performance is a variable that consistently has a positive relationship with firm performance, although the correlation between the variables is weak. Furthermore, the dependent and control variables in this study have a relationship that shows one positive relationship and two negative relationships: leverage with a value of 0.0204, sales growth with a value of -0.0154, and firm size with a value of -0.0647.

Table 5. ROA variable regression test

	(1) ROA	(2) ROA	(3) ROA	(4) ROA	(5) ROA
CEO photo	-0.00209	-0.00356*	-0.00340	-0.00263	-0.00226
	(-1.14)	(-2.02)	(-1.94)	(-1.45)	(-1.23)
ESG score		0.000511***	0.000521***	0.000599***	0.000589***
		(6.03)	(6.18)	(6.17)	(6.09)
Sales growth			0.00000441*	0.00000454*	0.00000453*
			(2.29)	(2.36)	(2.37)
Firm size				-0.00259	-0.00262
				(-1.62)	(-1.64)
Leverage					-0.0264*
					(-2.29)
cons	0.0472***	0.0340***	0.0326***	0.108*	0.113*
	(6.56)	(4.72)	(4.52)	(2.29)	(2.41)
r2	0.00349	0.0921	0.105	0.111	0.124
aic	-1249.4	-1282.4	-1285.6	-1286.3	-1289.6
bic	-1241.6	-1270.6	1269.9	-1266.6	-1266.0

Table 5 shows the hypothesis testing using five regression models for each dependent variable, including CEO narcissism as the independent variable, ESG performance as the mediating variable, and firm size, leverage, and sales growth as control variables. The results of the hypothesis testing of the effect of CEO narcissism on firm performance are shown in Tables 5 and 6. Furthermore, the tables display several significant indicators of the study. One asterisk (*) indicates a 10% significance level between variables, two asterisks (Psacharopoulos & Patrinos*) indicate a 5% significance level, and three asterisks (Psacharopoulos & Patrinos*) indicate a 1% significance level.

The ESG score, sales growth leverage, and CEO photo showed significant results. The ESG score is consistently significant across all models, with a coefficient value of approximately 0.0005 and a t-statistic > 6. This indicates that the higher a firm's ESG score, the higher its ROA is. The sales growth control variable has a positive and significant coefficient (*), whereas the independent variables show a significantly negative result.

Table 6. ROE variable regression test

	(1) ROE	(2) ROE	(3) ROE	(4) ROE	(5) ROE
CEO photo	0.0128***	0.00972**	0.00972**	0.00941**	0.00907**
	(3.77)	(3.01)	(3.00)	(2.80)	(2.69)
ESG score		0.00105***	0.00105***	0.00102***	0.00103***
		(6.75)	(6.73)	(5.66)	(5.71)
Sales growth			-0.000000218	-0.000000267	-0.000000261
			(-0.06)	(-0.08)	(-0.07)
Firm size				0.00104	0.00106
				(0.35)	(0.36)
Leverage					0.0241
					(1.12)
cons	0.0636***	0.0366**	0.0367**	0.00670	0.00195
	(4.77)	(2.77)	(2.76)	(0.08)	(0.02)
r2	0.0366	0.142	0.142	0.142	0.145
aic	-786.4	-827.7	-825.7	-823.9	-823.2
bic	-778.5	-816.0	-810.0	-804.2	-799.6

In Table 6, the CEO photo and ESG score variables show positive significant results in all models. Meanwhile, the control variables, sales growth, leverage, and firm size, are not significant for ROE.

Table 7. ESG score variable regression test

	(1)	(2)	(3)	(4)
	ESG score	ESG score	ESG score	ESG score
CEO photo	2.886**	-0.257	-0.174	-0.233
	(2.71)	(-0.26)	(-0.18)	(-0.24)
Firm size		8.188***	8.163***	8.170***
		(11.02)	(10.97)	(10.99)
Leverage			-5.799	-5.785
			(-0.94)	(-0.93)
Sales growth				-0.00132
				(-1.28)
cons	25.72***	-218.2***	-216.5***	-216.4***
	(6.13)	(-9.72)	(-9.62)	(-9.62)
N	375	375	375	375

Table 7 shows that firm size has a positive and significant effect on the ESG scores in all models. This indicates that the larger the firm, the higher its ESG score is. Meanwhile, the CEO photo variable was only significant in the initial model but was insignificant after adding control variables such as firm size, leverage, and sales growth. This indicates that the relationship between CEO photos and ESG scores is likely influenced by other variables.

Table 8. Robustness Test

	(1)	(2)	(3)	(4)	(5)
	NPM	NPM	NPM	NPM	NPM
CEO photo	-0.029**	-0.034**	-0.051***	-0.050***	-0.051***
	(-2.02)	(-2.25)	(-2.73)	(-2.61)	(-2.61)
ESG score		0.002**	0.000	0.000	0.000
		(2.53)	(0.35)	(0.33)	(0.30)
Firm size			0.056***	0.056***	0.056***
			(3.07)	(3.05)	(3.06)
Leverage				-0.017	-0.018
				(-0.20)	(-0.20)
Sales growth					-0.000**
					(-2.32)
cons	0.208***	0.159***	-1,462***	-1,459***	-1,462***
	(4.76)	(3.65)	(-2.76)	(-2.70)	(-2.70)
N	375	375	375	375	375

Table 8 shows that the influence of CEO narcissism on NPM consistently has a negative and significant coefficient in all models (1) to (5), with a significance level of 5% to 1%. The higher the level of narcissism of a CEO, the lower the level of profitability achieved. Meanwhile, the ESG performance variable only shows a significant positive effect in model (2), but is not significant in the other models; therefore, its effect on profitability is inconsistent. The firm size control variable shows a positive and significant coefficient in models (3) to (5), indicating that larger firms tend to be more profitable. Conversely, the leverage control variable does not have a significant effect on profitability in any model. The sales growth variable has a significant negative coefficient at the 5% level, although the coefficient value is very small (Forji, Aloysius, & Felix, 2025).

