DO NARCISSISTIC CEOS REALLY CARE ABOUT CORPORATE SOCIAL RESPONSIBILITY? THE MODERATING ROLE OF OUTSIDE BOARD OF DIRECTORS

Do narcissistic CEOs really care about corporate social responsibility?

The moderating role of outside board of directors

A Dissertation Presented

By

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ABSTRACT

DO NARCISSISTIC CEOS REALLY CARE ABOUT CORPORATE SOCIAL RESPONSIBILITY? THE MODERATING ROLE OF OUTSIDE BOARD OF DIRECTORS

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During recent years, there has been a growing interest in CEO's narcissism across a range of disciplines. Various scholars strongly believe that CEO's narcissism is a compelling element that should not be overlooked when analyzing various organizational outcomes and strategies. Research on CEO's narcissism has mainly focused on its negative implications on organization outcomes. However, much less attention has been given to its effect on corporate social responsibility (CSR). This study explores the relationship between CEO's narcissism and stakeholder-driven CSR/social issue participation (SIP). while taking into account the moderating role of outside board of directors. Using a sample of publicly traded U.S restaurants, the results support that outside board of directors play a moderating role on the relationship between CEO's narcissism and 1) stakeholder driven CSR and 2) social issue participation (SIP).

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INTRODUCTION

1.1 Background of the Study

During recent years there has been a growing interest across a range of disciplines to investigate the effect of CEO's narcissism on firm strategic outcomes (O'Reilly et al., 2014; Morf and Rhodewalt, 2001; Resick, Whitman, Weingarden and Hiller, 2009; Chatterjee and Hambrick, 2007; Olson et al., 2013; Gerstner et al., 2013). According to the Diagnostic and Statistical Manual of Mental Disorders (DSM), narcissism is a psychological construct defined as "a pervasive pattern of grandiosity (in fantasy or behavior), need for admiration and a lack of empathy, beginning by early adulthood and present in a variety of context" (American Psychiatric Association, Task Force on DSM IV., 2000, p.717). Previous research provided support that narcissistic CEOs are individuals who have a strong sense of personal superiority (Campbell, Goodies, and Foster, 2004), self-admiration (Judge et al., 2006), self-confidence (O'Reilly et al., 2014), grandiosity (Morf and Rhodewalt, 2001) and arrogance (Resick, Whitman, Weingarden and Hiller, 2009). They have extremely fragile self-esteem (O'Reilly et al., 2014) and seek excessive recognition and affirmation (Resick et al., 2009).

Various scholars strongly believe that CEO's narcissism is a compelling element that should not be overlooked when analyzing various organizational strategies. There is a close relationship between CEO's narcissism and strategic behavior (Chatterjee and Hambrick, 2007; Olson et al., 2013; Gerstner et al., 2013). According to the upper echelons theory (Hambrick and Mason, 1984), CEOs' personality, values, norms, and experiences greatly influence their interpretation of events, decisions, and actions and can have a salient impact on organizational outcomes and strategies (Finkelstein & Hambrick, 1996; Hambrick, 2007).

Research on CEO's narcissism has so far mainly focused on its negative implications on organizational outcomes, such as its association with manipulating and misstating financial appearance (Olson et al., 2013). Narcissistic CEOs are inattentive to objective financial performance (Chatterjee and Hambrick, 2011), engage in fraud and unethical behavior (Rijsenbilt and Commandeur, 2013), possess a strong tendency to avoid taxes through corporate tax shelters (Olsen and Stekelberg, 2015), and create destructive workplaces (Blair, Hoffman and Helland, 2008). Much less attention has been given to the positive effect of CEO's narcissism on firm strategic choices. According to previous research (Maccoby, 2000), narcissism can also lead to successful leadership.

1.2 Purpose of the Study

In this research, the goal is to assess the impact of CEO's narcissism on firm engagement in stakeholder driven Corporate Social Responsibility (CSR) and Social Issue Participation (SIP). This study further investigates the moderating role of outside board of directors on the relationship between CEO's narcissism and two dimensions of CSR.

1.3 Contributions of the Study

This study provides both theoretical and managerial implications. First, this study enriches the literature by exploring the unexamined link between CEO's narcissism and two different dimensions of CSR: stakeholder management and social issue participation. Several studies have recently investigated the impact of CEO's narcissism on performance and strategic choices (O'Reilly III, Doerr, and Chatman, 2018; Marquez-Illescas, Zebedee, and Zhou, 2018; Oesterle, Elosge and Elosge, 2016; Young, Du, Dworkis, & Olsen, 2015; Olsen and Stekelberg, 2015; Olsen, Dworkis, and Young, 2013; Gerstner et al., 2013; Johnson, Kuhn Jr, Apostolou, and Hassell, 2012; Chatterjee and Hambrick, 2011).

Waldman and Siegel (2008) argue that the exclusion of corporate leaders in analyzing CSR initiatives may cause imprecise conclusions. The upper echelon theory argues that the specific knowledge of CEOs affect their strategic choices (Hambrick and Mason, 1984). Petrenko, Aime, Ridge and Hill (2016, p.263) assert that "the scarcity of research relating executives' psychological characteristics to CSR is striking given the emphasis of upper echelons work on the effects of executive personality characteristics on firm strategic decisions". The existing studies from different disciplines have supported with empirical data that CEO's narcissism is closely related to the extent to which firms engage in CSR (Tang, Mack, and Chen, 2018; Petrenko, Aime, Ridge and Hill, 2016; Waldman and Siegel, 2008). It clearly suggests that CEO's narcissism is an important factor when assessing a firm motivation to invest in CSR (Petrenko et al., 2016; Waldman and Siegel, 2008; Waldman, Siegel and Javidan, 2006).

A recent study by Petrenko, Aime, Ridge and Hill (2016) examined the impact of CEO's narcissism on engagement in CSR. The study did not differentiate between stakeholder-driven CSR and social participation, two critical dimensions of CSR. The idea of separating between the two was motivated by Hillman and Keim (2001) who highlighted that engaging in stakeholder-driven CSR is different from social issue participation, as the latter is not directly related to stakeholders. Several studies have looked at stakeholder involvement when analyzing CSR (Jamali, 2008; Wood, 1991) and proposed that an aggregated measure of CSR should be interpreted with caution. The management discretion theory (Hambrick and Finkelstein, 1987) also emphasizes that CEOs have more discretion in some areas. When CEO's narcissism is considered as a critical factor that affects firm strategic choices, it is more appropriate to divide CSR into two different dimensions by taking all unique characteristics of narcissistic CEOs into consideration.

CEO's narcissism takes special importance in the hospitality industry given the high ratio of short-to long-run decision making (Reich, 1994), the high sensitivity to the changes in the economy (Guillet and Mattila, 2010) and the high level of capital intensity (Defranko and Lattin, 2007). The previous literature highlights that purer psychological measures such as values, beliefs and behavioral intentions have stronger explanatory power for predicting strategic decisions and "contain less noise than other CEO characteristics" such as education, tenure, and experience (Hambrick and Mason, 1984, p. 196; Walman, Siegel and Javidan, 2006; Priem, Lyon, and Dess, 1999; Hambrick and Mason, 1984). The impact of CEO's narcissism on various strategic actions, especially CSR has been largely ignored in the hospitality literature.

From a CSR perspective, current understanding of CSR is limited to measuring the impact of CSR on firm performance (Chen, Hung,, and Wang, 2018; Hasan, Kobeissi, Liu, and Wang, 2018; Kang, Germann, and Grewal, 2016; Barnett and Salomon 2007; Luo and Bhattacharya 2006; McWilliams and Siegel, 2000). The accountability of CSR on firm performance has remained controversial (Park, Song, and Lee, 2017; Story and Neves, 2015; Barnett and Salomon, 2007; Luo and Bhattacharya, 2006; Mitchell, Agle and Wood, 1997). Presenting unique personal traits shown in narcissistic CEOs such as self-admiration, sense of superiority, responsive to social praise, desire to be the center of attention and admiration, and craving for applause (Emmons, 1987; Ames, Rose, and Anderson, 2006, Wallace and Baumeister, 2002), with regard to two different CSR perspectives, may help explain some of the conflicting findings in the literature.

Previous studies (Petrenko et al., 2016) did not account for any moderating effect between narcissism and CSR. To fill this gap, this study examines the moderating role of outside board of directors on the relationship between CEO's narcissism and two different dimensions of CSR. According to Chatterjee and Hambrick (2011, p.204), "the psychology of narcissism has substantial implications for how individuals respond to organizational strategies. However, these implications are not straight forward". It implies that having moderators and mediators are necessary to better explain the impact of narcissism on CSR.

Investigating CSR with CEO's narcissism has important practical implications for firms in the hospitality industry. Assessing the impact CEO's narcissism may guide investment decisions on CSR. A close examination of the moderating role of outside board of directors may also further explain this relationship. Findings of this study may guide future CSR strategies across two different dimensions.

1.4 Study Overview

The rest of this dissertation is organized as follows. Chapter 2 reviews the literature, discusses the various theoretical frameworks, and introduces the hypotheses. Chapter 3 presents the data and methodology. Chapter 4 explains the empirical findings. Chapter 5 presents the discussions, practical implications and directions for future research.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Introduction

Scholars have called attention to a potential problem with the leadership theory (Yukl, 1999; Sashkin,1988). It is "most readily applied to a supervisory-level leadership behavior and subordinate performance, rather than higher-level of organizational strategy" (Waldman, Siegel and Javidan, 2006, p.1705).

Hambrick (1989) argued that to understand strategies at an organizational-level, the focus should be on the role of CEOs. Waldman and Siegel (2008) also asserted that analyzing strategic choices without corporate leaders might yield imprecise conclusions. Previous studies implied that varying degrees of CEO's personal beliefs and values would motivate or demotivate CEOs to engage in certain types of strategic actions given that CEOs are powerful actor within firms and decide the forms and fates of companies (Chandler, 1962; Finkelstein and Hambrick, 1996).

