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CEO Narcissism and CSR Decoupling: Evidence from Pakistan

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Abstract: *This study aims to identify the relationship between CEO narcissism on CSR decoupling with the moderating role of institutional ownership. For data, the collection probability sampling technique has been used. Data from 183 non-financial firms registered at the Pakistan Stock exchange has been collected for the duration of 2013-2019. Correlation and panel data regression analysis has been used for data analysis. The findings of the current study suggest that there is a positive link between CEO narcissism and CSR decoupling. Moreover, institutional ownership negatively moderates the relationship between CEO narcissism and CSR decoupling. In the present research, CEO duality and CEO tenure have been used as proxies to evaluate CEO Narcissism for the first time. Moreover, Institutional ownership has also not been studied as a moderator between CEO Narcissism and CSR Decoupling before. The outcomes of this study are important for stakeholders as CEO narcissism can affect the CSR practices of the firm, and the market performance of the firm can also be affected. It is also important for top management to work on personality traits that are undesirable for themselves, company performance, and other stakeholders in general.*

Introduction

In recent years, there has been a growing interest in learning more about previous motives, causes and factors driving corporate social responsibility (CSR). Another interesting and emerging area today is CSR decoupling, which means how companies present their corporate social responsibility policies to their stakeholders and the general public and what they actually do in terms of corporate social responsibility. There may sometimes be a decoupling (gap) between actual performance in terms of CSR practices and policies announced by companies. A firm sometimes declares a policy on CSR to achieve economic benefits and a better image but then does not follow this policy or deviates from the announced CSR policy, so there is a difference between the actual performance in terms of CSR and the announced CSR policy. It is the ethical responsibility of companies to provide accurate information to all stakeholders regarding CSR practices, but it has been observed that there is decoupling and sometimes misinformation is given to stakeholders. One of the main reasons for this CSR decoupling is the figurative management, behaviour or personality traits of the top management and the CEO. Symbolic management might result in CSR reporting that differs from the firm's actual performance. (Hawn & Ioannou, 2016).

Most researchers have examined the external sources of CSR decoupling, and internal factors that may lead to CSR segregation are often not examined. When there is a gap between actual performance and announced CSR practices, the CEO can lead to CSR decoupling. (Deegan, 2002).

The influence of the CEO's personality traits and psychological characteristics on CSR practices has rarely been investigated. (Al-Shammari, Rasheed, 2019). The CEO is the key decision-maker in any firm. It is crucial to look at the psychological influences on the CEO's decisions. Although the association between CSR and CEO narcissism was studied in the past by Al-Shammari, and Rasheed in 2019, the link between CSR segregation and CEO narcissism has rarely been examined.

The external factors like stake holders pressure, institutional requirements, legal pressures etc., of CSR have been a point of attention, but the internal determinants of CSR have often been ignored. Internal determinants may be CEO and board structure, characteristics of senior management's commitment to ethical values, and CEO and board beliefs and philosophies (Al-Shammari, Rasheed, 2019). So we can say that the in the past, the researchers' emphasis on internal drivers of CSR, but the role of the influence of personal and psychological values of senior executives, including the CEO, on the CSR decoupling has seldom been investigated.

Institutional ownership is also very vital in this context. Intuitional ownership can influence the conduct and personality behaviours of CEO involved in narcissism. Institutional owners have stakes in firms, so they put pressure on top management and CEOs to reduce CSR segregation and demand CSR disclosure from firms and reduce asymmetric information. Because of this disclosure, the government knows better the public's rights and environmental conditions. Organizations are most likely interested in investing in companies with better CSR policies. In 2019 Ahn J., Assaf A. Josiassen et al. studied the link between CEO narcissism and two dimensions of CSR (stakeholder management and social issue participation) while accounting for the moderating role of an outside board of directors. They recommended that other possible moderators and mediators could be used for better comprehension of the link between CEO narcissism and CSR engagement. D Choi et al.; (2020) recommended that In emerging Asian markets, where companies' purpose is to be profitable and long-term corporate governance is particularly important, and institutional investors should assist more forcefully as an effective corporate governance instrument. The present study aims to examine the effect of CEO narcissism which is an internal factor on CSR Decoupling.

Upper Echelon Theory

The current study used the upper Echolon Theory to explain the relationship between narcissistic CEO and CSR decoupling. In 1984, Donald C. Hambrick and P. Mason presented the upper echelons theory of management. It claims that the managerial experiences and traits of the senior management team influence organizational outcomes to some extent. Senior executives' decisions are impacted by their personal beliefs, proclivities, and previous experience, according to the Upper Echelons Theory, and they adopt organizational tactics that fit their management plans and preferences. (Al-Shammari, Rasheed, 2019). There is an understanding that an organization's top Strategic formation and regulation are the responsibility of executives (the CEO and his chosen team). Members of the organization's highest echelons unavoidably use their own experiences, values, personalities, and other such human variables in formulating strategy and inferring strategic possibilities. According to upper echelon theory, the organization is regarded as a reflection of its top executives. The Upper Echelon theory is based on the work of behavioural theorists who focused on the behavioural aspects of decision-making and how decision-makers' behaviour can have a significant impact on their organizations' strategic decisions. (Cyert & March 1963). Even if it is not beneficial to the company, narcissistic CEOs will consider CSR initiatives as a way to meet their personal and emotional needs. CEO of the firms may deviate from their announced policies regarding CSR activities in order to increase their self-belief, self-image and personal fulfilment. They may involve the firm in CSR projects to gain recognition and self-admiration, but then they may not be interested in the fulfilment of these CSR projects.