Table 9. Mediation test of ROA variable

Estimates	Delta	Sobel	Monte Carlo*
Indirect effect	0.001	0.001	0.006
Std. Err.	0.001	0.001	0.004
z-value	2.476	2.476	1.308

P-value	0.013	0.013	0.191
Conf. Interval	0.000, 0.003	0.000, 0.003	0.000, 0.003

Based on Table 9, the results of the mediation test on ROA show that the indirect effect value is 0.001 with a standard error of 0.001 for the Delta and Sobel methods and 0.006 with a standard error of 0.004 for the Monte Carlo method. The Delta and Sobel methods produced a z-value of 2.476 and a P-value of 0.013, which were below the significance limit of 0.05. This indicates that the mediation effect was statistically significant according to both methods. In addition, the confidence interval (0.000–0.003) did not include zero, which strengthened the significance of the mediation effect. The Monte Carlo method showed different results, with a P-value of 0.191, which was insignificant, and a confidence interval that still included the value of zero. The Delta and Sobel approaches indicate a significant mediation effect on ROA.

Table 10. Mediation Test of ROE Variable

Estimates	Delta	Sobel	Monte Carlo*
Indirect effect	0.006	0.006	0.006
Std. Err.	0.004	0.004	0.004
z-value	1,386	1,386	1,308
P-value	0.166	0.166	0.191
Conf. Interval	-0.002 , 0.013	-0.002 , 0.013	-0.001, 0.016

Based on Table 10, the results of the mediation test on ROE show an indirect effect value of 0.0006 with a standard error of 0.0004. The Z-value was 1.386 for the Delta and Sobel methods and 1.308 for the Monte Carlo method. The p-values of the three methods above are greater than 0.05 (Delta and Sobel = 0.166; Monte Carlo = 0.191); therefore, they are not significant. Furthermore, the confidence interval includes the zero value, further confirming that the mediation effect was insignificant.

4.1 Hypothesis Discussion

The regression results reveal the contrasting effects of CEO narcissism on firm performance: a negative and significant impact on ROA and a positive and significant impact on ROE. This divergence suggests that narcissistic CEOs tend to undermine operational efficiency, reflected in a lower ROA, likely due to aggressive projects, higher operating costs, or inefficient asset utilization. Conversely, initiatives, financial leverage, or market-oriented actions temporarily strengthen equity-based performance (Forozandeh, 2025). This asymmetric pattern highlights that narcissistic leadership does not uniformly benefit the firm. Instead, it improves equity-driven outcomes at the cost of internal operational stability. These findings align with Meiliya and Rahmawati (2022) and Muttiarni et al. (2022), who argue that narcissistic CEOs pursue ambitious strategies aimed at enhancing external perceptions and shareholder value, even when these actions reduce the firm’s underlying operational efficiency. Therefore, the first hypothesis is accepted in this study.

All regression models show that ESG performance has a positive and significant effect on ROA and ROE. This indicates that firms implementing ESG practices achieve stronger financial outcomes, reflected in higher operational efficiency and improved shareholder profitability. These findings support the second hypothesis and are consistent with prior studies (Ahmad et al., 2024; Chininga et al., 2024; Gao et al., 2025), which emphasize that ESG serves as a strategic instrument for strengthening firm reputation, operational discipline, and competitiveness. The regression results also indicate that CEO narcissism positively influences ESG performance. Narcissistic CEOs tend to actively promote the firm’s external image through increased ESG disclosure, primarily to gain recognition and strengthen their personal legitimacy. This is consistent with Falah and Mita (2022), who note that image-driven motivations can lead to symbolic disclosure if not supported by substantive sustainability initiatives. Nevertheless, the empirical evidence confirms that the third hypothesis is supported, as higher levels of CEO narcissism are associated with higher ESG scores.

The mediation analysis confirms that ESG performance mediates the relationship between CEO narcissism and firm performance. Although narcissistic CEOs may not directly enhance a firm's operational efficiency, their behavior tends to elevate ESG scores, which, in turn, improves profitability. This indicates that ESG serves as a direct pathway through which narcissistic leadership can generate positive financial outcomes. These findings reinforce the view that ESG serves as a balancing mechanism between a CEO's personal ambition and the broader demands of governance and sustainability (Bhuiyan et al., 2024; Lee et al., 2023). Thus, the fourth hypothesis is accepted as true.

5. Conclusions

5.1 Conclusion

This study examines the influence of CEO narcissism on firm performance, with ESG performance as a mediating factor. The results show that CEO narcissism significantly reduces ROA but increases ROE, indicating contrasting effects on operational efficiency and equity-based return. ESG performance positively and significantly improved both financial indicators. Mediation analysis further reveals that ESG performance mediates the relationship between CEO narcissism and ROA but not ROE. These findings demonstrate that narcissistic leadership produces complex financial outcomes and that strong ESG implementation can help channel these effects towards more favorable performance. This supports the Upper Echelons Theory by confirming that executive personality shapes strategic outcomes and underscores ESG as a key element of sustainable corporate governance.

5.2 Research Limitations

The measurement of CEO narcissism is based solely on CEO photographs in annual reports, which may introduce subjective bias and fail to fully capture psychological attributes. Additionally, the study sample was limited to Indonesian companies implementing ESG; therefore, the results may not be generalizable to other industrial contexts or countries with different governance systems.

5.3 Suggestions and Directions for Future Research

Future research should use more comprehensive narcissism measurement methods and expand the scope of the study to companies across sectors and countries to test the consistency of the results across different cultural and regulatory contexts.

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