Hambrick and Mason (2007) proposed a theoretical framework called the "Upper Echelon Theory" which argues that the knowledge, experience, values, and preferences of top managers and CEOs influence their strategic decisions. The essence of this theory is that firms reflect the performance of their leaders (Finkelstein & Hambrick, 1996; Hambrick & Mason, 1984). The actions of leaders affect performance and strategic outcomes. "Strategic decisions represent "weak situations" (Mischel, 1977), in that available stimuli are often complex and ambiguous. In such situations, the choices of decision-makers can vary widely" (Waldman, Siegel and Javidan, 2004, p.5).

CEO's characteristics and psychological traits have received strong attention from scholars and practitioners. Global hospitality organizations are also profoundly affected by leaders' behaviors and personal characteristics. However, a few studies in management and none so far in hospitality has attempted to explain how the personality characteristics of CEOs affect strategic outcomes and decisions. A range of CEOs' characteristics such as hubris, Machiavellianism, extraversion and dominance has been examined in the literature. Narcissism has emerged as one of the most important characteristics as it embodies many of the traits associated with the prototypical CEO.

Previous research has found that individuals with high narcissism are more likely to rise to the top in a firm because of their strong sense of self-confidence and self-efficacy which is more appealing to followers (Brunell et al., 2008; Chatterjee and Hambrick, 2007). Narcissists themselves have a strong desire to fight for high-level positions to realize their ambitions and receive attention and praise from followers. Amernic and Graig (2010) argue that "most of CEOs exhibit narcissistic tendencies" (p. 82). Previous research using case studies (de Vries and Miller, 1985) and empirical applications (Chatterjee and Hambrick, 2007) provides profound evidence that CEO's narcissism is a compelling element that should not be overlooked when analyzing various organizational outcomes and strategies. To understand CEOs' actions, a psychological trait of narcissism should be considered among others.

The following sections discuss in more detail the impact of CEO's narcissism on stakeholder driven CSR/social issue participation as well as the moderating role of outside board of directors. A review of the construct of CEO's narcissism and corporate social responsibility and the role of outside board of directors is also provided.

2.2 CEO Narcissism

The concept of narcissism was first introduced by Ellis (1898). Freud (1914) identified various specification of narcissism. According to him, narcissism is "a pervasive pattern of grandiosity (in fantasy or behavior), need for admiration and a lack of empathy, beginning by early adulthood and present in a variety of context" (American Psychiatric Association, Task Force on DSM IV., 2000, p.717). Several studies have followed Freud's argument that narcissism is not a personality disorder but one personality dimension on which individuals can score from low to high and can have some extent of narcissism (Freud 1914; Maccoby, 2000). According to this, narcissism is also defined as "a relatively stable individual difference consisting of grandiosity, self-love and inflated self-views" (Campbell et al., 2011, p.269).

Narcissistic CEOs are individuals who have a strong sense of personal superiority (Campbell, Goodies, and Foster, 2004), self-admiration (Judge et al., 2006), self-confidence (O'Reilly III et al., 2014), self-importance (Olsen et al., 2013), grandiosity (Morf and Rhodewalt, 2001) and arrogance (Resick, Whitman, Weingarden and Hiller, 2009). Narcissists tend to show an unusually high level of self-love, which make them overestimate their capabilities and believe they are more intelligent than others.

Narcissistic CEOs are also seen as having extremely fragile shelf-esteem (O'Reilly III et al., 2014). This is called the narcissistic paradox (Rijsenbilt and Commandeur, 2013). Such particular element induces narcissists to seek excessive recognition and affirmation (Resick et al., 2009) to overcome their shortcoming. They can be aggressive and hostile toward criticism and negative feedback to protect themselves from others (Vazire and Funder, 2006). They also take highly visible and bold actions in order to have a positive impression from others and fulfill their ego (Aktas, Bodt, Bollaert and Roll, 2016).

While there is an overall agreement about the overall nature of narcissism, there is still some contradiction on how it should be assessed and whether it should be measured using single or multiple dimensions. Scholars acknowledge that narcissism can take at least two broad forms: grandiose narcissism and vulnerable narcissism. These two different dimensions of narcissism arise from different internal motivations (Reina, Zhang and Peterson, 2014). Grandiose narcissism "reflects traits related to grandiosity and dominance while vulnerable narcissism is defined more by defensive responses that obscure feelings of inadequacy and negative affect" (O'Reilly et al., 2014, p.219). For example, individuals who show grandiose narcissism admire attention from others and desire to attain higher status because they have a strong sense of self-importance, arrogance, self-sufficiency and superiority. On the other hand, individuals who display vulnerable narcissism exhibit a high level of distrust and aggression on others' actions (Reina, Zhang and Peterson, 2014).

While narcissism has a multidimensional nature, most "conceptualizations of trait narcissism in organizational settings use measures that assess some variation of grandiosity rather than vulnerability or use overall measures that place a heavy weighting on grandiosity" (O'Reilly et al., 2014, p.220). For this study, grandiose narcissism is particularly relevant.

2.2.1 Impact of CEO Narcissism on Different Types of Strategic Decisions

A wide variety of theoretical and empirical studies has sought to understand the influence of narcissism using different types of strategic decisions and leader effectiveness. In general, CEO's narcissism is an undesirable attribute toward company strategies. A limited but growing body of research on narcissism has focused on the negative consequences of CEO's narcissism. To fully understand the consequences of CEO's narcissism, it is important to assess the negative and positive aspects of narcissism. Some negative aspects include "arrogance, feelings of inferiority, an insatiable need for recognition and superiority, hypersensitivity, anger, lack of empathy, amorality, irrationality, inflexibility, and paranoia" (Rosenthal and Pittinsky, 2006, p.619) . A list of positive psychological aspects of narcissistic leaders might include great vision, passion, charisma and confidence (Rosenthal and Pittinsky, 2006; W. Campbell and S. Campbell, 2009). Narcissistic CEOs can inspire great number of followers. While some of their characteristics are deemed problematic (e.g., self-confidence, grandiosity, exploitativeness, and persistence), they can in some contexts make them successful.

According to the productive narcissistic theory developed by Maccoby (2000), there is evidence that narcissistic CEOs drive their firms into subsequent decline. However, Maccoby (2000) and Deutschman (2005) also argue that CEO's narcissism may lead to positive organizational outcomes as well. Maccoby (2000) even mentions that the benefits of having narcissistic CEOs are enormous. It means that the degree of narcissism matters when it comes to considering the impact of narcissism on organizational strategic decisions. Therefore, these unique personality traits of narcissism may lead CEOs to make either positive or negative strategic decisions based on their values and beliefs.

2.2.1.1 CEO Narcissism and Corporate Tax Sheltering

Olsen and Stekelberg (2015) examined whether highly narcissistic CEOs are more likely to be associated with participating in an especially aggressive form of corporate tax avoidance: tax sheltering. Using a panel of CEOs of Fortune 500 companies from 1992 to 2009, they measured CEO's narcissism using the Chatterjee and Hambrick's (2007) unobtrusive measures of CEO's narcissism. The measure is based on (1) the prominence of the CEO's photo in the firm's annual report; (2) the prominence of the CEO in press release; (3) the CEO's relative cash pay; and (4) the CEO's relative noncash pay. They found that highly narcissistic CEOs engage more in corporate tax shelters compared to firms with relatively low narcissistic CEOs. According to Olsen and Stekelberg (2015, p.2), "Fortune 500 firms with relatively high-narcissism CEOs pay, on average, between $33.81 and $78.43 million less in taxes compared to firms with relatively low-narcissism CEOs". Because narcissists enjoy superiority and are exploitativeness (Raskin and Terry 1988), they tend to seek special treatment, cheat or act above the law. If given the chance, they may also pursue aggressive strategies to avoid taxes (Olsen and Stekelberg, 2015).

2.2.1.2 CEO Narcissism and Fraud

Rijsenbilt and Commandeur (2013) explored the relationship between CEO's narcissism and fraud using a sample of all S&P 500 CEOs from 1992 to 2008. Prior research also supports that highly narcissistic CEOs are more likely to engage in unethical behavior (Duchon and Drake, 2009; Amernic and Craig, 2010). In their research, CEO's narcissism is measured based on 15 objective indicators such as publicity, awards, line biography, corporate jet use, cash compensation, total compensation, ratio cash compensation, ratio total compensation, rank compensation, CEO's duality, role titles, governance index, photograph, value of acquisitions, and number of acquisitions. These 15 objective measures of CEO's narcissism are used to capture the narcissism construct that is theoretically driven by the work of Emmons (1987), which categorizes CEO's narcissism as having four major components: (1) authority/leadership (I like to be the center of attention; (2) superiority/arrogance (I am better than others; (3) Self-admiration (I am preoccupied with how extraordinary and special I am); and (4) entitlement (I insist upon getting the respect that is due to me). Fraud is measured by assessing the accounting and auditing enforcement release (AAER) in which SEC typically accuses managers of intentionally misstating financial statements. Highly narcissistic CEOs have a greater potential to deceive stakeholders by misstating and manipulating financial statements. The findings of Rijsenbilt and Commandeur (2013) confirm the positive relationship between CEO's narcissism and fraud. Chaterjee and Hambrick (2007) also provide evidence of a strong correlation between CEO's narcissism and large annual fluctuations in accounting returns.

2.2.1.3 CEO Narcissism and Firm Performance

Chatterjee and Hambrick (2011) investigated the influence of CEO's narcissism on firm performance using Chatterjee and Hambrick's (2007) unobtrusive measures of CEO's narcissism based on publicly available information. They used four indicators to measure the construct of narcissism: (1) the prominence of the CEO's photo in the firm's annual report; (2) the prominence of CEO in press release; (3) the CEO's relative cash pay; and (4) the CEO's relative noncash pay. Based on testing their theory using generalized estimating equations (GEE), they found that highly narcissistic CEOs are relatively inattentive to objective cues than are less narcissistic CEOs. Because narcissistic CEOs retain an inflated sense of self, they see little or no room for improvement. Further, they highly believe in both their personal talents and the capabilities of their organizations. Therefore, "highly narcissistic CEOs will tend to ignore or downplay the significance of their objective performance. In the face of poor performance, highly narcissistic CEOs will continue to harbor their elevated self-concepts and will sustain their fantasies as a coping mechanism. In the face of positive performance, highly narcissistic CEOs will conclude that their great talents and plans have been verified" (Chatterjee and Hambrick, 2011, p.210).