Stake Holder Theory

The stakeholder theory is used to explain the role of institutions in moderating the relationship between CEO narcissism and CSR decoupling. The stakeholder theory by Freeman, 1984 has some assumptions that are discussed here. Minoja, M. (2012) stated that Freeman has described the stakeholder as any group or individual who can affect or is affected by the achievement of the organization's objectives is defined as a stakeholder.' (1984). Firms can be seen as a set of dependent relations among major stakeholders which is the first key statement of the theory (Hillman and Keim 2001); second, the firm's goal is not just to maximize shareholder value but also includes the creation and distribution of value to a variety of stakeholders and third, that the attainment of this aim is dependent on the support and help of the stakeholders themselves. According to stakeholder theory, managers properly balance the interests of all shareholders, and they have an ethical responsibility to deliberate it (Freeman, 1984). Companies and investors benefit from CSR disclosures because they promote openness and decrease information discrepancies (Chih et al., 2008). Because socially conscious investors avoid companies that do not engage in CSR activities, firms that finance CSR-related activities tend to have a big investor base and a reduced cost of capital. (Heinkel et al., 2001).The firms which are involved in CSR decoupling the investors are not willing to invest in such firms. So if the institutional ownership increases in a firm, the investors can put pressure on the top management to avoid the CSR decoupling practices.

Literature Review

CSR Decoupling

CSR decoupling is a relevant and new construct, in strategic management research, across the globe and has rarely been used as a dependent variable. Firms invest in CSR activities to contribute to the betterment of society and to address the concerns of all the stakeholders for the improved financial performance of the firm. So it is very important to understand the announced CSR policies of the firm and the firm's actual performance in terms of CSR activities performed by the firm. CSR information should communicate CSR data is reliable and accurate, but a new study has discovered discrepancies in the veracity of CSR reports, which distort the data presented to stakeholders (Hooghiemstra, 2000; Tata & Prasad, 2014). Researchers have focused on the external factors for CSR decoupling thus far, such as the threat of external monitoring. (Sauerwald, S., & Su, W. 2019). When their firms' real CSR performance falls short of the desired CSR image, CEOs can push them to participate in CSR decoupling. (Deegan, 2002). In Pakistan, fewer kinds of research were done on CSR decoupling. S Malik, S Chughtai, and KF Khawaja 2020 studied CSR Decoupling, and their study theorizes a substantial association between CSR decoupling and its previous background. Coercive isomorphism, monitoring mechanisms, firm reputation, resource slack, and firm advertisement intensity are all recognized antecedents. In 2020 M. Khan examined the questions related to CSR reporting, practice, and the decoupling between CSR rhetoric and actual performance in Pakistan and found that non-financial firms operating in Pakistan are highly involved in CSR decoupling.

CEO Narcissism

Extreme self-admiration, self-glorification, and a tendency to regard others as extensions of one's self are all characteristics of narcissism. (Gerstner et al., 2013). Recently researchers have started to understand narcissism as a behavioural aspect rather than a personality sickness. Most recently, an upper-echelon theory has been used to research CSR (Petrenko et al., 2016). The causes and antecedents of CSR are divided into two categories: internal and external forces. Ethical concerns, compliance, values, beliefs, and significant organizational members are all internal considerations. The organizational environment, as well as the challenges and interests of important stakeholders, are external factors. The majority of past research has concentrated on the external antecedents of CSR, with little emphasis paid to the firm's internal antecedents of CSR.

As top managers have a major involvement in the firm's decision-making process and policy formulation, the decision taken at the firm level is inclined by the personality characteristics, experiences, personal beliefs and psychological factors of the main decision-makers in the firm. The upper echelon theory considers the behavioural characteristics in the decision maker's actions can have an important influence on their organization's plans and choices. In Pakistan, CEO narcissism has also been studied by different researchers. In 2019 Shabbir, A. and Kousar, S. studied the influence of the founding CEO and CEO ownership on entrepreneurial orientation, the moderating role of CEO narcissism, and research findings that CEO narcissism moderates the relationship between the founding CEO and entrepreneurial orientation but not the relationship between CEO ownership and entrepreneurial orientation.

