

# CEO Narcissism and Dividend Policy

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# CEO Narcissism and Dividend Policy

## **Abstract**

This study examines how CEO narcissism affects firms' dividend policy. The results indicate that firms with highly narcissistic CEOs tend to pay more dividends as well as more special dividends. Additional analyses using financial constraints and CEO power revealed that the major motivation for firms with narcissistic CEOs paying more dividends is to mitigate agency issues. This study contributes to the literature by linking the major strategies of firms with the CEO's characteristics.

Keywords: CEO narcissism, CEO overconfidence, dividend policy, special dividends

## **1. Introduction**

The upper echelon theory posits that the characteristics of top managers play a crucial role in shaping organizational outcomes. As key figures within a firm, top managers reflect values and cognitive foundations when making strategic decisions (Hambrick and Mason, 1984). Among top managers, CEOs typically hold the most influential positions of authority. Several studies have examined how CEOs' psychological traits affect firms' strategic decisions and outcomes, revealing a substantial influence on firms' decision-making processes. According to Hayward and Hambrick (1997), CEOs' characteristics can influence the way the market reacts to takeover announcements. Chatterjee and Hambrick (2007) found that CEOs' narcissism affects firms' propensity for acquisitions. Bromiley and Rau (2016) contend that CEO attributes including values, career, and characteristics affect firms' strategy formulation.

This study focuses on narcissism, a distinct psychological trait. Narcissistic individuals are characterized by an inflated sense of self and a constant need for validation of their self-view (Campbell, Goodie and Foster, 2004). Given its strong theoretical foundation and behavioral dimension, narcissism provides a decent context for empirical research on the relationship between CEO characteristics and firm strategies. Previous studies have already considered CEO narcissism to study how CEO characteristics affect firms' decisions and financial outcomes (Gerstner et al., 2013; Zhu and Chen, 2015; Judge, LePine, and Rich, 2006; Chatterjee and Hambrick, 2007).

In this study, we explore the relationship between CEO narcissism and firms' dividend policy. While existing literature has extensively examined the implications of CEO

narcissism in terms of major decisions including mergers and acquisitions(M&A), risk taking behavior, accounting reporting, and innovation, the implications for dividend policy have not yet been studied. Dividend policy represents a significant decision taken by firms to manage their excess cash. Income can be allocated toward operating assets, acquiring securities, and repaying debts, or distributed to shareholders as dividends. By distributing dividends, firms signal their financial strength, attracting investors and markets. However, they are not mandated to pay out dividends and can retain their income for alternative usage. Because this decision is contingent upon the characteristics of the CEO, CEO traits may have an impact.

To measure CEO narcissism, we employed a CEO narcissism score derived from speech patterns of CEOs. According to Raskin and Shaw (1988), frequent use of first-person singular pronouns in speech is correlated with narcissistic behaviors. Following the methodology outlined in studies by Chatterjee and Hambrick (2007) and Aktas et al. (2016), we utilized earnings call transcripts spanning the years 2013 to 2020. In our analysis, we calculated the ratio of the number of first-person singular pronouns to the total number of first-person pronouns used by CEOs.

Narcissism is closely related to overconfidence. Campbell, Goodie and Foster (2004) argue that an arrogant attitude can be observed in both narcissistic and overconfident behavior. However, an important distinction between narcissism and overconfidence is that the latter is primarily associated with cognitive bias, while the former encompasses both cognitive and behavioral dimensions (Campbell and Foster, 2007). In addition to the cognitive aspects of overconfidence, narcissistic individuals also exhibit compulsive behaviors. To address these concerns, we additionally controlled for CEO overconfidence, measured in

a similar manner to CEO narcissism, following Aktas et al. (2016) and Campbell et al. (2011). Specifically, we tallied the occurrence of confident and non-confident words and calculated a ratio based on these words to construct an overconfidence score.

Our findings indicate that firms with high CEO narcissism tend to have higher dividends payouts. Furthermore, we observed a positive relationship between CEO narcissism levels and the payment of special cash dividends. These results can be attributed to the typical characteristics of narcissistic individuals, who often seek excessive admiration from others and frequently make grandiose and highly visible actions (APA, 1994; Rosenthal and Pittinsky, 2006). Importantly, these findings remain consistent even after accounting for CEO overconfidence, addressing concerns that CEO narcissism may overlap with CEO overconfidence to some extent.

This paper makes several contributions to the existing literature on CEO characteristics and dividend policy. First, we provide insights into the upper echelon theory by uncovering the relationship between CEO narcissism and firms' dividend policy. Second, this study is as the first to examine how firms with narcissistic CEOs make decisions regarding their dividends, which are highly visible actions. In contrast to previous research on narcissism, our study benefits from a large sample of firms, as dividend policy is a common issue faced by many organizations. Lastly, by employing a text-based narcissism score, we utilize continuous variables that offer greater intuitiveness compared to the discrete values typically used to measure narcissism.

## **2. Literature Review and Hypothesis Development**

## **(1) Narcissism**

The concept of narcissism can be traced back to the early 1900s; a narcissist was initially described by Freud (1921) as an individual with a deep preoccupation with self-preservation. While it originated as a psychological concept, recent theories have positioned narcissism as a clinical disorder. The American Psychiatric Association (APA) provided a standard definition of narcissistic personality disorder in the fourth edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV), defining it as “a pervasive pattern of grandiosity, a need for admiration, and a lack of empathy that begins in early adulthood and is present in various contexts.” Expanding on this definition, Campbell, Goodie, and Foster (2004) proposed that narcissism involves an individual’s tendency to overestimate their self-worth and an obsession with continually reinforcing their ego through the pursuit of admiration.