Olsen et al. (2013) also investigated the relationship between narcissistic personality characteristics in CEOs of Fortune 500 companies and financial performance measures of earnings-per-share (EPS) and stock valuation. Their point of view on the relationship between CEO's narcissism and firm performance is totally different from Chatterjee and Hambrick's work (2011). They argue that there is a positive relationship between CEO’s narcissism and firm performance. Using panel data from 1992 through 2009, they found that firms with narcissistic CEOs have higher earnings-per-share and share price than those with non-narcissistic CEOs. CEO’s narcissism is assessed using the Chatterjee and Hambrick’s (2007) construct. According to the authors, CEOs take accounting choices that affect earnings to create a better image for themselves.

2.2.1.4 CEO Narcissism and Performance Extreme

Chatterjee and Hambrick (2007) also found that although CEO’s narcissism was unrelated to mean firm performance, CEO’s narcissism “is related to extreme and irregular company performance. Narcissistic CEOs tend to generate more extreme performance — more big wins and big losses — than their less narcissistic counterparts” (Chatterjee and Hambrick 2007, p.378). Their over-confidence and desire for attention from others make them search for the dramatic action, which leads to performance extreme. The attention that narcissistic CEOs prefer will be high-risk and high-reward. When narcissistic CEOs face failure, they believe that they will do well in the future and show little fear of failure along with a strong desire for achievement (Chatterjee and Hambrick, 2011; Campbell et al., 2004a; Elliot and Thrash, 2001). Therefore, they argue and support with empirical evidence that higher narcissism leads to more extreme performance.

2.2.1.5 CEO Narcissism and Mergers and Acquisitions

Chatterjee and Hambrick (2007) examined the impact of CEO's narcissism on the degree of strategy dynamism with a sample from a computer hardware and software industry from 1992 to 2004. The results show that "narcissistic CEOs favor strategic dynamism to deliver a drama that will gain attention in a way that strategic stability cannot" (Chatterjee and Hambrick, 2007, p.359). Narcissists are very sensitive to the rewards of risk taking opportunities (Foster, Reidy, Misra, and Goff, 2011; Foster, Shenesey, and Goff, 2009). Specifically, narcissistic CEOs will engage in highly visible and bold actions such as merger and acquisition. As discussed by Chatterjee and Hambrick (2007, p.359), "merger and acquisitions are among the most visible initiatives a CEO can take. By their very nature, acquisitions represent quantum action, and they are attention-getters". In one action, the CEO can increase the scope of the company. In addition, narcissistic CEOs "mistakenly believe that they can run the acquired company better than the incumbent management" (Chatterjee and Hambrick, 2007, p.359). Therefore, they argue that narcissistic CEOs engage in strategic dynamism like mergers and acquisitions even though most of these deals destroy shareholder value and do not generate positive consequences.

2.2.1.6 CEO Narcissism and the Adoption of a Discontinuous Technology

Gerstner, Konig, Enders and Hambrick (2013) examined major pharmaceutical firms over the period 1980 to 2008 to understand why established firms vary in their adoption of technological discontinuities. They found that narcissistic CEOs of established firms will be relatively more engaged in their adoption of technological discontinuities. A “less narcissistic CEO might dwell on the inherent riskiness of an unproven technology, but a narcissistic CEO will tend to see the technology as feasible and thus will pursue it more aggressively” (Gerstner et al., 2013, p.263). Moreover, investment in a discontinuous technology will provide the narcissistic CEO’s need for attention. Narcissistic CEOs will get noticed and be admired by others in the industry and the press—for boldly investing in the new technology. Therefore, the authors argue that there is positive relationship between these two variables.

2.2.1.7 CEO Narcissism and Internationalization

Oesterle, Elosge, and Elosge (2016) examined the link between CEO’s narcissism and internationalization using 31 major German manufacturing firms over the period of 2004 to 2013. They used Chatterjee and Hambrick’s (2007) unobtrusive measures to access CEO’s narcissism. Applying insights from the upper echelons theory, they found that the main driver of a firm’s internationalization is CEO narcissism, which means that CEO’s narcissism is significantly positively linked to the growth of a firm internationalization. Highly narcissistic CEOs want to grow firms beyond the optimal size and internationalization provides CEOs with more power and compensation. They are also able to achieve excessive admiration and respect from others by taking challenging and risky actions.

Hence, the unique personal traits of narcissism lead CEOs to engage in organizational decisions outside their norms and beliefs. Narcissism induces CEOs to engage in either negative or positive strategic actions. However, given the profound amount of research that indicates that CEO's narcissism is negatively linked to strategic decisions, research on the positive impact of narcissism is limited. One area that has not received attention is the extent to which CEO's narcissism may influence CSR activities. The following section elaborates in more detail on the impact CEO's narcissism on stakeholder-driven CSR/social issue participation.

2.3 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) has emerged as part of the business paradigm (Porter and Kramer, 2006) because the competitive global market demands corporations to devote substantial resources to various social initiatives in order to survive. Almost 90% of Fortune 500 companies actively engage in CSR activities (Kotler and Lee, 2004) and voluntarily issue separate corporate responsibility reports, which imply that many practitioners seem to agree that participating in CSR is an essential action.

CSR takes additional importance in the hospitality industry because of the higher level of particular and identifiable CSR duties such as sustainability and green practices associated with hotels and restaurants (Su, Swanson, and Chen, 2015; Hu, Parsa and Self, 2010). Various stakeholders in the hospitality industry are highly sensitive to CSR activities and are more socially conscious than stakeholders from other industries (Fu, Li and Duan, 2014; Levy and Park, 2011; Liu, Wong, Chu and Tseng, 2014; Tsai et al., 2010). For example, customers in hotels and restaurants actively take part in CSR activities such as participating in a towel re-use program in hotels and going to restaurants that are socially responsible (Lee, Singal, and Kang, 2013). This implies that they prioritize engaging with firms based on whether they take an active role in contributing to CSR activities.

While heightened attention and practices on CSR are growing in the hospitality industry, current understanding of CSR is limited to measuring the impact of CSR on firm performance (Youn, Song, Lee and Kim, 2016; Lee, Signal and Kang, 2013; Lee, Seo and Sharma, 2013; Bird, Hall, Momente and Reggaiani, 2007; Waddock and Graves, 1997; Aupperle and Carroll and Hatfield, 1985). For example, an extensive literature has linked CSR to firm value (McWilliams & Siegel, 2001; Porter & Kramer, 2003; Mackey et al., 2007; Kang et al., 2016; Lee & Park, 2009). Youn, Song, Lee and Kim (2016) investigated the impact of CSR on firm performance within the restaurant industry and found an overall positive effect. Lee and Park (2009) investigated the relationship between CSR investments and firm market value for US hotels and casinos and also found a positive relationship. Lee, Seo and Sharma (2013) examined the impact of CSR on firm performance in the airline industry and found a significant effect on firm performance. Similar findings were reported by Fombrun and Shanley (1990).

Some studies have provided opposite conclusions (Wright and Ferris, 1997; Aupperle, Carroll, and Hatfield, 1985; McWilliams and Siegel, 2000; Makni, Francoeur and Bellavance, 2009; Statman, Fisher, and Anginer, 2008) reporting either a negative or non-significant relationship between CSR and firm value.

2.3.1 CEO Narcissism, CSR and Stakeholder driven CSR

Scholars and practitioners have increased calls to understand various factors that influence firms to implement CSR. Prior research has shown that firms engage in CSR due to firm maturity (Withisuphakorn and Jiraporn, 2016), CEO's demographic characteristics (Huang, 2013), CEO's political ideologies (Chin, Hambrick, and Trevino, 2013), institutional pressures (Stevens, Steensma, Harrison, and Cochran, 2005), firm policies (Fineman and Clarke, 1996; Christmann and Taylor, 2006), a sense of responsibility and duty (Bansal and Roth, 2000), firm mission and values (Marcus & Anderson, 2006), top management equity (Johnson and Greening, 1999), and corporate governance structures (Johnson and Greening, 1999). The same line of work examined how different leadership styles such as transformation and transactional leadership, and characteristics of CEOs such as education, tenure, and experience, impact strategic decisions (Gerstner et al., 2013; Malmendier and Tate, 2005; Zajac and Westphal, 1996; Finkelstein and Boyd, 1998). However, the empirical evidence advised that CEO characteristics have limited explanatory power for predicting strategic decision and "contain more noise than CEO' purer psychological measures" such as values, beliefs, and behavior intentions (Hambrick and Mason, 1984, p. 196; Waldman, Siegel and Javidan, 2006; Waldman et al., 2004; Priem, Lyon, and Dess, 1999; Hambrick and Mason, 1984). In addition, Brammer and Millington (2008, p.1326) asserted that "the conceptual determinants of CSR remain relatively under-developed".

This study extends previous findings on the determinants of CSR by examining how CEO's narcissism impacts CSR. According to the stakeholder theory (Freeman, 1983), CSR addresses the needs of various stakeholders such as customers, employees, suppliers, local community and environment. When CEOs decide on the strategic choices beyond shareholders covering the needs of stakeholders, their cognitive biases and personal values are significantly reflected on these strategic choices as actions for benefiting stakeholders are difficult to evaluate (Petrenko et al., 2016; Waldman and Seigel, 2008). This view is also consistent with the upper echelon theory which states that "executives interpret their situations through lenses formed by their individual attributes, including their experiences, values, and personalities; in turn, these highly personalized construals guide executives' actions." (Gerstner et al., 2013, p.258). It implies that varying degree of CEOs' personal belief and value such as narcissism would motivate or demotivate CEOs to engage CSR.

Petrenko, Aime, Ridge and Hill (2016) recently examined the effect of CEO's narcissism on CSR supporting the fact that narcissism significantly affects CSR initiatives. However, they failed to look at CSR from two different perspectives: stakeholder-driven CSR and social participation. According to Hillman and Keim (2001), CSR should be evaluated with a multi-dimensional construct comprised of stakeholder-driven CSR management and social issue participation (Clarkson, 1995; Wood, 1991). Other studies (Jamali, 2008; Wood, 1991) have also argued that an aggregated measure of CSR should be interpreted with caution. In addition, stakeholders' perspectives on CSR coincides with the management discretion theory (Hambrick and Finkelstein, 1987). Lieberson and O'Connor (1972) also argue that CEOs might have more discretion in some areas than others. As CEO's narcissism is considered as a critical factor that affects firm strategic choices, it is more appropriate to divide CSR into two different dimensions by taking all unique characteristics of narcissistic CEOs into consideration.