CEO Narcissism and CSR Decoupling

Petrenko et al. (2016) found that narcissism has a favourable link with CSR and moderates the relationship between CSR and corporate performance. CEOs that are narcissistic are expected to do things that will make them famous and popular (Badolica & Spraggon, 2011). The CSR initiatives of a company are usually well-liked and receive a lot of media attention. Narcissistic people strive for attention and praise, as well as affirmation of their beliefs. While CEO narcissism has a negative impact on performance, it has a favourable impact on CSR. In 2019 M Al-Shammari, and A Rasheed examined CEO narcissism and found that it is favourably connected with outward CSR, while the association between CEO narcissism and inwardly oriented CSR was found to be negative but minor. It is evident from previous literature that narcissistic CEOs spend in CSR events to achieve attention and admiration. They are less concerned with the actual results of investing in CSR projects. There are more chances for CSR decoupling as the narcissistic CEO may announce projects that, for the time being, invest more in CSR initiatives in order to gain more attention, but then he doesn't actually invest and deviates from the announced policy or may use it for other purposes like self-development and self-image improvement. Narcissistic CEOs can inflate their perceived ability to implement CSR initiatives. As a result, their real social performance may fall short of their expectations. As a result, narcissistic CEOs can raise CSR decoupling in order to project a better CSR image to the world that is consistent with their exaggerated self-image.

***Hypothesis 1**: There is a positive relation between CEO narcissism and CSR Decoupling*

Institutional Ownership

The part of institutional ownership has slowly increased in the world financial markets. D Choi et al.; (2020) found that the engagement of institutional owners in crucial management decisions has expanded. As a result, the institutions' ownership has a direct impact on a company's future. Many studies have shown that institutional investors have an impact on management structures, which in turn has an impact on firm value and key corporate choices. Bushee B. J. (1998) and Bushee & Goodman, T. H. (2007) define Institutional investors are defined as those that own a majority of a company's stock, have a long-term outlook, and support long-term management actions that improve the company's long-term viability and performance. Minority shareholders, especially domestic private investors, are known to criticize shortsighted, short-term, for-profit management actions favoured by such investors.

Their corporate social responsibility (CSR) inclinations, in particular, are likely to motivate them. These decisions may stimulate business investment, which affects not only a company's long-term viability and performance but also its wealth and shareholder rights.

Institutional Ownership as a moderator

DD Yang, 2021 studied Responses to conflicting institutional pressures and corporate social responsibility are becoming decoupled (CSR) Firms having business ties to the central government respond positively to the expectations of the central government, meaning they are more likely to issue a CSR report and the quality of the report is also greater, according to Reporting of Chinese Listed Firms. Firms are less likely to publish a CSR report in provinces where local governments place greater pressure on economic growth by responding negatively to local government expectations, and even if a report is issued, the quality is low. In addition, if enterprises face competing institutional constraints at the two levels of management (save for firms owned by the government), they use a decoupling technique to deal with the pressures.

Since institutional owners have an interest in the firm's decisions and have a stake in the firm's profits, they are in a better situation to affect decisions made by CEOs and senior management, including CSR activities. If the narcissistic CEO makes any decision to engage in CSR decoupling to improve his or her image, the institutional owners are opposed to pressing the narcissistic CEO to avoid CSR decoupling practices. Institutional investors prefer to invest in companies with better CSR practices. Therefore we may say that institutional ownership will moderate the association between CEO narcissism and CSR decoupling.

Hypothesis 2: The relationship between CEO Narcissism and CSR Decoupling will be negatively moderated by institutional ownership.

Methodology

The present study aimed to measure the combined influence of CEO narcissism and institutional ownership on CSR Decoupling and to further check to what extent this relationship exists between the independent and dependent variables.

Research design

The research framework was guided by a quantitative research design. This is a quantitative research study in which independent and dependent both variables were used. This was a longitudinal research design study.

Population & Sample

Pakistan stock exchange (PSX) was taken as the Population of the study, whereby all nonfinancial firms registered at the Pakistan stock exchange were selected as a sample. Our final sample was 183 non-financial firms listed on the Pakistan Stock exchange. No previous research has been done so far in Pakistan to study this relationship for nonfinancial firms.

Data

To examine the impact of CEO narcissism on CSR decoupling in the presence of institutional ownership for the nonfinancial firms registered on the Pakistan stock exchange, the study employed secondary data (from financial reports) for the time period 2013 to 2019. A sample of 183 non-financial firms from different sectors (actively traded on the stock market) was selected for the current research. The data was drawn from the annual reports and websites of selected companies and the Pakistan stock exchange (PSX).

Variables & Measurements

CSR Decoupling: CSR decoupling was the dependent variable of the study. CSR decoupling, defined as the difference between how companies advertise CSR and what they actually do in terms of CSR, is an important research topic. To assess

CSR reporting, the current study adopted a disclosure strategy. While the disclosure approach was utilized to establish a qualitative CSR (CSR reporting) measurement, the CSR monetary spending ratio was employed to measure quantitative CSR (actual CSR performance) (Ahsan, Tahir & Ahmed 2018 & S. Malik, S. Chughtai, K F Khawaja 2020)

Measuring CSR Reporting using Disclosure Approach: The disclosure approach includes content analysis, in which all written information about CSR concerns reported by companies in their financial and CSR reports is converted to a quantitative scale (Nyahunzvi, 2013); (Malik & Kanwal, 2018). The method was chosen to include three aspects of CSR reporting: social, economic, and environmental in total. This study evaluated 17 common items under these CSR dimensions (Table 1). The study measures firms' CSR reporting for each item, with '1' assigned if the firm has reported on a CSR item and '0' if it has not.