Psychological literature has outlined several key characteristics associated with narcissistic individuals, including their compulsive need for ego reinforcement, leading them to repeatedly seek validation and affirmation of their self-view (Buss and Chiodo, 1991). In essence, narcissists place significant emphasis on maintaining a positive self-image (Campbell et al. 2004). Aktas et al. (2016) note that narcissists often exhibit an exaggerated sense of entitlement, displaying arrogance and disdain towards others. Their primary motivations tend to be extrinsic, driven by desires for power and admiration (Rosenthal and Pittinsky, 2006). Additionally, they typically lack empathy, often taking advantage of others (APA, 1994) and tending to display high levels of impulsivity, particularly in decision-making processes (Vazire and Funder, 2006; Miller et al., 2009). In the context of CEOs, these characteristics, as proposed by the upper echelon theory, can have critical

implications for firms' decision-making processes and outcomes.

Researchers have extensively investigated the impact of CEO narcissism, a distinct personality trait, on organizational strategies. One prominent area of research is the influence of CEO narcissism on M&A, a topic of great interest due to the high stakes involved. Chatterjee and Hambrick (2007) demonstrated that narcissistic CEOs are more likely to pursue acquisitions. Aktas et al. (2016) found that narcissistic CEOs exhibit a greater propensity for initiating deals, negotiating at a faster pace, but ultimately achieving lower post-deal completion rates compared to their counterparts. In addition to M&A decisions, CEO narcissism has been linked to other strategic outcomes. Judge et al. (2006) revealed a connection between CEO narcissism and firm performance. Ham et al. (2018) reported that narcissistic CEOs are inclined to take greater risks, a finding echoed by Zhu and Chen (2015), who found that narcissistic CEOs are more likely to implement new corporate strategies. Furthermore, Gerstner et al. (2013) found that narcissistic CEOs are more engaged in technological innovation, and Petrenko et al. (2016) highlighted their involvement in corporate social responsibility initiatives. These findings suggest that while narcissistic CEOs engage in activities that may not directly correlate with the firm's financial performance, they are highly visible and serve other purposes.

## **(2) Dividends**

Despite extensive research on CEO narcissism and various organizational strategies, the relationship between CEO narcissism and dividend policy remains unexplored. Dividend policy refers to the management's practice of making decisions regarding the size and timing of cash distributions to shareholders over time (Lease et al., 2000). Brealey and

Myers (2002) highlighted its importance and puzzling nature, while Black (1976) and Allen and Michaely (1995) acknowledged the existence of the dividend puzzle, which calls for further empirical and theoretical research.

Dividends, as a means of distributing a firm's income, serve two crucial roles in corporate finance. First, they signify a firm's financial condition, providing valuable information to investors and mitigating agency problems. Second, Lintner (1956) argued that firms have a target dividend rate from which they are generally reluctant to deviate. Understanding these roles can help generate hypotheses about the potential impact of CEO narcissism on dividend policy.

First, the distribution of dividends allows investors insights into a firm's future earnings. Dividend announcements convey information about a company's performance prospects, and managers can strategically utilize changes in dividends to communicate information to the market regarding the firm's future outlook. Heinkel (1978) suggests that firms may declare dividends to differentiate themselves from less productive competitors. It is noteworthy that although dividend changes are not necessarily indicative of financial distress, markets typically respond positively to dividend increases and negatively to dividend cuts (Petit, 1972). Bhattacharyya (1979) further explains that, in general, the better the news, the higher the dividend.

Given that narcissistic CEOs have a constant need for affirmation (Chatterjee and Pollock, 2017) and desire to feel superior to others (Young et al., 2015), they may be inclined to declare higher dividends than do CEOs with lower levels of narcissism. Declaring high dividends can elicit positive reactions from investors and markets, resulting in favorable evaluations of CEOs, further reinforcing their self-image.



Second, within the principal-agency framework, dividends can serve as a mechanism to prevent managerial overinvestment. Easterbrook (1984) suggests that dividends can be employed to remove excess cash from managers' control. Rozeff (1982) and Ali et al. (1993) argue that dividend payments align the interests of managers with shareholders and help mitigate agency issues by reducing the former's discretion over cash. Lang and Litzenberger (1989) link this role of dividends to firm value, asserting that reducing the overinvestment problem through dividend payments positively impacts the firm's market value.

In corporations with substantial cash flows, managers may have the flexibility to invest in low-return projects, leading to potential agency problems (Jensen, 1986). Moreover, Chatterjee and Hambrick (2007) found that narcissistic CEOs are more inclined to pursue highly visible strategies, such as M&A, which aligns with the APA description of narcissists indulging in grandiose initiatives to reinforce their ego. Based on these observations, it can be hypothesized that narcissistic CEOs are more likely to invest in extravagant projects, possibly disregarding profitability considerations, which exacerbates the agency problem.