Previous literature suggests that narcissistic CEOs are motivated by the desire for attention, applause, praise, recognition and adulation to reaffirm their self- importance and ego, and to prove their superiority (O'Reilly et al., 2014; Wallace and Baumeister, 2002; Campbell, Reeder, Sedikides, and Elliot, 2000) because narcissists show extremely fragile shelf-esteem (Kernis, 2005). Therefore, narcissistic CEOs are propelled to engage in certain strategic actions when they recognize that audiences are watching, and their actions are impressed by their audiences (Gerstner, Konig, Enders and Hambrick, 2013; Aktas, Bodt, Bollaert and Roll, 2016). Stakeholder-driven CSR management such as environmental friendliness, fair treatment of employees, community support, and sourcing from local suppliers especially reflects the needs and demands of primary stakeholders including customers, employees, investors, governments, and communities. As this can easily get attention from media, it motivates narcissistic CEO to engage in stakeholder-driven CSR to receive the applause and admiration from primary stakeholders.

H1*: There is a positive relationship between CEO narcissism and stakeholder driven CSR.*

2.3.2 CEO Narcissism and Social Issue Participation (SIP)

Social Issue Participation (SIP) constitutes engaging in CSR that does not directly involve relationships with a firm's primary stakeholder by using corporate resources (Hillman and Keim, 2001). Examples include not conducting businesses with countries associated with human rights violations and nuclear power and not engaging in "sin" industries such as alcohol, gambling and tobacco.

Such issues may not receive the same attention from a respected audience as much as stakeholder-driven CSR. Considering the limited resources, budget, complexity and the dynamic nature of the social environment faced by most organizations, narcissistic CEOs would prioritize the social activities and focus on meeting a stakeholders' needs through engaging in stakeholder-driven CSR rather than providing general social value for a broader audience by engaging in social participation.

H2*: There is a negative relationship between CEO narcissism and social participation*

2.4 The Moderating Role of Outside Board of Directors

To better understand the underlying mechanisms between CEO's narcissism and stakeholder-driven CSR and SIP, this study examines the moderating role of outside board of directors. The following section provides a review of corporate governance and discusses the moderating role of outside board of directors.

2.4.1 Corporate Governance

In general, corporate governance is defined as "the system of roles, practices and processes by which firms are directed and controlled" (Cadbury, 2000, p.8). Williamson (1984) defines it as a set of institutional arrangement that aligns the interest of management and residual risk-bearing shareholders.

As discussed above, theoretically, corporate governance is closely related to the agency theory. Jensen and Meckling (1976) introduced the agency theory to discuss the conflict of interest between principals (stockholders) and agents (managers) when ownership and control of organizations are not fully coincident (Berle and Means, 1932). The conflict of interest is caused by the different interests on each side of the relationship, referred to as the principal-agent relationship. The agency theory further indicates mechanisms which reduce agency loss (agency cost) (Eisenhardt, 1989).

Jensen and Meckling (1976) argue that in order to mitigate or prevent the agent's self-serving behavior, a company is required to implement well-developed corporate governance. By doing so, agents (managers) might not act to pursue their own personal material wealth at the expense of shareholders. In the same line of reasoning, Shleifer and Vishny (1997) posit that corporate governance guarantee the interest of shareholders.

Under the broad spectrum, corporate governance is designed considering not only the interest of shareholders but also the interest of their various stakeholders. Traditionally, corporations have been perceived as self-centered, and profit maximizing entities, and judged by their economic success and shareholder value maximization (Ilg, 2007). However, these days, they are expected to pay attention to various stakeholders.

Hardjono and van Marrewijk (2001) suggest that companies are expanding the basis of their performance evaluation from financial figures to various social and environmental impacts. In addition, the last couple decades witnessed an emergence of a new stakeholder group, institutional investors (Chaganti and Damanpour, 1991; Pound, 1992), who have less ability than individual investors to move in and out of funds (Pound, 1992). Therefore, these institutional investors not only focus on financial performance of the firm but also pay strong attention to other strategies that are related with their various stakeholders, such as being responsive to communities and maintaining good quality of products and caring about the environment and employees, which all related to the long-term benefit and sustainability of the company.

Accordingly, corporate governance is defined as "the design of institutions that induce or force management to internalize the welfare of both internal (employee) and external (customers, suppliers, community, government, etc.) stakeholders" (Tirole, 2001, p.4). This implies that corporate governance specifies the distribution of rights and responsibilities among various stakeholders (such as shareholders, creditors, regulators, suppliers, customers, communities, and employees) and managers and involves balancing the interests of a company's stakeholders since ownership is separated from management (Lin, 2011; Cadbury, 1992; Ayuso and Argandona, 2007).

Corporate governance was introduced to minimize the conflict of interest between principal and agents (management including CEOs). In this study, special attention will be given to the role of outside board of directors among various components of corporate governance. The board of directors plays a crucial role in monitoring CEOs' actions and provides different perspectives on strategic formulations reflecting both shareholders and other stakeholders.

2.4.2 Board of Directors

The board of directors plays a silent role in corporate governance (Williamson, 1984) and the structure of large business corporations (Fama and Jensen, 1983). Baysinger and Butler (1985) suggest that the board of directors is considered as a specialized corporate governance structure that affects the survival of the firm. The board of directors has the ability to hire, fire, and reward senior management teams including CEO and help reduce conflicts (Baysinger and Butler, 1985). Further, they are significantly involved in formulating a firm's strategic actions (Kesner, 1988; Kosnik, 1990).

Traditionally, the key role played by the board of directors has been categorized into three major classes: an agency role, a resource-dependent role, and a strategy role (Hillman, Keim, and Luce, 2001; Johnson, Daily and Ellstrand, 1996).

The board of directors is also characterized as having a role in strategic planning. They provide expertise and different perspectives in the formulation and development of strategies. For example, directors advise CEOs and top managers on managerial issues and they even actively initiate and formulate strategies (Zahra and Pearce, 1989). They are viewed as “instrumental to the strategy of the firm” (Baysinger and Butler, 1985, p.254).

2.4.3 Outside BOD, CEO Narcissism, Stakeholder Driven CSR/SIP

There is an agreement in the corporate governance literature that a board that includes a greater proportion of outside directors will be more effective in performing an agency role, a resource dependence role and a strategy role (Hillman, Keim and Luce, 2001). Outside board of directors is composed of members who are not current or former employees of the firm (Rosenstein and Wyatt, 1990). To be considered as outside board of directors, they are also required to prove their psychological and financial independence from the organization (Baysinger and Butler, 1985). In the U.S., all major corporations should have at least “a majority” of outside directors in their corporate governance system.

Prior research on corporate governance acknowledges the substantial benefits of having a large proportion of outside board members. Dalton et al. (1998) argue that they can provide independent judgements on managerial performance based on their increased objectivity. They are also more effective in providing guidance on strategic formulation and bringing resources. Some scholars posit that outside board members are in a better position to create relationship with other organizations in order to defeat market competition through explicit interfirm coordination (Burt, 1980; Schoorman et al., 1981).

Nowadays, companies are not merely judged by their economic contribution to the global economy. They are expected to broaden their focus from financial performance evaluation toward social and environmental impacts through managing the interests of multiple stakeholders (Jamali et al., 2008, p.443). Previous research also supports that organizations should expand their activities beyond financial success (Hardjono and van Marrewijk, 2001). Wang and Dewhirst (1992) found that outside board of directors who represents many different constituents are more sensitive toward various stakeholder related issues such as communities, minorities, employee welfare, and environments.

Accordingly, outside board of directors — those who are not employed by or engaged with the company — are increasingly seen as responsible for matters related to CSR. Outside directors have more diverse backgrounds and come from various external constituencies. Hence, they are more conscious about improving relationships with various stakeholders. They are in a better position and more effective than inside board members in helping CEOs to implement CSR activities. Therefore, under a strong corporate governance system comprising a higher proportion of outside board of directors, narcissistic CEO would be able to use firm resources to invest more effectively in both stakeholder-related CSR and SIP.

H3*: Outside board of directors moderate the relationship between CEO narcissism and stakeholder driven CSR. As the percentage of outside directors on the board increases, the stronger becomes the commitment of narcissistic CEOs to invest in stakeholder issues.*

H4*: Outside board of directors moderate the relationship between CEO narcissism and social issue participation. As the percentage of outside directors on the board increases, the stronger becomes the commitment of narcissistic CEOs to invest in social issues.*