Measuring CSR Performance using CSR Monetary Spending Ratio: To calculate the actual CSR performance of the firms, the ratio of the firm's total CSR expenses to earnings after-tax was calculated. This method follows the studies of Pyo & Lee, 2013; Ehsan, Nazir, Id, et al., 2018.

Figure 3

Framework of CSR Decoupling measurement (Ahsan, Tahir & Ahmed 2018 & S. Malik, S. Chughtai, K F Khawaja 2020)

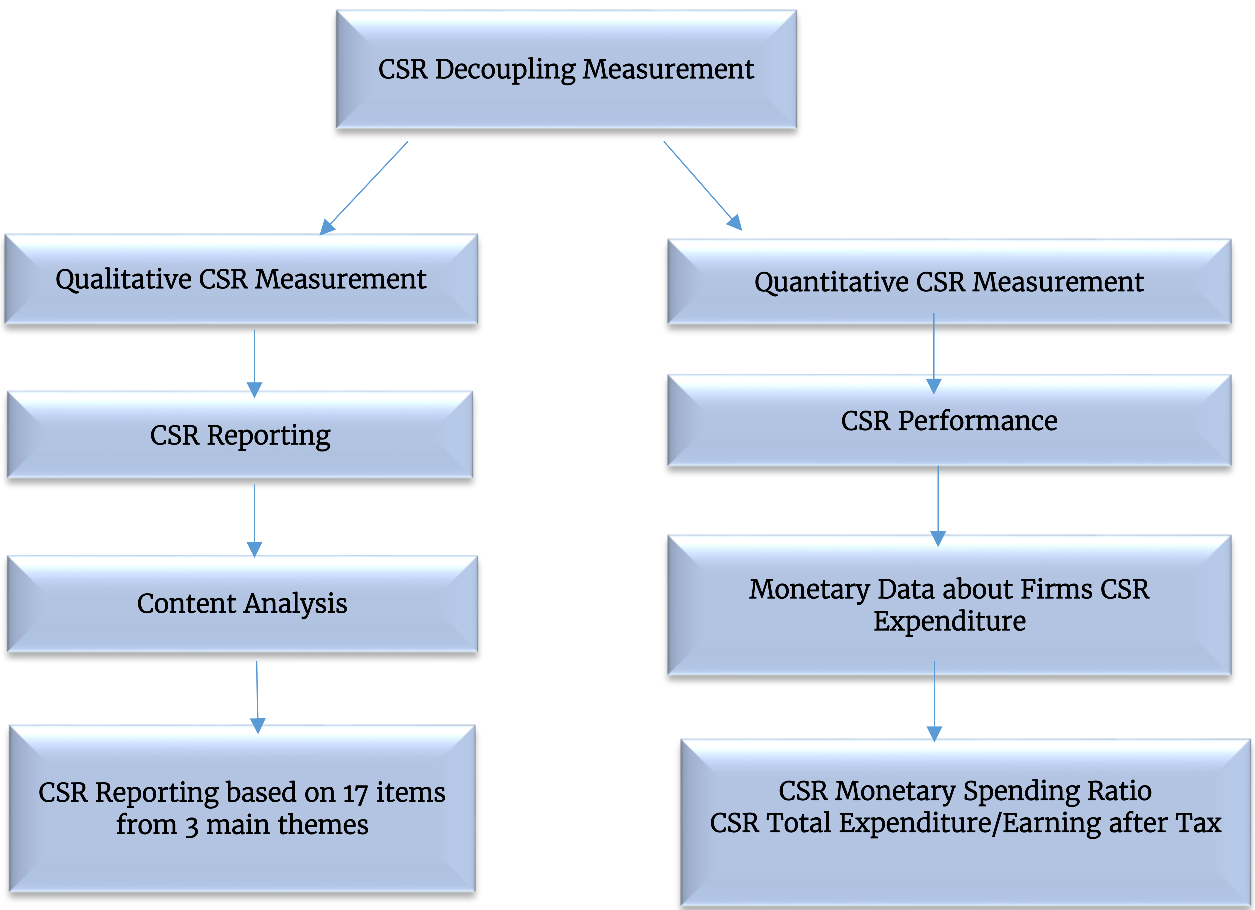

Table 1. Description of CSR reporting indicators (adapted from Fortanier et al., 2011)	
Indicators	**Description**
Environmental	
Environmental Protection/ Voluntary agreement	1 if report mentions participation in voluntary environmental agreements; otherwise 0
Pollution Prevention / Carbon emission control	1 if report describes firm's involvement in carbon-reducing initiatives; otherwise 0
Implantation of Trees	1 if report describes firm's involvement in implantation of trees to make country green; otherwise 0
Waste Management	1 if report includes information on firm's initiatives to manage waste; otherwise 0
Social	
Employee satisfaction	1 if report describes whether employees are satisfied with working for the firm (often through employee satisfaction survey); otherwise 0
Diversity	1 if report contains quantitative information about the firm's workforce diversity, by either gender or ethnicity or both; otherwise 0
Working conditions	1 if report contains information about working conditions (information about the quality of the physical environment, the organizational climate) and/or benefits to employees; otherwise 0
Training	1 if report contains information about the firm's efforts to train employees (e.g., training-related hours or expenses, curricula for employees training); otherwise 0
Health programs	1 if report includes information about the supported health programs; otherwise 0
Education	1 if report describes firm's commitment to school/education programs; otherwise 0
Water projects	1 if report includes information about firm's water conservation efforts; otherwise 0
Philanthropy	1 if report includes information on size of philanthropic initiatives; otherwise 0
Economic impact	1 if report includes information on the size of the firm's economic impact on society; otherwise 0
Governance	
Fair Competition	1 if report includes information on firm's commitment to fair competition; otherwise 0
Fair Trade	1 if report includes information on firm's commitment to fair trade; otherwise 0
Equal Opportunity	1 if report provides information on specific policies, programs or committees aimed at fostering equal opportunities internally regardless of gender and ethnicity; otherwise 0
Taxation	1 if report includes information on tax issues (e.g., transfer pricing policies, firm's effective tax rate); otherwise 0

CEO Narcissism

CEO narcissism was taken as the independent variable in the study. Excessive self-appreciation, self-aggrandizement, and a tendency to regard others as extensions of one's own self are all characteristics of narcissism. (Gerstner et al., 2013).

In the current study following Chatterjee and Hambrick (2011) and Zhu & Chen (2015), four factors were used to assess CEO narcissism used by (Al-Shammari, Rasheed, 2019).

The prominence of the CEO photograph in the company's annual report is rated on 4 point scale: 4 points if the CEO photo was of him/herself alone and occupied more than half of the page; 3 points if the photo was of the CEO alone and occupied less than half a page; 2 points if the CEO was photographed with one or more fellow executives: 1 point if there was no photograph of the CEO or if the firm did not publish an annual report.