To mitigate the risk of managers making suboptimal decisions, tools that limit their flexibility and control over discretionary cash flows are necessary. Dividend policy can be one such tool, leading us to hypothesize the following:

***H1: Firms with high CEO narcissism will declare more dividends than will firms with low CEO narcissism.***

### **(3) Special dividends**

Special dividends are a type of cash distribution made by firms to their shareholders when they possess excess cash. Unlike regular dividends, they are one-time distributions and are typically perceived as temporary in nature (Crutchley et al., 2003). Regular dividends, on the other hand, are typically initiated or increased when a permanent growth in cash flow is anticipated (Jagannathan et al., 2020). Research by Brickley (1983) indicates a positive market reaction to special dividend announcements, although it is generally weaker than the reaction to announcements regarding an increase in regular dividends (Brickley, 1982). In other words, the market tends to favor regular dividends, which can impose a burden on the firm. If the growth in regular dividends is not sustained, firms may face negative market reactions. However, because special dividends are expected to be short-lived, firms are not penalized by the market for their inability to sustain such dividends. DeAngelo, DeAngelo, and Skinner (2000) documented a gradual reduction in special dividend distributions. As special dividends are a rare phenomenon, their declaration tends to draw significant market attention. Gombola and Liu (1999) also found an upward revision in analysts' earnings forecasts following special dividend declarations. Narcissistic CEOs may enjoy these advantages by paying special dividends. Given the role of special dividends in limiting CEOs' discretionary cash usage and the potential benefits that narcissistic CEOs may derive, we hypothesize the following:

***H2: Firms with high CEO narcissism will declare more special dividends than will firms with low CEO narcissism.***

### **3. Data**

To construct the narcissism score, we followed the approach of Chatterjee and Hambrick (2007) by comparing the usage of first-person singular and plural pronouns in speech. We collected earnings call conference transcripts of public companies in the United States from 2013 to 2020 from the Refinitiv StreetEvents Transcripts and Briefs database, which includes approximately 7,200 global companies and provides manually transcribed records of the spoken content during events. Each transcript consists of the presentation and Q&A sessions, with the names and positions of the speakers specified along with their actual statements during the earnings conference call. We identified speeches given by CEOs by extracting the segments spoken by individuals holding such positions such as CEO or Chief Executive Officer.

We determined the frequency of first-person singular pronouns (I, my, me, mine, myself) and divided it by the frequency of first-person pronouns (I, my, me, mine, myself, we, us, our, ours, ourselves) used in the CEOs' speeches. The comparative use of first-person singular to plural pronouns has been found to be positively correlated with narcissism scores obtained using the Narcissistic Personality Inventory (NPI) test, as reported by Raskin and Shaw (1988). The NPI is a survey-based measure that assesses four dimensions of narcissistic personality disorders, including exploitativeness/entitlement, leadership/authority, superiority/arrogance, and self-absorption/self-admiration. Aktas et al. (2016) also utilized this measure in their study on the relationship between CEO narcissism and M&A processes.

We excluded the speech from the presentation session in our analysis. During presentations,

speakers typically deliver prepared content accompanied by visual and written materials. The preparation process may dilute the expressions of the speakers' narcissistic personality traits. However, in the Q&A session, speakers are required to provide real-time and improvised responses to questions, allowing their individual personalities to shine through. Thus, we chose to focus solely on the Q&A session of each earnings conference call when constructing the CEO narcissism score.

The dependent variables used in this study were collected from the Compustat and The Center for Research in Security Prices (CRSP) databases. To calculate the dividend payout, we followed the methodology outlined by Gill, Biger, and Tibrewala (2010) and utilized two variables: the standard dividend payout ratio (STDPO) and the adjusted dividend payout ratio (APO). The STDPO is computed as the annual dividends divided by earnings before interest, taxes, depreciation, and amortization (EBITDA), while the APO is calculated as the annual dividends divided by the sum of EBITDA and depreciation.

In order to examine special dividend policy variations across firms, we constructed three additional variables. The first was a binary dummy variable called the special dividends dummy (SD Dummy), which took a value of 1 if a firm declared special dividends in a given year, and 0 otherwise. The second was the special dividends count (SDC), which was a discrete variable counting the number of special dividends declared in a given year. Finally, the special dividend payout (SDPO) represented the total sum of special dividends paid out by a firm in a year.

We included several accounting variables in our analysis, collected from the Compustat database. These served as control factors in our study and included the leverage ratio (LEV), R&D expenditure (RND), operating cash flow (CF), return on assets (ROA), cash holdings

(CASH), tangibility of assets (TANG), sales growth (GROW), and firm size (SIZE).

Additionally, we collected stock market-related variables from the CRSP database and included them as control variables. These variables were stock return (RET) and stock return volatility (VOL).

To account for corporate governance factors, we measured the E-index (Bebchuk, Cohen, and Ferrell, 2009) using data obtained from Institutional Shareholder Services (ISS). We also collected board information from the BoardEX database and included two board-related variables as controls: board size (BSIZE) and board independence (BIND). Table 1 provides a detailed description and construction of each variable used in the analysis.