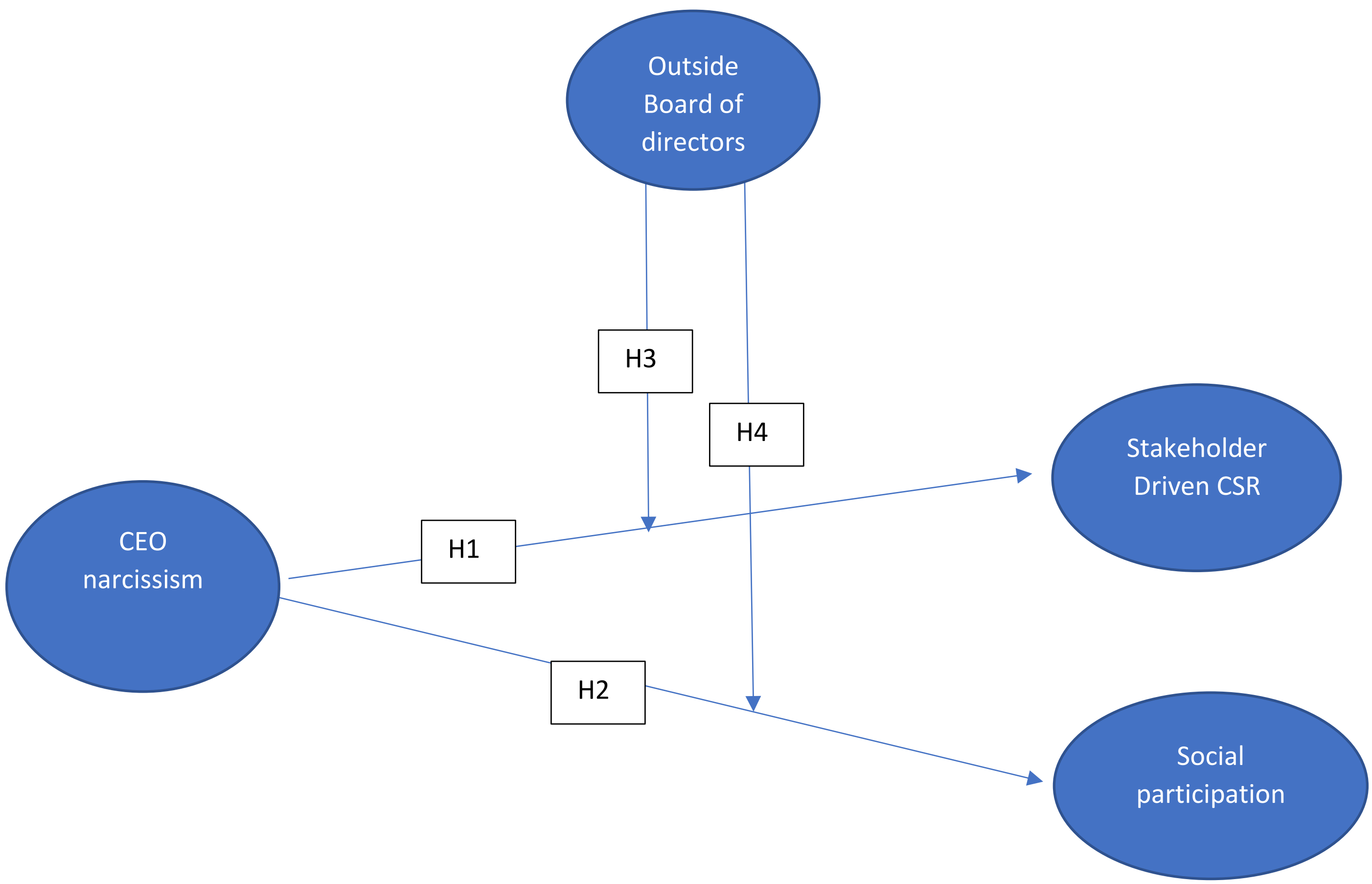

Figure 1. Conceptual Model

CHAPTER 3

METHOD

3.1 Chapter Overview

This chapter describes the study procedures and statistical techniques used for the data analysis. The cross-sectional time series regression is used to examine the impact of CEO's narcissism on stakeholder-driven CSR, and SIP. This study further explores the moderating effects of outside board of directors on the relationship between CEO's narcissism and stakeholder driven CSR and SIP. Figure 1 summarizes the conceptual framework of this study.

3.2 Data and Sample

To test the proposed hypotheses, data were collected on publicly traded U.S. restaurants, identified using SIC (Standard Industrial Classification) code of 5400 and 5812 over the period 2001 to 2012. Based on the availability of data from four different archival sources, narcissism, relative number of outside board of directors and control variables were measured using (1) COMPUSTAT (2) annual report (3) proxy statements (DEF 14A) and (4) Factiva, and stakeholder-driven CSR and SIP variables were measured with (5) KLD STATS. This study compiled a total of 232 firm observations across 22 restaurants over a 12-year period.

3.3 Dependent Variables

The two proposed dimensions of CSR; stakeholder-driven CSR and social issue participation (Hillman and Keim, 2001) were measured with the KLD dataset, which evaluates CSR activities on both stakeholder-related and non-stakeholder–related issues. KLD data consisted of various CSR activities including community, corporate governance, diversity, employee relations, environment, human rights, and product characteristics, and various controversial business issues such as alcohol, gambling, firearms, military, nuclear power, and tobacco involvement (www.wharton.upenn.edu/wrds/ds/kld/). For each publicly traded U.S. firm, over 250 objective indicators were used to indicate how well each firm participated in social responsible acts and built relationships with various stakeholders (Luo, Wang, Raithel and Zheng, 2015). The KLD dataset is frequently adopted in the literature to measure CSR (Waddock and Graves, 1997; McWilliams and Siegel, 2000; Hilman and Keim, 2001). Further, its construct validity has been tested against other measures (Sharfman, 1996).

This study specifically adopts the Hillman and Keim's (2001) approach to separate the aggregated CSR construct into multi-dimensional CSR; stakeholder-driven CSR and social participation issues. Stakeholder-driven CSR is measured with the existing five categories of the KLD dataset: (1) product quality; (2) employee relations; (3) community relations; (4) environmental issues; and (5) diversity issues (see Appendix A). These five categories represent firms' CSR activities to the five primary stakeholders: (1) customers; (2) employees; (3) communities; (4) environment; and (5) minorities and suppliers. According to Clarkson (1995), multi-dimensional CSR should be evaluated with a stakeholder framework, which provides the foundation on how firms manage their relationship with various stakeholders.

Social issue participation is measured with the KLD categories of business involvement in the following controversial issues such as alcohol/gambling/tobacco, charitable giving outside of the United States, military exclusionary screens, nuclear power exclusionary screens and non-U.S. concerns over investment in Burma and Mexico and corporate governance. These social participation issues are CSR activities not directly related with primary stakeholders.

The ratings provided by the KLD dataset on each of the stakeholder-driven CSR and social issues participation categories range from -2 (critical concern), -1 (concern), 0 (natural), 1 (strength), and 2 (critical strength). This study follows the procedure suggested by Himan and Keum (2001) taking the total number of strengths minus the total number of concerns with the KLD categories.

3.4 Main variables

Two main variables are CEO’s narcissism and outside board of directors. To measure CEO’s narcissism, this study adopts the Chatterjee and Hambrick’s (2011) approach. Prior research explored the computer software and hardware industries (Chatterjee and Hambricks, 2007), Fortune 500 companies (Olsen et al., 2013), and pharmaceutical companies (Gerstner, Koning, Enders and Hambrick, 2013). This study explores the role of CEO’s narcissism in the hospitality industry, specifically, the restaurant industry. The restaurant industry is relatively unique in that it shows an overwhelming number of entrepreneurs and exhibits considerable variance in CSR engagement. Mathieu and St-Jean (2013) argue that there is a strong link between entrepreneurship and individuals with greater narcissistic personality.

CEO’s narcissism is measured with a 4-item index: (1) the prominence of the CEO’s photograph in the company’s annual report; (2) the CEO’s prominence in company press releases; (3) the CEO’s relative cash compensation; and (4) the CEO’s relative non-cash compensation. These indicators represent one or more general aspects of the narcissistic personality (see Appendix B): superiority/arrogance, exploitativeness/entitlement, self absorption/self-admiration, and leadership/authority which were identified by Emmons (1987).

The prominence of the CEO’s photograph is measured as follows: four points if the CEO’s photo is of him or her alone and occupied more than half a page; three points if the photo is of the CEO alone and occupies less than half a page; two points if the CEO is photographed with one or more fellow executives; and one point if there is no photograph of the CEO. The CEO’s prominence in company press releases is calculated by considering the number of times the CEO was mentioned by name in the company’s press releases and dividing it by the total number of words (in thousands) in all the company’s press releases. Relative cash compensation is accessed by calculating the CEO’s cash compensation (salary and bonus) divided by that of the second-highest-paid executive in the firm. Relative non-cash compensation (total compensation less total cash compensation) is measured as the ratio of the CEO’s non-cash compensation such as deferred income, stock grants, and stock options using the Black-Scholes valuation, divided by that of the second-highest-paid executive. All four indicators are averaged to measure the construct of CEO's narcissism after standardization for each CEO.

According to the previous literature (Chatterjee and Hambrick, 2007; O'Reilly et al., 2013; Olsen et al., 2013), all four indexes are considered as appropriate unobtrusive indicators of CEO's narcissism because company's CEO has significant control over the size of their photograph in company's annual report, the contents of the press release, the setting of their own and other executives' cash and non-cash compensation. Further, there is high link between these four indicators and the characteristics of narcissistic personality. The highly narcissistic CEO tends to occupy more space to present his/her photo alone in the annual reports, wants to be mentioned often in the company's press release and believes that he/she deserves a higher pay in order to prove personal superiority and self-importance and attain affirmation from others. Table 1.4 presents the descriptive statistics for the four narcissism indicators.

Outside board of directors is measured by taking the ratio of board members that are not affiliated with the company out of the total number of board of directors (Webb, 2004; Johnson and Greening, 1999; Byrd, Hickman, 1992).

3.5 Control Variables

A number of control variables are included in this study: (1) CEO age (2) CEO tenure 3) firm size and (4) leverage. Age and tenure control for the variation in CEO tendency and power to engage in a firm's strategies (Wu, Levitas and Priem, 2005; Chen et al., 2013). Firm size is also another important variable. It controls for any systematic relationship between firm size and CSR engagement (Lee, Signal and Kang, 2013. Because large firms have more resources, they tend to invest more on CSR than smaller firms (Dutta, Narasimhan, and Rajiv 1999). Firm size is measured as the natural logarithm of annual sales revenue from COMPUSTAT. While a considerable body of the previous literature has adopted total assets as a proxy for a firm size, total revenue is more appropriate in our context as it covers franchise fees (Lee, Signal and Kang, 2013). The capital structure of the firm is defined as total liabilities scaled by total assets. Several studies suggest that financial leverage is a fundamental factor influencing CSR engagement (Lins, Servaes and Tamayo, 2017; Park, Song and Lee, 2017). McCarthy, Oliver and Song (2017) specially argued that leverage is an important proxy to control for the impact of financial constraint on the relationship between overconfident CEO and CSR.