The prominence of the CEO in press releases: It's computed by dividing the number of times the company's CEO was cited in press releases by the number of times other senior executives were mentioned in press releases.
Besides the above-mentioned indicators to measure CEO Narcissism, we used two new proxies which were never used before to measure CEO narcissism, and this would be a contribution to the existing literature on CEO narcissism, i.e. CEO Duality and CEO Tenure. If the CEO holds more than one position, he enjoys more power in the company, and there are chances that he will be more narcissistic. Similarly, if he holds the CEO/top management position for a longer time, then he will be in a strong position to make the decisions on behalf of the company, and there are more chances of the CEO being narcissistic.

CEO Duality: CEO duality has been found to increase CEO power. (Krause, Semadeni, & Cannella, 2014). It's calculated as a dummy variable, with 1 representing duality and 0 representing non-duality (Ahn et al., 2020).

CEO Tenure: CEO tenure has been shown to reinforce the CEO's power to participate in strategy development (Wu et al., 2005; Chen et al., 2015). It is calculated by the number of years the CEO has been the CEO of the company.

A Principle component analysis (PCA) analysis was conducted to see if the combination of these factors has an effect on one factor. It is the statistical technique used for data reduction.

Moderating Variable

T. H. (2007) define institutional investors as those that typically own a majority of a company's stock, maintain long-term viewpoints and support long-term management decisions that improve a company's long-term viability and performance; Minority shareholders, especially domestic private investors, are known to criticize shortsighted, short-term, for-profit management actions favoured by such investors. This study will examine Institutional Ownership as a moderator variable to check the link between CEO narcissism and CSR decoupling.

The current study followed the Oikonomou & Zhao (2020) method. They calculated total institutional ownership as the ratio of institutional investors' shares to the total number of shares outstanding of the firm.

$$\text{Institutional ownership} = \frac{\text{No of shares held by institutional Investors}}{\text{Total No. of shares outstanding of firm}}$$

Control Variables

Firm Age: As the firm grows older, it cultivates more suitable routines and practices and gains more resources (Wales, Patel & Lumpkin, 2013). It was vital to manage the firm age because older firms have greater resources and tend to invest more in CSR than smaller firms.

Firm Size: It is calculated as the natural logarithm of annual sales revenue (Ahn et al., 2020).

Leverage: Total liabilities divided by total assets are the capital structure of a company. According to several research, financial leverage is a key element that influences CSR commitments. (Lins et al., 2017; Park et al., 2017). The debt-to-asset ratio is computed by dividing total debt by total assets.

Profitability: In the current research, we used net profit margin as a proxy to measure profitability. Net profit margin is calculated by dividing net profit divided by net sales. It is used in many pieces of research to calculate profitability (PM Fairfield, TL Yohn, 2011 & M Heikal, M Khaddafi, A Ummah, 2014).