**Table 1. Definition of variables**

Variable	Description
STDPO	Standard dividend payout ratio. Yearly dividends divided by net income after tax.
APO	Adjusted dividend payout ratio. Yearly dividends divided by net income after tax plus depreciation.
SDPO	Yearly amounts of special dividends.
SD Dummy	Special dividends dummy of value 1 if a firm has declared special dividends in a given year at least once.
SDC	Special dividends count. The number of special dividends declarations in a given year.
CF	The natural logarithm of the operating cash flow.
CEO narcissism	CEO narcissism score calculated based on the Q&A session of the earnings conference call. The number of first-person singular pronoun usages/the number of first-person pronoun usages.
CEO narcissism_a	CEO narcissism score calculated based on the whole session of the earnings conference call. The number of first-person singular pronoun usages/the number of first-person pronoun usages.
LEV	Long-term debts divided by total assets.
RND	R&D expenditure divided by total sales.
ROA	Return on assets, computed as the earnings before interest, taxes, depreciation, and amortization divided by total assets.
CASH	Cash and marketable securities divided by net assets. Net assets are computed as total assets minus cash and marketable securities.
TANG	Net property, plant and equipment divided by total assets.

SIZE	The natural logarithm of total assets.
BSIZE	The total number of directors on the board.
BIND	The fraction of independent directors on the board.
GROW	Yearly sales growth of a firm.
EINDEX	Corporate governance index proposed by Bebchuk, Cohen and Ferrell (2009).
RET	Annual stock return.
VOL	Annual stock return volatility.
CPS	CEO pay slice proposed by Bebchuk et al. (2011). Calculated as a fraction of the CEO's compensation out of the top five highly paid managers' compensation.
CEO overconfidence	CEO overconfidence score calculated based on the Q&A session of the earnings conference call. The number of confident word usages/the number of confident and non-confident word usages.
CEO overconfidence_a	CEO overconfidence score calculated based on the whole session of the earnings conference call. The number of confident word usages/the number of confident and non-confident word usages.

Beginning with the firm-year narcissism score, we merged financial data from Compustat, stock market data from the CRSP, board data from BoardEX, and corporate governance data from ISS, into a single dataset. From 2013 to 2020, we excluded observations with missing control variables. We also excluded financial and utilities firms, using Fama-French 48 industry classification, since those industries fall under extraordinary government policy and market competition. All continuous variables were winsorized at the 1% level. Table 2 exhibits the descriptive statistics for the variables we used.

## Table 2. Descriptive statistics

This table shows the descriptive statistics of the variables used. Obs, Mean, Std.Dev, Min, Max respectively indicate the number of observations, mean, standard deviation, minimum and maximum value. STDPO is the standard dividends payout ratio, calculated as the yearly dividends divided by net income after tax. APO is the adjusted dividends payout ratio, calculated as the yearly dividends divided by net income after tax plus depreciation. SDPO is the yearly special dividends payout amounts. SD Dummy is a dummy variable given a value of 1 if the firm has declared special dividends at least once. SDC is a discrete variable counting the number of special dividends distribution. CEO narcissism and CEO narcissism\_a are calculated as the ratio of the first-person singular pronoun usage to the first-person pronoun usage in the CEO's speech from earnings conference call. CEO narcissism is calculated from the Q&A session while CEO narcissism\_a is calculated from the whole

session. LEV is a leverage ratio, calculated as the long-term debt divided by the total assets. RND is calculated as the R&D expenditure divided by the total sales. CF is the natural logarithm of operating cash flow. ROA is the return on assets, calculated as the earnings before interests, taxes, depreciation and amortization divided by the total assets. CASH is the cash and marketable securities divided by the total assets minus cash and marketable securities. TANG is the tangibility, calculated as the net property, plant and equipment divided by the total assets. SIZE is calculated as the natural logarithm of the total assets. BSIZE is the number of directors on the board, and BIND is the fraction of independent directors on the board. GROW is the annual sales growth, and EINDEK is the E index proposed by Bebchuk et al. (2009). RET is the annual stock return and VOL is the annual stock return volatility. CPS is the CEO pay slice proposed by Bebchuk et al. (2011), the fraction of CEO's compensation out of the total compensation of the five managers who are paid the highest in the firm. CEO overconfidence and CEO overconfidence\_a is calculated as the ratio of the confident word usage to confident and non-confident word usage in the CEO's speech from earnings conference call. CEO overconfidence is calculated from the Q&A session while CEO overconfidence\_a is calculated from the whole session.

Variable	Obs	Mean	Std. Dev.	Min	Max
STDPO	7,344	.119	.151	0	.812
APO	7,344	.094	.119	0	.6
SDPO	7,361	.028	.192	0	1.65
SD Dummy	7,361	.029	.168	0	1
SDC	7,361	.037	.249	0	4
CEO narcissism	7,262	.249	.091	.067	.5
CEO narcissism_a	7,267	.176	.072	.049	.398
LEV	7,327	.241	.185	0	.852
RND	7,351	.041	.077	0	.414
CF	7,027	5.761	1.604	1.98	9.775
ROA	7,353	.134	.08	-.125	.391
CASH	7,353	.224	.332	.002	2.03
TANG	7,360	.247	.218	.01	.88
SIZE	7,361	8.062	1.523	5.053	12.188
BSIZE	7,361	9.07	2.34	4	16
BIND	7,361	.838	.102	.4	1
GROW	6,614	.053	.178	-.492	.795
EINDEX	7,361	4.172	.757	2	6
RET	7,361	.009	.027	-.075	.078
VOL	7,357	.095	.05	.031	.309
CPS	7,348	.402	.115	.038	.716
CEO overconfidence	6,494	.694	.314	0	1
CEO overconfidence a	7,046	.728	.253	0	1