3.6 Model Specification

This study examines two-dimensional panel data which include individual firms and years to avoid potential problems with unobserved factors. Two separate panel regressions are estimated, one for stakeholder-driven CSR and the other for social issue participation. Before performing the panel data estimation for each regression model, the Hausman specification test is utilized to confirm whether a fixed-effects model or a random-effects model is appropriate. For the stakeholder driven CSR, the *p*-value of the Hausman results was 0.2321, implying that the null hypothesis should not be rejected, and the random effect model is more appropriate. For the SIP sample, the *p*-value of the

Hausman test was 0.1809, indicating again that the random-effect is more appropriate. The two equations for panel estimation can be written as:

$$CSR1_{it} = \alpha_0 + \alpha_1 Nar_{it} + \alpha_2 OBOD_{it} + \alpha_3 Nar_{it} OBOD_{it} + \alpha_4 Age_{it} + \alpha_5 Ten_{it} + \alpha_6 LEV_{it} + \alpha_7 Size_{it} + \varepsilon_{it} \qquad \text{(Model 1)}$$

$$CSR2_{it} = \alpha_0 + \alpha_1 Nar_{it} + \alpha_2 OBOD_{it} + \alpha_3 Nar_{it} OBOD_{it} + \alpha_4 Age_{it} + \alpha_5 Ten_{it} + \alpha_6 LEV_{it} + \alpha_7 Size_{it} + \varepsilon_{it} \qquad \text{(Model 2)}$$

Where CSR1 is stakeholder-driven CSR, Nar is CEO's narcissism, OBOD is outside board of directors, Age is CEO age, Ten is CEO tenure year, LEV is firm leverage, Size is firm size, and CSR2 is Social Issue Participation (SIP). Nar*OBOD symbolizes the interaction between CEO's narcissism and outside board of directors, ε stands for error terms, i and t represents an individual firm observation and each year, respectively.

CHAPTER 4

RESULTS

This chapter presents the finding of this study. The present research examines the impact of CEO’s narcissism on stakeholder driven CSR and Social Issue Participation (SIP). The study also examines the moderating role of outside board of directors on the relationship between CEO’s narcissism and two different dimensions of CSR: stakeholder-driven CSR and SIP.

4.1 Descriptive statistics

Table 1.1 and 1.2 provide more information about the sample used in this study. It covers 22 restaurant companies from 2001 to 2012. A combination of 22 cross-sections (firms) and 12 time series (232 firm-year observations). Before conducting the statistical analysis, this study examines the distribution of each variable to check for normality. This study also checks the assumption of homoskedasticity using Breusch-Pagan Lagrange Multiplier test (Breusch & Pagan, 1979). To address the potential presence of heteroscedasticity, we use robust standard errors.

Table 1.5 presents the summary of descriptive analysis for all variables. The mean value of stakeholder driven CSR is 2.21 with a minimum of -8 and a maximum of 26 while the mean value of social issue participation is -0.78 with a minimum of -6 and a maximum of 6. The wide range of CSR implies that some restaurants participate more actively in the stakeholder driven CSR and SIP activities. Narcissism has a mean value of

0.00 with a minimum of -1.23 and a maximum of 3.21. Table 1.4 presents the descriptive statistics for the narcissism measure, a figure similar to that presented by Olsen et al., (2013) and Chatterjee and Hambrick (2011). A higher value of the narcissism measure indicates a strong narcissistic tendency.

The OBOD score shows a minimum value of 0.2 and a maximum value of 0.85 with a mean of 0.68 which means that on average, more restaurants in our sample have a higher percentage of outside board of directors than inside board of directors. CEO age ranges from 42 to 71 with a mean value of 56. CEO tenure ranges from 0 to 25 with a mean value of 7.2. Leverage ranges from 0.16 to 4.07 with a mean value of 0.64. Firm size ranges from 1.97 to 4.44 with mean value of 3.15.

Table 1.6 illustrates the Pearson's correlation analysis for all variables in the model. Stakeholder-driven CSR is positively correlated with SIP (r=0.3587), OBOD (r = 0.213) and SIZE (r = 0.495) at the 0.01 significance level. It is negatively correlated with CEO tenure (r = -0.1893) at the 0.01 significance level. Social issue participation is negatively correlated with CEO age (r = -0.161) at the 0.05 significance level. Narcissism has a significant positive correlation with OBOD (r = 0.207), LEV (r = 0.174), and SIZE (r = 0.221) at the 0.01 significance level. OBOD is positively correlated with age (r = 0.185) and SIZE (r = 0.194) at the 0.01 significance level. CEO age has a positive correlation with LEV (r = 0.146) at the 0.05 significance level.

4.2 Main Analysis

The main analysis is examined with two models to test four hypotheses. Table 1.7 and 1.8 present the result of Model 1 which reports the parameters estimates along with the associated z-values where the dependent variable is stakeholder driven CSR. The results in table 1.8 represent the marginal effect of CEO's narcissism on stakeholder driven CSR. Marginal effects measure the instantaneous change in the dependent variable as a function of a change in an explanatory variable while keeping all the other covariates constant (Woodridge, 2002). The marginal effect provides a good estimate of the net impact of CEO's narcissism on stakeholder driven CSR, while the interaction is present in the model. The results in table 1.8 show a positive and insignificant impact of CEO's narcissism on stakeholder driven CSR ($\beta = 0.555$, $P = 0.379$), failing to support Hypothesis 1. The results in table 1.7 show a positive and significant moderating impact of outside board of directors on the relationship between CEO's narcissism and stakeholder-driven CSR ($\beta = 8.748$, $P = 0.000$), supporting Hypothesis 3. The results assert that when firms comprise a higher proportion of outside boards of directors, the impact of CEO's narcissism on stakeholder-driven CSR is stronger.

Tables 1.9 and 1.10 report the results of Model 2 which present the parameters estimates and the associated z-values where the dependent variable is SIP. The results in Table 1.10 show insignificant impact of CEO's narcissism on SIP ($\beta = 0.065$, $P = 0.851$), failing to support Hypothesis 2. The results in Table 1.9 show a positive and significant moderating impact of outside board of directors on the relationship between CEO's narcissism and SIP ($\beta = 3.232$, $P = 0.071$), supporting Hypothesis 4.

4.3 Robustness Checks

To validate the findings, the study reports some robustness checks. First of all, the first year of the CEO's tenure is omitted. According to Chatterjee and Hambrick (2007), the first tenure year is often associated anomalies associated with succession. Therefore, it is more appropriate to omit the first year of the CEO's tenure. In addition, to set a lagged design, dependent variables are measured annually for each of the subsequent years of the CEO's tenure. This lagged design may control any circular or recursive relationship between the narcissism measure and the dependent variables.

Before performing the robustness check with each regression model, the Hausman specification test was utilized to confirm whether a fixed-effects model or a random-effects model is appropriate. For the stake holder driven CSR, the p-value of the Hausman results was 0.3457, confirming that the random effect was more appropriate. For the SIP sample, the p-value of the Hausman test was 0.0562 confirming again the random effect is more appropriate. The results are presented in Tables 1.12, 1.13, 1.14, and 1.15. The results of stakeholder driven CSR are presented in Table 1.12 and 1.13. The impact of CEO narcissism on stakeholder driven CSR ($\beta = 0.399$, $P = 0.535$) is positive and insignificant and the moderating impact of outside board of directors on the relationship between CEO narcissism and stakeholder driven CSR ($\beta = 7.884$, $P = 0.007$) is positive and significant. The results of SIP are presented in Tables 1.14 and 1.15. The impact of CEO narcissism on SIP ($\beta = 0.090$, $P = 0.797$) is positive and statistically insignificant buy the moderating impact of outside board of directors on the relationship between CEO narcissism and SIP ($\beta = 2.013$, $P = 0.321$) is positive but insignificant.

Hence, overall the results seem to be consistent with the previous findings.

Table 1.1

Sample Company List

Company	*Observations*
BOB EVANS FARMS	12
BRINKER INTL INC	12
WENDY'S CO	12
LUBYS INC	12
MCDONALD'S CORP	12
RUBY TUESDAY INC	12
JACK IN THE BOX INC	10
DENNYS CORP	8
SONIC CORP	10
PANERA BREAD CO	10
STARBUCKS CORP	12
CHEESECAKE FACTORY INC	11
PAPA JOHNS INTERNATIONAL INC	10
DARDEN RESTAURANTS INC	12
BJ'S RESTAURANTS INC	9
YUM BRANDS INC	11
KRISPY KREME DOUGHNUTS INC	12
RED ROBIN GOURMET BURGERS	10
BUFFALO WILD WINGS INC	9
DOMINO'S PIZZA INC	9
TEXAS ROADHOUSE INC	9
RUTHS HOSPITALITY GROUP INC	8
Total	**232**

Table 1.2

Summary of Sample size by Year

Year	*Observations*
2001	9
2002	11
2003	16
2004	20
2005	22
2006	22
2007	22
2008	22
2009	22
2010	22
2011	22
2012	22
Total	**232**

Table 1.3

Variable definitions

Variables	Definitions
Dependent variables	
Stakeholder driven CSR	The total number of strengths minus the total number of concerns within (1) product quality; (2) employee relations; (3) community relations; (4) environmental issues; and (5) diversity aspects of CSR
Social Issue Participation	The total number of strengths minus the total number of concerns with the KLD categories of business involvement in the following controversial issues such as alcohol/gambling/tobacco, charitable giving outside of the United States, military exclusionary screens, nuclear power exclusionary screens and non-U.S concerns over investment in Burma and Mexico.
Main variables	
CEO's narcissism	The average of a 4-item index after standardization of each CEO: (1) the prominence of the CEO's photograph in the company's annual report; (2) the CEO's prominence in company press releases; (3) the CEO's relative cash compensation; and (4) the CEO's relative non-cash compensation
Outside board of directors	The number of outside board of directors divided by the total number of board of directors
Control variables	
CEO age	The age of a CEO of firm
CEO tenure	The number of years the CEO of firm
Leverage	The total liabilities scaled by total assets
Firm size	The natural logarithm of annual sales revenue

Table 1.4

Descriptive Statistics for the CEO Narcissism Measure

Variable	*n*	*Mean*	*S.D*	*Min*	*Max*
1. CEO prominence in photo size	232	2.24	.99	1	4
2. CEO prominence in press release	232	0.06	.10	0	0.67
3. CEO Relative cash pay	232	1.64	.57	0.09	4.43
4. CEO relative non-cash pay	232	2.69	3.05	0	38.18

Table 1.5

Descriptive Statistics

Variable	*n*	*Mean*	*S.D*	*Min*	*Max*
CSR1	232	2.21	5.44	-8	26
CSR2	232	-0.78	1.77	-6	6
NAR	232	0.00	0.64	-1.23	3.21
OBOD	232	0.68	0.10	0.2	0.85
AGE	232	56.38	5.28	42	71
TEN	232	7.20	5.44	0	25
LEV	232	0.64	0.62	0.16	4.07
SIZE	232	3.15	0.54	1.97	4.44

Note: CSR1 represents stakeholder-driven CSR; CSR2 represents SIP; NAR represents CEO's narcissism; OBOD represents the outside board of directors; AGE represents CEO' age; TEN represents CEO's tenure; LEV represents a firm's leverage; SIZE represents firm size.