Results and Analysis

Model Specification

The impact of CEO narcissism was analyzed on CSR Decoupling through equation 1. The model was run in stata software to test hypothesis 1

Equation 1

$$CSR(D_{it}) = \beta_0 + \beta_1 CEO(N_{it}) + \beta_2 ln\, F(Size_{it}) + \beta_3 lnF(age_{it}) + \beta_4 F(Lev_{it}) + \beta_5 F(Prof_{it}) + \mu \quad \textbf{(1)}$$

The influence of CEO narcissism is analyzed on CSR Decoupling in the presence of institutional ownership as an interaction term through equation 2. The model was run in stata software to test hypothesis 2.

Equation 2

$$CSR(D_{it}) = \beta_0 + \beta_1 CEO(N_{it}) + \beta_2 CEO(N_{it}) * IO_{it} + \beta_3 lnF(Size_{it}) + \beta_4\, lnF(age_{it}) + \beta_5 F(Lev_{it}) + \beta_6 F(Prof_{it} + \mu \quad \textbf{(2)}$$

$CSR(D_{it})$ Is CSR decoupling in a firm at time t, β_0 is a constant, $CEO(N_{it})$is CEO narcissism, $*IO_{it}$ Is the interaction term of Institutional ownership, ln$F(Size_{it})$ Is log of firm size, ln$F(age_{it})$ Is log of firm age, $F(Lev_{it})$ shows firm leverage, $F(Prof_{it})$ shows the firm profitability, and μ is an error term.

Table 2

Descriptive Statistics

Variables	Observations	Mean	Standard Deviation	Minimum	Maximum
IO	1281	0.197	0.258	0	2.369
lnF(Age)	1281	3.519	0.553	1	5.069
Lev	1281	0.572	0.77	0.811	11.368
Prof	1281	0.246	0.010	0.237	0.26
CEO(N)	1281	10.306	9.259	1.478	51.652
lnF(Size)	1281	17.415	3.631	0.500	24.726
CSR(D)	1281	13.816	17.12	0.001	15.444

Descriptive Statistics

The descriptive statistics show that the average value of institutional ownership is 0.197, and the standard deviation shows that it deviates from the mean value by 0.258. The minimum value of institutional ownership is 0, and the maximum value is 2.369. The descriptive statistics show that the average value of the log of Firm age is 3.519, and the standard deviation shows that it deviates from the mean value by 0.553. The minimum value of the log of Firm age is one, and the maximum value is 5.069. Leverage is a control variable, and it is measured by dividing total debt by total assets. The descriptive statistics show that the average value of Leverage is 0.572, and the standard deviation shows that it deviates from the mean value by 0.77. Leverage's minimum and maximum values are 0.811 and 11.368, respectively. The descriptive statistics show that the average value of Profitability is 0.246, and the standard deviation shows that it deviates from the mean value by 0.010. The minimum value of Profitability is 0.237, and the maximum value is 0.26. CEO Narcissism is an independent variable in the current study. The descriptive statistics show that the average value of CEO Narcissism is 10.306, and the standard deviation shows that it deviates from the mean value by 9.259. The minimum value of CEO Narcissism is 1.478, and the maximum value is 51.652. In the current study, firm size is also a control variable. It is measured as the natural logarithm of annual sales revenue. The descriptive statistics show that the average value of the log of Firm size is 17.415, and the standard deviation shows that it deviates from the mean value by 3.631. The minimum degree of log of Firm size is 0.500, and the maximum value is 24.726. CSR Decoupling is a dependent variable in the current study. The descriptive statistics show that the average value of CSR Decoupling is 13.816, and the standard deviation shows that it deviates from the mean value by 17.12. The minimum value of CSR Decoupling is 0.001and the maximum value is 15.444.

Correlation Matrix

The correlation matrix for the current study was calculated, and the final results of the correlation analysis are the following:

Table 3

Pairwise Correlations

Variables	Institutional Ownership	Ln Firm Age	Leverage	Profitability	CEO Narcissism	Ln Firm Size	CSR Decoupling
IO	1.000						
Ln F(Age)	0.072*** (0.010)	1.000					
Lev	-0.004* (0.083)	- 0.168*** (0.000)	1.000				
Prof	0.001* (0.098)	0.003* (0.091)	-0.011* (0.069)	1.000			
CEO (N)	0.029** (0.050)	0.193*** (0.000)	-0.019** (0.049)	-0.006* (0.083)	1.000		
Ln F(Size)	0.109*** (0.000)	0.035** (0.025)	-0.050* (0.078)	0.007* (0.079)	0.125* (0.000)	1.000	
CSR(D)	0.015* (0.093)	0.006* (0.083)	0.003 (0.904)	0.039 (0.166)	0.040** (0.015)	0.029** (0.035)	1.000

Note: The table shows the pairwise correlations and their p-values of the main variables. *,**,*** displays the significance level at 10%, 5%, and 1% respectively. IO is Institutional ownership, and lnF (age) is firm age. Lev is Leverage. Prof is the Profitability of the firm, CEO(N) is CEO narcissism, lnF(Size) is firm Size, and CSR(D) is CSR Decoupling.