## 4. Empirical Results

### (1) CEO narcissism and dividend payout

**Table 3. CEO narcissism and dividend payout**

This table shows the linear regression results of the dividends payout ratio on CEO narcissism. To control for unobserved heterogeneity, industry-fixed effect and year-fixed effect are included. The t-statistics are in

parentheses and \*\*\*, \*\* and \* represents significance at 1%, 5%, and 10% respectively. STDPO is the standard dividends payout ratio, calculated as the yearly dividends divided by net income after tax. APO is the adjusted dividends payout ratio, calculated as the yearly dividends divided by net income after tax plus depreciation. LEV is a leverage ratio, calculated as the long-term debt divided by the total assets. RND is calculated as the R&D expenditure divided by the total sales. CF is the natural logarithm of operating cash flow. ROA is the return on assets, calculated as the earnings before interests, taxes, depreciation and amortization divided by the total assets. CASH is the cash and marketable securities divided by the total assets minus cash and marketable securities. TANG is the tangibility, calculated as the net property, plant and equipment divided by the total assets. SIZE is calculated as the natural logarithm of the total assets. BSIZE is the number of directors on the board, and BIND is the fraction of independent directors on the board. GROW is the annual sales growth, and EINDEXT is the E index proposed by Bebchuk et al. (2009). RET is the annual stock return and VOL is the annual stock return volatility.

VARIABLES	(1) STDPO	(2) APO
CEO narcissism	0.0571*** (2.970)	0.0358** (2.451)
LEV	-0.0213* (-1.862)	-0.0117 (-1.353)
RND	-0.1568*** (-4.490)	-0.1414*** (-5.333)
CF	-0.0128*** (-3.268)	-0.0050* (-1.691)
ROA	0.2886*** (8.332)	0.2678*** (10.182)
CASH	0.0505*** (7.288)	0.0450*** (8.552)
TANG	-0.0267** (-2.174)	-0.0479*** (-5.135)
SIZE	0.0231*** (5.547)	0.0138*** (4.379)
BSIZE	0.0003 (0.378)	0.0007 (1.011)
BIND	-0.0053 (-0.286)	-0.0139 (-0.989)
GROW	-0.1271*** (-11.372)	-0.1002*** (-11.809)
EINDEX	-0.0151*** (-5.935)	-0.0131*** (-6.751)
RET	-0.2624*** (-3.559)	-0.1869*** (-3.338)
VOL	-0.5929*** (-12.715)	-0.4862*** (-13.733)
Constant	0.0292 (0.353)	0.0480 (0.766)
Year-Fixed Effect	YES	YES
Industry-Fixed Effect	YES	YES
Observations	6,197	6,197
R-squared	0.184	0.231



Table 3 presents the baseline results of regressing dividend payout on CEO narcissism. We employed linear regressions with year-fixed effects and industry-fixed effects. In Model (1), the dependent variable used is STDPO, while in Model (2), the dependent variable is APO. The coefficients of CEO narcissism are found to be positive and statistically significant in both models, supporting the first hypothesis that narcissistic CEOs tend to distribute higher dividends. These findings align with the two roles of dividends: limiting the risk of CEO overinvestment and serving as a signal to attract market interest.

## (2) CEO narcissism and special dividend payout

**Table 4. CEO narcissism and special dividend payout**

This table shows the linear regression result of the special dividends policy on CEO narcissism. To control for unobserved heterogeneity, industry-fixed effect and year-fixed effect are included. The t-statistics are in parentheses and \*\*\*, \*\* and \* represents significance at 1%, 5% and 10% respectively. SDPO is the yearly special dividends payout amounts. SD Dummy is a dummy variable given a value of 1 if the firm has declared special dividends at least once. SDC is a discrete variable counting the number of special dividends distribution. LEV is a leverage ratio, calculated as the long-term debt divided by the total assets. RND is calculated as the R&D expenditure divided by the total sales. CF is the natural logarithm of operating cash flow. ROA is the return on assets, calculated as the earnings before interests, taxes, depreciation and amortization divided by the total assets. CASH is the cash and marketable securities divided by the total assets minus cash and marketable securities. TANG is the tangibility, calculated as the net property, plant and equipment divided by the total assets. SIZE is calculated as the natural logarithm of the total assets. BSIZE is the number of directors on the board, and BIND is the fraction of independent directors on the board. GROW is the annual sales growth, and EINDEXT is the E index proposed by Bebchuk et al. (2009). RET is the annual stock return and VOL is the annual stock return volatility.

VARIABLES	(1) SD Dummy	(2) SDC	(3) SDPO
CEO narcissism	0.0734*** (3.653)	0.1170*** (3.680)	0.0806*** (3.308)
LEV	0.0173 (1.449)	0.0808*** (4.275)	0.0255* (1.762)
RND	-0.1464*** (-4.008)	-0.1415** (-2.448)	-0.1941*** (-4.386)
CF	-0.0067* (-1.653)	-0.0110* (-1.701)	-0.0110** (-2.215)
ROA	0.1544*** (4.264)	0.1276** (2.227)	0.1632*** (3.719)