Table 1.6

Pearson Correlations Analysis

Variable	*CSR1*	*CSR2*	*NAR*	*OBOD*	*AGE*	*TEN*	*LEV*	*SIZE*
CSR1	1.0000							
CSR2	0.3587***	1.0000						
NAR	0.0650	-0.0755	1.0000					
OBOD	0.2126***	-0.0089	0.2174***	1.0000				
AGE	0.1005	-0.1612**	0.0735	0.1859***	1.0000			
TEN	-0.1893***	0.0165	0.0749	0.0249	0.0366	1.0000		
LEV	-0.0013	-0.0340	0.1741***	0.0906	-0.0594	0.0469	1.0000	
SIZE	0.4951***	-0.0591	0.2210***	0.1936***	0.1461**	-0.1034	0.0661	1.0000

, significant at the 0.05, 0.01 level, respectively. Note:* CSR1 represents stakeholder-driven CSR; CSR2 represents SIP; NAR represents CEO's narcissism; OBOD represents the outside board of directors; AGE represents CEO' age; TEN represents CEO's tenure; LEV represents a firm's leverage; SIZE represents firm size.

Table 1.7
Main results of Model 1 with the random-effect regression estimates

Variable	Coefficients	z-value	p-value
Dependent variable: CSR1			
NAR	-5.426**	-5.56	0.000
OBOD	13.953**	2.33	0.020
CEO NAR*OBOD	8.748**	4.00	0.000
CEO age	-0.099	-0.99	0.321
CEO tenure	-0.047	-0.78	0.435
Leverage	1.417*	1.93	0.053
Firm size	1.880	0.83	0.407

***Significant at the 5%,*Significant at the 10% confidence level, respectively. Note:* CSR1 represents stakeholder-driven CSR; NAR represents CEO's narcissism; OBOD represents the outside board of directors; AGE represents CEO' age; TEN represents CEO's tenure; LEV represents a firm's leverage; SIZE represents firm size.

Table 1.8
Marginal effect in Model 1

Variable	Coefficients	z-value	p-value
Dependent variable: CSR1			
CEO’s Narcissism	0.555	0.88	0.379

Table 1.9
Main results of Model 2 with the random-effect regression estimates

Variable	Coefficients	z-value	p-value
Dependent variable: CSR2			
NAR	-2.145**	-2.20	0.028
OBOD	2.896	1.06	0.288
CEO NAR*OBOD	3.232*	1.80	0.071
CEO age	-0.084**	-2.14	0.032
CEO tenure	0.034	0.98	0.329
Leverage	-0.328	-0.92	0.356
Firm size	0.038	0.07	0.943

**, * Significant at the 5%, 10% confidence level, respectively. Note: *Note:* CSR2 represents SIP; NAR represents CEO's narcissism; OBOD represents the outside board of directors; AGE represents CEO' age; TEN represents CEO's tenure; LEV represents a firm's leverage; SIZE represents firm size.

Table 1.10
Marginal effect in Model 2

Variable	Coefficients	z-value	p-value
Dependent variable: CSR2			
CEO Narcissism	0.065	0.19	0.851

Table 1.11
Summary of hypothesis testing

Hypothesis	Expected sign	Actual sign	Statistical Significance	Results
Main Effect				
1: CEO Nar on CSR1	Positive	Positive	Insignificant	Not supported
2: CEO Nar on CSR2	Negative	Positive	Insignificant	Not supported
Moderating Effect				
3: OBOD on CEO Nar and CSR1	Positive	Positive	Significant	Supported
4: OBOD on CEO Nar and CSR2	Positive	Positive	Significant	Supported

Note: CSR1 represents stakeholder-driven CSR; CSR2 represents SIP; NAR represents CEO's narcissism; OBOD represents the outside board of directors.

Table 1.12
Robustness Check: Model 1 with the random-effect regression estimates

Variable	Coefficients	z-value	p-value
Dependent variable: CSR1			
NAR	-5.490**	-3.88	0.000
OBOD	15.985**	2.68	0.007
CEO NAR*OBOD	7.884**	2.70	0.007
CEO age	-0.066	-0.71	0.480
CEO tenure	-0.075	-1.15	0.248
Leverage	0.294	0.59	0.557
Firm size	2.507	1.21	0.225

**Significant at the 5% confidence level. *Note:* CSR1 represents stakeholder-driven CSR; NAR represents CEO's narcissism; OBOD represents the outside board of directors; AGE represents CEO' age; TEN represents CEO's tenure; LEV represents a firm's leverage; SIZE represents firm size.

Table 1.13
Robustness Check: Marginal effect in Model 1

Variable	Coefficients	z-value	p-value
Dependent variable: CSR2			
CEO Narcissism	0.399	0.62	0.535

Table 1.14
Robustness Check: Model 2 with the random-effect regression estimates

Variable	Coefficients	z-value	p-value
Dependent variable: CSR2			
NAR	-1.481	-1.49	0.136
OBOD	3.358	1.06	0.288
CEO NAR*OBOD	2.013	0.99	0.321
CEO age	-0.094*	-1.84	0.066
CEO tenure	0.017	0.54	0.590
Leverage	-0.190	-0.55	0.583
Firm size	0.218	0.38	0.707

*Significant at the 10% confidence level Note: CSR2 represents SIP; NAR represents CEO's narcissism; OBOD represents the outside board of directors; AGE represents CEO' age; TEN represents CEO's tenure; LEV represents a firm's leverage; SIZE represents firm size.

Table 1.15
Robustness Check: Marginal effect in Model 2

Variable	Coefficients	z-value	p-value
Dependent variable: CSR2			
CEO Narcissism	0.090	0.26	0.797

CHAPTER 5

CONCLUSIONS

This chapter presents a general discussion of the results. The findings of this study provide meaningful theoretical and practical implications. In the following, suggestions for future research and limitations are discussed.

5.1 General discussions and theoretical implications

Why do some firms actively engage in CSR activities, but others do not? Why did Steve Jobs, former CEO and co-founder of Apple Inc., end Apple's philanthropic programs in 1997 (Sorkin, 2011) while Bill Gates, CEO of Microsoft Corporation., has vigorously continued to engage in CSR activities? This research proposes the answer to these questions.

Based on over 25 years of research on the upper echelon theory, Hambrick (2007) emphasized the importance of CEO's characteristics. In previous research, scholars have studied the impact of various CEO's characteristics and personalities on firm strategic choices and financial performance (Amernic and Graig, 2010; Chatterjee and Hambrick, 2007; Olson et al., 2013; Gerstner et al., 2013), because CEOs influence the forms and fates of companies (Finkelstein & Hambrick, 1996; Hambrick, 2007; Chandler, 1962; Zajac and Westphal, 1996; Finkelstein and Boyd, 1998; Malmendier and Tate, 2005; Gerstner et al., 2013).

Recently, among the various personality traits, CEO's narcissism has received a special attention from scholars and practitioners. The unique characteristics of narcissism are highly associated with the prototype of a CEO (Brunell et al., 2008; Chatterjee and Hambrick, 2007). In addition, there is a strong linkage between CEO's narcissism and CSR. Previous research noted that CEO's narcissism is one of the most important drivers of CSR engagement (Deckop, Merriman, and Gupta, 2006; Slater and Dixon-Fowler, 2009; Manner, 2010; Wong et al., 2011; Kotchen and Moon, 2012). According to Manner (2010, p.56), "it seems likely that there will be more "room" for discretion, cognitive biases and behavioral beliefs of the CEO to impact the evaluation of CSR". Therefore, to understand firm actions toward CSR engagement, it is important to understand the role of CEO's narcissism. This is particularly important in the face of growing investment in CSR among many successful firms in the hospitality industry, even though the economic benefits of CSR activities are still controversial (Friedman, 1970; Jiao, 2010; Edmans, 2011; Deng et al., 2013; Cheng et al., 2014; Flammer, 2015).

The main purpose of this study is to examine the impact of CEO's narcissism on firm engagement across two different dimensions of CSR; stakeholder driven CSR and SIP. In addition, this study explores the moderating impact of outside board of directors on the relationship between CEO's narcissism and stakeholder-driven CSR/SIP. The findings indicate that CEO's narcissism does not affect the propensity to engage in stakeholder-driven CSR and SIP. Further, the results suggest that outside board of directors play a moderating role on the relationship between CEO's narcissism and stakeholder driven CSR/SIP.

The positive effect of outside board of directors on the relationship between CEO narcissism and two-dimensions of CSR: stakeholder driven CSR and SIP, implies that under a strong corporate governance system comprising a higher proportion of outside board of directors, narcissistic CEOs' avoidance on engaging in stakeholder driven CSR and SIP seem to decrease. In other words, narcissistic CEOs' irrational actions toward CSR will be restricted by outside board of directors.

The results also reveal that the impact of CEO's narcissism on stakeholder driven CSR and SIP is insignificant. The insignificant impact of CEO's narcissism on stakeholder driven CSR/SIP may suggest that it is necessary to identify a boundary condition to fully understand the impact of CEO narcissism on firm strategic choices. The previous literature has shown some inconsistent findings. While Petrenko et al. (2016) argue that there is a positive impact of CEO's narcissism on a firm's CSR engagement, other scholars have contradicted this finding. For example, Tang, Qian, Chen and Shen (2015) argue that hubristic CEOs who share the common characteristics of narcissistic CEOs negatively affect CSR initiatives. They believe that "the success of their firms depends less on stakeholders and more on themselves, and they are fully capable of managing risks without external assistance" (p.1342). "Such an inflated self-view drives them to underestimate the firm dependence on stakeholders for resources and support and they are less concerned about losing the support of primary stakeholders, resulting in a low level of engagement in socially responsible activities" (p.1342).