Fixed Effect Model

Model 1

Table 4

The Impact of CEO Narcissism on CSR Decoupling

Variables	Coefficient	Standard Error	P-values
Constant	1.977	4.912	0.134
lnF(Age)	-0.219**	2.659	0.033
Lev	0.094**	3.890	0.045
Prof	0.028*	8.784	0.069

CEO (N)	2.262*	4.052	0.057
lnF(Size)	0.163**	2.037	0.025
Adjusted R Squared	0.130		
F- statistics	14.84		
F test P-values	0.005		
Hausman (1978) Specification test			
Chi-square test value	3.972		
P-value	0.0492		
No. of Observations	1281		

Note: The table presents the results of the fixed effect model. The Hausman test shows the fixed effect is appropriate. *,**,*** represent the significance level at 10%, 5%, and 1% respectively. lnF(age) is firm age. Lev is Leverage. Prof is the Profitability of the firm, CEO(N) is CEO narcissism, and lnF(Size) is firm Size.

Model 1 shows the CEO Narcissism effect on the CSR Decoupling of non-financial firms. The result shows that CEO narcissism is linked to CSR in a significant and positive way. Decoupling with a coefficient value of 2.262 and a p-value is 0.057. It means that a one-unit increase in CEO narcissism would increase 2.262% increase in CSR Decoupling. Therefore, the findings may prove our **Hypothesis 1** that "There is a positive relation between CEO narcissism and CSR Decoupling".

Model 2

Table 5

The Impact of CEO Narcissism on CSR Decoupling Interaction with Institutional Ownership

Variables	Coefficient	Standard Error	P-values
Constant	2.262*	4.052	0.057
lnF(Age)	-0.194*	4.664	0.098
Lev	0.478**	2.784	0.022
Prof	0.375*	1.137	0.0507
CEO(N)	2.182**	0.052	0.037
CEO(N)*IO	-0.015*	2.999	0.093
lnF(Size)	1.070**	4.412	0.013
Adjusted R Squared	0.173		
F- statistics	19.85		
F test P-values	0.009		
Hausman (1978) Specification test			
Chi-square test value	3.014		
P-value	0.078		
No. of Observations	1281		

Note: The table presents the results of the fixed effect model. The Hausman test shows the fixed effect is appropriate. *,**,*** displays the significance level at 10%, 5%, and 1% respectively. lnF(age) is firm age. Lev is Leverage. Prof is the Profitability of the firm, CEO(N) is CEO narcissism and lnF(Size) is firm Size and CEO(N)*IO is the interaction term.

In Model 2, the result of CEO Narcissism's impact on CSR Decoupling of non-financial firms of Pakistani listed on a stock exchange with the moderating role of institutional ownership has shown. The result shows that institutional ownership along with CEO narcissism significantly affects CSR Decoupling, and the presence of institutional ownership negatively moderates the link between CEO narcissism and CSR Decoupling; hence CSR decoupling is reduced.

Interaction term CEO Narcissism*Institutional Ownership shows a negative coefficient value of -0.015 and a P value of 0.093. It shows a statistically significant but negative relationship with CSR decoupling. It means that CEO Narcissism in the presence of institutional ownership significantly affects the CSR decoupling of non-financial firms in Pakistan, and CSR decoupling reduces in the presence of institutional ownership.

Therefore, the results may prove our **Hypothesis 2** that the link between CEO Narcissism and CSR Decoupling will be negatively moderated by the institutional ownership as in the presence of institutional ownership, despite the narcissistic CEO, the CSR decoupling is reduced.

Discussion

The aim of this study was to see how CEO narcissism affects CSR decoupling. The CEO of the company plays a crucial role in formulating policy and implementing it in the best shareholder interest. CEOs have the authority to set the firm's goals and create effective strategies. They are responsible for fulfilling their responsibilities on behalf of the shareholders and the stakeholders of the organization in the most appropriate way for the benefit of the organization. But if the CEO is narcissistic, he has a higher chance of being involved in the CSR decoupling. The results of this research substantiate our main hypothesis that narcissistic CEOs are more prone to engage in CSR decoupling. To the best of our knowledge, this is the first research study in which the moderating role of institutional ownership along with CEO narcissism was taken to explore the CSR decoupling in non-financial firms in Pakistan. This research has significant implications for gaining fresh insights into the association between CEO narcissism and CSR Decoupling. First, CEO narcissism is a major factor in a company's CSR policy. This indicates that a company can follow a CSR policy only to improve the satisfaction and image of a firm's CEO and not for reasons of any moral obligation. It may announce that it will invest in CSR activities to attract attention and fame but may deviate from the CSR policy it has announced later and may not actually invest in CSR activities according to the announced policy.