CASH	0.0389*** (5.364)	0.0512*** (4.466)	0.0569*** (6.480)
TANG	0.0212* (1.651)	0.0633*** (3.112)	0.0196 (1.257)
SIZE	-0.0011 (-0.250)	-0.0012 (-0.168)	0.0013 (0.246)
BSIZE	0.0004 (0.466)	-0.0011 (-0.743)	0.0005 (0.445)
BIND	-0.0560*** (-2.900)	-0.0419 (-1.373)	-0.0492*** (-2.105)
GROW	0.0018 (0.154)	0.0137 (0.741)	0.0097 (0.686)
EINDEX	-0.0088*** (-3.314)	-0.0168*** (-3.977)	-0.0081** (-2.502)
RET	-0.0278 (-0.361)	-0.0736 (-0.603)	0.0346 (0.370)
VOL	-0.0784 (-1.609)	-0.1443* (-1.869)	-0.1189** (-2.012)
Constant	0.0834 (0.966)	0.1135 (0.831)	0.0717 (0.686)
Year-Fixed Effect	YES	YES	YES
Industry-Fixed Effect	YES	YES	YES
Observations	6,203	6,203	6,203
R-squared	0.043	0.034	0.039

Table 4 presents the results of the regression analysis examining the relationship between CEO narcissism and special dividend payout. The independent variable is the CEO narcissism score based on the CEO speeches. Model (1) uses the binary dependent variable SD Dummy, which takes a value of 1 if the firm declared special dividends in a given year. Model (2) uses the dependent variable SDC, representing the number of special dividends distributed in a given year. Model (3) employs SDPO as the dependent variable, representing the total special dividends payout in a given year.

In all three models, the coefficients of CEO narcissism are found to be positive and statistically significant. Model (1) suggests that firms with more narcissistic CEOs are more likely to declare special dividends. Model (2) indicates that firms with highly

narcissistic CEOs are more prone to distribute special dividends frequently than are firms with less narcissistic CEOs. Model (3) reveals that firms with highly narcissistic CEOs tend to pay a higher amount as special dividends.

These results support the second hypothesis and can be explained by the typical behaviors associated with narcissism, such as the constant desire for market attention and admiration.

### (3) Which function better explains the motivation?

**Table 5. Dividend policy and financial constraints**

This table shows the linear regression result of the dividends policy on CEO narcissism and financial constraints. To control for unobserved heterogeneity, industry-fixed effect and year-fixed effect are included. The t-statistics are in parentheses and \*\*\*, \*\* and \* represents significance at 1%, 5% and 10% respectively. STDPO is the standard dividends payout ratio, calculated as the yearly dividends divided by net income after tax. APO is the adjusted dividends payout ratio, calculated as the yearly dividends divided by net income after tax plus depreciation. SDPO is the yearly special dividends payout amounts. SD Dummy is a dummy variable given a value of 1 if the firm has declared special dividends at least once. SDC is a discrete variable counting the number of special dividends distribution. KZ is the financial constraints calculated following Lamont et al. (2001) and Kaplan and Zingales (1997). LEV is a leverage ratio, calculated as the long-term debt divided by the total assets. RND is calculated as the R&D expenditure divided by the total sales. CF is the natural logarithm of operating cash flow. ROA is the return on assets, calculated as the earnings before interests, taxes, depreciation and amortization divided by the total assets. CASH is the cash and marketable securities divided by the total assets minus cash and marketable securities. TANG is the tangibility, calculated as the net property, plant and equipment divided by the total assets. SIZE is calculated as the natural logarithm of the total assets. BSIZE is the number of directors on the board, and BIND is the fraction of independent directors on the board. GROW is the annual sales growth, and EINDEXT is the E index proposed by Bebchuk et al. (2009). RET is the annual stock return and VOL is the annual stock return volatility.

VARIABLES	(1) STDPO	(2) APO	(3) SD	(4) SDC	(5) SDPO
CEO narcissism	0.0617*** (3.180)	0.0379*** (2.614)	0.0994*** (4.577)	0.1687*** (4.793)	0.1155*** (4.380)
CEO narcissism * KZ	-0.0202** (-2.167)	-0.0148** (-2.128)	-0.0435*** (-4.162)	-0.0718*** (-4.236)	-0.0583*** (-4.588)
KZ	-0.0315*** (-12.323)	-0.0256*** (-13.427)	-0.0027 (-0.940)	0.0000 (0.007)	-0.0018 (-0.506)
LEV	0.1317*** (11.217)	0.1119*** (12.774)	0.0741*** (5.641)	0.1632*** (7.660)	0.0920*** (5.766)