This view is supported by various scholars. Individuals with higher narcissistic tendencies deeply care more about financial performance than any other activities (Patel and Cooper, 2015; Olsen et al., 2013; Rijsenbilt and Commandeur, 2013; Anderson and Tirrell, 2004; Amernic and Graig, 2010; Hales, Hobson and Resutek, 2012; Resick et al., 2009). Because financial figures are "ideal mechanism for narcissistic CEOs to satisfy their intense need to have their superiority continually re-affirmed" (Rijsenbilt and Commandeur, 2013, p. 414). Therefore, narcissistic CEOs are likely to utilize resources to enhance the appearance of financial figures to boost their ego and self-esteem and to receive positive social status outcomes. It leads them to focus on maximizing firm performance to satisfy their need rather than using resources to engage in CSR to meet the various stakeholder expectations.

These inconsistencies in the previous literature imply that the simple direct link between CEO's narcissism and CSR is not sufficient enough to understand the impact of CEO's narcissism on CSR. Chaterjee and Hambrick (2011), argue that the "psychology of narcissism has substantial implications in regard to organizational strategy. But they also emphasize that these implications are not straightforward" (p, 287). It implies that having moderators and mediators are necessary to better explain the impact of CEO's narcissism. Findings of this study may provide a boundary condition under which CEO's narcissism may be limited.

From the perspective of the corporate governance literature, this study test the impact of outside board of directors on the relationship between CEO's narcissism and CSR. Previous studies have discussed the role of board members in terms of monitoring top management (Fama, 1980), facilitating strategy formulation/implementation (Baysinger and Buler, 1985), providing resources (Mac, 1971), acting as arbitrators among stakeholders (Hillman and Dalziel, 2003; Yermack 1996), affecting CEO's turnover (Weisbach, 1988), selecting and compensating CEOs (Borokhovich, Parrino and trapani, 1996; Main, O'Reilly, and Wade, 1995). No prior studies, however, has investigated the role of outside board of directors on the relationship narcissistic CEOs and CSR. This study may help both scholars and practitioners understand the role of outside board of directors and achieve a more complete understanding of the relationship between CEO's narcissism and two different dimensions of CSR: stakeholder-driven CSR and social issue participation.

5.2 Practical Implications

Investigating CSR with CEO's narcissism has important practical implications for firms in the hospitality industry. Previous studies have supported that CSR creates a strong relationship with stakeholders, such as better consumer loyalty (Sen and Bhattacharya, 2001; Lev et al., 2010), higher employee commitment (Greening and Turban, 2000) and greater community support and government (Fombrun, Gardberg, and Barnett, 2000; Campbell, 2007), which could not be replicated by competitors (Ramchander, Schwebach, and Staking, 2012), and it also mitigates the risks associated with the firm such as reputational loss and negative reactions from stakeholders. However, a large extent of previous literature also supports that there is negative relationship between CSR and firm performance. Therefore, practitioners should note that unreasonable investments in CSR solely based on narcissistic CEOs' decisions would harm firms' value and long-term relationship with current and potential stakeholders. Firms in the hospitality industry should carefully consider whether to invest in CSR or not. In addition, when outside board of directors is introduced as a moderator, the results show that it controls the narcissistic

CEO's action toward two different dimensions of CSR. Close examination on the composition of outside board of directors in 22 publicly traded restaurants provides a guideline for the restaurant industry as to how companies should react to narcissistic CEOs' action toward CSR.

In addition, companies in the hospitality industry are becoming aware of the potential impact of CSR and consider CSR as a crucial component for competitive advantage (Kang, Lee and Huh, 2010). Especially, the restaurant industry is well known for their sensitivity to CSR. Stakeholders in the restaurant industry are highly sensitive to a firm's CSR activities. They even actively take part in CSR activities such as going to restaurants that are socially responsible and using local supply chain. Stakeholders in the hospitality industry prioritize engaging with firms that take an active role in contributing to CSR activities. This implies that stakeholders in the hospitality industry are more socially conscious than other industries. Therefore, to meet the needs of various stakeholders, mangers should classify CSR with respect to stakeholder-related CSR under the control of outside board of directors. The findings may provide guidance to managements in the restaurant industry.

5.3 Limitations

Despite the statistically significant finding from a sample of 22 publicly traded U.S. restaurants covering 232 firm-years, the results do not represent the entire industry. Generalizability is limited across other industries and may be challenged for settings outside of the U.S. territory, since different countries and industries have different degrees of sensitivity of CEO effect and apply various strategic importance. Future research may consider investigating the hypotheses tested in this study with a larger sample size and across different contexts such as hotels, casinos and the manufacturing. In addition, other possible moderators and mediators should be considered to form a better understanding of the relationship between CEO's narcissism and CSR engagement.

APPENDIX A

KLD MEASUREMENT SCREENS (Taken from Hillman and Keim, 2001)

Items used for stakeholder driven CSR:

Community relations

Areas of concern. Fines or civil penalties paid, or involvement in major litigation or controversies, relating to a community in which it operates; the company's relations with a community in which it operates have become strained due to a recent plant closing or general breach of agreements with the community.

Areas of strength. The company in recent years has consistently given over 1.5 percent of pretax earnings to charity or otherwise demonstrated generous giving; the company is known for innovative giving, such as support of nonprofit agencies promoting self-sufficiency among the economically disadvantaged; the company supports education through a long-term commitment to improve programs at the primary or secondary level, or the company is a prominent recent supporter of job training programs; prominent participation in public/private initiatives that support housing initiatives for the economically disadvantaged.

Employee relations

Areas of concern. The company has poor relations with its unions relative to others in its industry; the company has had recent lay-offs of more than 15 percent of employees in 1 year or 25 percent of employees in 2 years; the company has paid significant fines or penalties over employee safety or been involved in major safety controversies; the company has a substantially underfunded pension plan or an inadequate benefits plan.

Areas of strength. The company has strong union relations relative to others in its industry; the company has maintained a long-term policy of company-wide cash profit sharing; the company has a substantial sense of worker involvement/ownership, sharing of financial information with employees, or employee participation in management decision making; the company offers its employees strong retirement benefits, or other innovative benefits, relative to others in its industry.

Diversity issues

Areas of concern. The company has paid substantial fines or penalties or been involved in major controversies related to its affirmative action record.

Areas of strength. The company's CEO is a woman or member of a minority group; the company has made notable progress in the promotion of women and minorities, particularly to line positions; women and/or minorities hold board seats in the company; the company has outstanding benefit programs addressing work/family concerns; the company has a strong and consistent record of support for women- and minority-owned businesses (purchasing from or investing in); the company has taken innovative hiring initiatives or other human resource programs directed at employment of the disabled.

Product issues

Areas of concern. The company faces major recent product safety controversies;

the company faces a major marketing controversy or has paid fines or penalties related to advertising practices, consumer fraud, or government contracting practices.

Areas of strength. The company has a longstanding company-wide quality program judged to be among the best in the industry; the company is an industry leader in research and development, as evidenced by expenditure as a percentage of sales, effective new product development, or unusual inventiveness; part of the company's basic mission is provision of products or services for the economically disadvantaged.

Environment issues

Areas of concern. The company's liabilities for hazardous waste sites exceed $30 million or the company has significant involvement in more than 30 federal Superfund sites; the company has recently paid significant fines or penalties, has a pattern of regulatory problems or has been involved in major controversies involving environmental degradation; the company's emissions are among the highest legal emissions of toxic chemicals in the United States; the company is among the top producers of ozone-depleting chemicals; the company's legal emissions of toxic chemicals into the air and water are among the highest of the companies followed by KLD; the company is one of the largest producers of agricultural chemicals.

Areas of strength. The company has policies to reduce emissions through elimination of toxic chemicals; the company is a substantial user of recycled materials; the company's environmentally sensitive property, plant, and equipment is among the most superior environmentally; the company derives substantial revenues from developing, using, or marketing fuels with environmental advantages, or has undertaken notable energy conservation projects; the company derives substantial revenues from alternative fuels including natural gas, wind power, and solar energy.

Items used for social issue participation (SIP)

Non-U.S. Issues

Areas of concern. Operations in Burma; operations in Mexico are controversial, especially related to employees or the environment.

Areas of strength. The company has established a substantial, innovative charitable giving program outside of the United States.

Other

Areas of concern. Notably high levels of compensation to top management or board; company is involved in tax disputes the company owns a substantial portion of a company with social concerns.

Areas of strength. Company has notably low compensation for top management or board; company owns a substantial part of a company with social strengths.

Exclusionary screens

Alcohol/tobacco/gambling.

Military weapons contracting or supplies to U.S. Department of Defense.

Nuclear power electrical utility, designs or constructs nuclear energy plants or uranium.

APPENDIX B

UNOBTRUSIVE INDICATORS OF NARCISSISM IN CEO

(Taken from Chatterjee and Hambrick, 2007)

Conceptual Elements of Narcissism (from Emmons, 1987)				
	Leadership/authorit y	Self-absorption/self-admiration	Superiority/arrogance	Exploitativeness/entitlement
Illustrative Items form Narcissistic Personality Inveotry (NPI)	I really like to be the center of attention	I like to look at myself in the mirror	I usually dominate any conversation	I insist on getting the respect that is due to me
	I like having authority over other people	I am an extraordinary person	I am a born leader	I am envious of other people's good forture.
Interpretive Alignment with Elements of Narcissism				
Unobtrusive indicators of narcissism in CEOs:				
Prominence of CEO's photograph in annual reports	I am the central figure in this company.	I enjoy the visibility that comes with being CEO.		I deserve to be show-cased.
CEO prominence in press release	I am the central figure in this company.	I enjoy the visibility that comes with being CEO.		I deserve to be show-cased.
CEO relative pay (cash and non-cash)			I am, by far, the most valuable person in this organization.	I deserve far more compensation than anyone else in this organization.

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