The upper echelons theory was used to examine the behaviour of CEOs and how it affects firms. The actions of a senior manager affect policies in a firm. In the prior literature, CEO narcissism has been identified as a powerful and dominant trait among organizational executives. (Petrenko et al., 2016). The findings of this study support prior research on the link between CSR decoupling and CEO narcissism. Top managers' decisions are impacted by their personal values, inclinations, and previous experiences, according to Upper Echelons theory, and they adopt organizational tactics that fit their management plans and preferences. (Al-Shammari, Rasheed, 2019).

Model 1 supports our first hypothesis that "There is a positive relation between CEO narcissism and CSR Decoupling". Therefore, we have accepted **H1**.

In model 2, the moderation results are shown. The result revealed that institutional ownership negatively moderates the link between CEO narcissism and CSR decoupling amongst the non-financial firms listed in Pakistan. It shows that in model 2, there is full moderation. Model 2 supports our moderation hypothesis that "The connection between CEO Narcissism and CSR Decoupling will be negatively moderated by the institutional ownership". Hence we have accepted H2.

Thirdly this research controls firm age, leverage, profitability, and firm size. Results of the study show that firm age has a negative but significant relationship, whereas profitability, firm size and leverage have positive effects on CSR decoupling. The possible explanation for these results could be that as the firms grow older, the policies, rules and regulations are well established in older firms, so the deviation from announced CSR policies may be more difficult in old firms than new firms. Moreover, as the firm's size and profitability increase, the firm may have more resources, but the company may want to invest them in more profitable options rather than investing them in CSR projects and for the welfare of other stakeholders of society. As the use of debt increases in the firm, the company again want to use it for company benefit rather than investing it in CSR-related activities.

Conclusion

The current study was designed to examine the influence of CEO narcissism on CSR decoupling with the moderating role of institutional ownership. Data was collected from the annual reports of the non-financial firms listed in Pakistan. The outcomes of the research show that CEO narcissism is positively associated with CSR decoupling in non-financial Pakistani firms. The findings of the research have revealed that in the presence of narcissistic CEO, the gap between announced CSR policy and the actually implemented CSR practices will increase. The narcissistic CEO will announce an increased budget or increased investment in CSR activities or different projects related to CSR in order to gain a better self-image and fame. But later, will deviate from his announced CSR policy.

The present study also contains moderation results. The result of the study revealed that institutional ownership negatively moderates the link between CEO narcissism and CSR decoupling. The findings of this research also support that in the presence of institutional ownership, the behaviour of narcissistic CEO can be improved. Different institutions that hold a share of the firm can put pressure on the narcissistic CEO to improve the CSR practices and not deviate from the announced policy of the firm regarding CSR practices. These findings are important because CEOs are the key decision-makers in a firm, and the personality traits of a CEO can affect the policies of the firm. The findings are also important for CEOs and top management to work on the personality traits that are undesirable and could be harmful to themselves and the firm performance and to other stakeholders. However, in the presence of some institutions or institutional pressure, the negative personality traits of the CEO can be reduced/controlled, and it might be helpful to improve the well-being of society. This research controls firm age, leverage, profitability, and firm size. Results of the study show that firm age has a negative but significant relationship, whereas profitability, firm size and leverage have positive effects on CSR decoupling. The possible explanation for these results could be that as the firms grow older, the policies, rules and regulations are well established in older firms, so the deviation from announced CSR policies may be more difficult in old firms than new firms. Moreover, as the firm's size and profitability increase, the firm may have more resources, but the company may want to invest them in more profitable options rather than investing them in CSR projects and for the welfare of other stakeholders of society. As the use of debt increases in the firm, the company again want to use it for company benefit rather than investing it in CSR-related activities.

Policy Recommendations

This research has some policy suggestions for different market stakeholders. The result of the study has shown that the personality traits of the CEO can affect the policies of the firm. The findings are significant for stakeholders since CEO narcissism can have an impact on CSR practices and the firm's market success. It is also important for CEOs and top management to work on the personality traits that are undesirable and could be harmful to themselves, the firm performance and other stakeholders. Investors who want to invest in firms working on CSR projects and contributing to a better society should closely watch the personality characteristics of the CEO of that firm before investing. The financial market regulators should closely watch the link between the CEO and CSR practices of the firms as it might be helpful to improve the market performance.

Limitations and Future Research Directions

The limitations of the study are important in terms of providing new opportunities for future research. The first limitation of the current study is that the researcher collected data for 07 years of 183 non-financial firms; however, in the future, researchers need to increase the time period to evaluate the impact of CEO narcissism on CSR decoupling. Researchers have analyzed the impact of CEO narcissism on the CSR decoupling of non-financial firms in Pakistan, but in the future, investigators should take more countries(developed and developing) to evaluate how CEO narcissism affects CSR decoupling in other countries.

This study focused on only one personality trait, i.e. CEO narcissism, but future research could explore the relationship between CEO's different personality traits, such as overconfidence, charisma, humility, and CSR decoupling. The current study used only one moderator. Future studies can use different moderators and mediators to explore different dimensions of the said relationship.

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