RND	-0.0983*** (-2.978)	-0.0919*** (-3.730)	-0.1196*** (-3.235)	-0.1051* (-1.755)	-0.1662*** (-3.705)
CF	-0.0069* (-1.875)	-0.0001 (-0.052)	-0.0029 (-0.696)	-0.0057 (-0.861)	-0.0076 (-1.516)
ROA	0.1461*** (4.439)	0.1587*** (6.459)	0.0847** (2.299)	0.0300 (0.503)	0.0966** (2.159)
CASH	0.0203*** (3.020)	0.0200*** (3.988)	0.0287*** (3.813)	0.0383*** (3.146)	0.0464*** (5.081)
TANG	-0.0390*** (-3.340)	-0.0594*** (-6.805)	0.0201 (1.532)	0.0628*** (2.962)	0.0168 (1.059)
SIZE	0.0202*** (5.177)	0.0115*** (3.938)	-0.0039 (-0.885)	-0.0052 (-0.739)	-0.0011 (-0.209)
BSIZE	0.0000 (0.020)	0.0004 (0.678)	0.0005 (0.520)	-0.0013 (-0.864)	0.0008 (0.746)
BIND	-0.0004 (-0.026)	-0.0115 (-0.881)	-0.0535*** (-2.742)	-0.0359 (-1.136)	-0.0448* (-1.893)
GROW	-0.0986*** (-9.088)	-0.0762*** (-9.403)	0.0167 (1.377)	0.0308 (1.564)	0.0314** (2.128)
EINDEX	-0.0094*** (-3.897)	-0.0085*** (-4.675)	-0.0080*** (-2.956)	-0.0158*** (-3.592)	-0.0071** (-2.153)
RET	-0.1165* (-1.654)	-0.0744 (-1.414)	0.0415 (0.526)	0.0143 (0.112)	0.1132 (1.182)
VOL	-0.4665*** (-10.493)	-0.3849*** (-11.597)	-0.0169 (-0.340)	-0.0693 (-0.859)	-0.0434 (-0.718)
Constant	-0.0376 (-0.414)	-0.0039 (-0.057)	0.0628 (0.617)	0.0855 (0.519)	0.0417 (0.338)
Year-Fixed Effect	YES	YES	YES	YES	YES
Industry-Fixed Effect	YES	YES	YES	YES	YES
Observations	5,829	5,829	5,831	5,831	5,831
R-squared	0.327	0.385	0.071	0.054	0.067

The positive coefficients of CEO narcissism on dividends payout can be explained by both functions of dividends: signaling future prospects and drawing market attention, as well as preventing the abuse of excess cash by narcissistic CEOs. To determine which function better explains the observed phenomenon, we introduced the concept of financial constraints into the analysis. Financial constraints are obstacles that hinder firms from financing their investments (Lamont et al., 2001). In our study, we employed the KZ-index (Lamont et al., 2001; Kaplan and Zingales, 1997) as a measure of financial constraints.

Narcissistic CEOs may be less cautious about the financial condition of their firms if they can attract market attention. According to the APA (1994), narcissistic CEOs tend to engage in highly visible actions while being exploitative, disregarding the potential damage to shareholders. However, the coefficients of the interaction term between the CEO narcissism score and the KZ index in Table 5 show negative and highly significant results. Particularly for STDPO and APO, CEO narcissism increases, while financial constraints reduce dividend payout. The negative coefficients of the interaction term suggest that, under the same level of financial constraints, firms with highly narcissistic CEOs reduce their dividend payouts. If the main motivation for dividend payout were signaling information and seeking attention, the interaction term would not exhibit significant results, as narcissistic individuals tend to be less cautious about their financial condition. However, in the case of agency problems, firms should exercise greater caution in the utilization of excess cash when faced with financial constraints. Given that narcissistic CEOs are characterized by a lack of caution and an excessive certainty in their beliefs (Moore and Healy, 2008), firms need to exaggerate their financial constraints to prevent reckless spending by CEOs.

**Table 6. Dividend policy and CEO power**

This table shows the linear regression result of the dividends policy on CEO narcissism and CEO power. To control for unobserved heterogeneity, industry-fixed effect and year-fixed effect are included. The t-statistics are in parentheses and \*\*\*, \*\* and \* represents significance at 1%, 5% and 10% respectively. STDPO is the standard dividends payout ratio, calculated as the yearly dividends divided by net income after tax. APO is the adjusted dividends payout ratio, calculated as the yearly dividends divided by net income after tax plus depreciation. CPS is the CEO pay slice proposed by Bebchuk et al. (2011), the fraction of CEO’s compensation out of the total compensation of the five managers who are paid the highest in the firm. LEV is a leverage ratio, calculated as the long-term debt divided by the total assets. RND is calculated as the R&D expenditure divided by the total sales. CF is the natural logarithm of operating cash flow. ROA is the return on assets, calculated as the earnings before interests, taxes, depreciation and amortization divided by the total assets. CASH is the cash and marketable securities divided by the total assets minus cash and marketable securities. TANG is the tangibility, calculated as the net property, plant and equipment divided by the total assets. SIZE is calculated as the natural logarithm of the total assets. BSIZE is the number of directors on the board, and BIND is the fraction

of independent directors on the board. GROW is the annual sales growth, and EINDEX is the E index proposed by Bebchuk et al. (2009). RET is the annual stock return and VOL is the annual stock return volatility.

VARIABLES	(1) STDPO	(2) APO
CEO narcissism	0.1888*** (2.856)	0.1473*** (2.936)
CEO narcissism * CPS	-0.3255** (-2.089)	-0.2756** (-2.329)
CPS	0.0614 (1.466)	0.0653** (2.051)
LEV	-0.0204* (-1.782)	-0.0117 (-1.345)
RND	-0.1584*** (-4.534)	-0.1420*** (-5.353)
CF	-0.0127*** (-3.257)	-0.0050* (-1.678)
ROA	0.2880*** (8.285)	0.2669*** (10.110)
CASH	0.0494*** (7.094)	0.0447*** (8.452)
TANG	-0.0271** (-2.204)	-0.0479*** (-5.130)
SIZE	0.0229*** (5.507)	0.0138*** (4.357)
BFSIZE	0.0003 (0.354)	0.0007 (1.053)
BIND	-0.0071 (-0.379)	-0.0166 (-1.177)
GROW	-0.1282*** (-11.438)	-0.1007*** (-11.835)
EINDEX	-0.0146*** (-5.681)	-0.0128*** (-6.569)
RET	-0.2602*** (-3.511)	-0.1895*** (-3.369)
VOL	-0.5971*** (-12.740)	-0.4878*** (-13.708)
Constant	0.0053 (0.063)	0.0232 (0.363)
Year-Fixed Effect	YES	YES
Industry-Fixed Effect	YES	YES
Observations	6,184	6,184
R-squared	0.185	0.232

To provide further evidence, we conducted an additional analysis using CEO pay slice (CPS) as a proxy measure of CEO power. It is calculated as the fraction of the CEO's compensation out of the total compensation of the top five managers in the firm. A higher CPS value indicates a more powerful CEO. If the CEO's behavior of paying dividends is driven by the desire to attract market attention, we could expect an increase in dividends payout when the CEO is highly dominant within the firm. However, the results from Table 6 reveal a counter-intuitive finding. The regression results, including the interaction term of CEO narcissism and CPS, indicate that as narcissistic CEOs become more dominant, firms actually reduce their dividend payout. This finding contradicts the predictions of signaling theory, suggesting that other factors or mechanisms may be at play in shaping the relationship between CEO narcissism and dividend payout.

#### **(4) Robustness tests**

##### **Table 7. CEO narcissism, overconfidence and dividend policy**

This table shows the linear regression result of the dividends policy on CEO narcissism and CEO overconfidence. To control for unobserved heterogeneity, industry-fixed effect and year-fixed effect are included. The t-statistics are in parentheses and \*\*\*, \*\* and \* represents significance at 1%, 5% and 10% respectively. STDPO is the standard dividends payout ratio, calculated as the yearly dividends divided by net income after tax. APO is the adjusted dividends payout ratio, calculated as the yearly dividends divided by net income after tax plus depreciation. SDPO is the yearly special dividends payout amounts. SD Dummy is a dummy variable given a value of 1 if the firm has declared special dividends at least once. SDC is a discrete variable counting the number of special dividends distribution. CEO overconfidence is calculated as the ratio of the confident word usage to confident and non-confident word usage in the CEO's speech from earnings conference call's Q&A session. LEV is a leverage ratio, calculated as the long-term debt divided by the total assets. RND is calculated as the R&D expenditure divided by the total sales. CF is the natural logarithm of operating cash flow. ROA is the return on assets, calculated as the earnings before interests, taxes, depreciation and amortization divided by the total assets. CASH is the cash and marketable securities divided by the total assets minus cash and marketable securities. TANG is the tangibility, calculated as the net property, plant and equipment divided by the total assets. SIZE is calculated as the natural logarithm of the total assets. BSIZE is the number of directors on the board, and BIND is the fraction of independent directors on the board. GROW is the annual sales growth, and EINDEX is the E index proposed by Bebchuk et al. (2009). RET is the annual stock return and VOL is the annual stock return volatility.

VARIABLES	(1) STDPO	(2) APO	(3) SD	(4) SDC	(5) SDPO
CEO narcissism	0.0772*** (3.877)	0.0494*** (3.253)	0.0815*** (3.947)	0.1192*** (3.632)	0.0866*** (3.436)
CEO overconfidence	0.0116** (2.022)	0.0078* (1.779)	-0.0093 (-1.566)	-0.0143 (-1.508)	-0.0119 (-1.643)
LEV	-0.0148 (-1.272)	-0.0081 (-0.912)	0.0220* (1.819)	0.0869*** (4.514)	0.0242 (1.635)
RND	-0.1645*** (-4.601)	-0.1466*** (-5.372)	-0.1268*** (-3.415)	-0.1128* (-1.911)	-0.1914*** (-4.223)
CF	-0.0087** (-2.166)	-0.0004 (-0.129)	-0.0041 (-0.987)	-0.0084 (-1.256)	-0.0097* (-1.904)
ROA	0.2657*** (7.411)	0.2390*** (8.734)	0.1160*** (3.117)	0.0708 (1.196)	0.1606*** (3.534)
CASH	0.0443*** (6.119)	0.0388*** (7.029)	0.0396*** (5.264)	0.0539*** (4.512)	0.0583*** (6.357)
TANG	-0.0160 (-1.267)	-0.0420*** (-4.365)	0.0212 (1.619)	0.0605*** (2.910)	0.0169 (1.056)
SIZE	0.0216*** (5.026)	0.0114*** (3.471)	-0.0018 (-0.406)	-0.0012 (-0.165)	0.0020 (0.362)
BSIZE	0.0000 (0.005)	0.0004 (0.659)	-0.0001 (-0.061)	-0.0027* (-1.872)	0.0002 (0.143)
BIND	0.0047 (0.248)	-0.0082 (-0.565)	-0.0118 (-0.599)	0.0315 (1.006)	-0.0234 (-0.972)
GROW	-0.1183*** (-10.384)	-0.0930*** (-10.691)	0.0102 (0.863)	0.0195 (1.039)	0.0197 (1.363)
EINDEX	-0.0169*** (-6.463)	-0.0138*** (-6.890)	-0.0079*** (-2.919)	-0.0148*** (-3.433)	-0.0070** (-2.115)
RET	-0.2708*** (-3.591)	-0.2126*** (-3.694)	-0.1152 (-1.471)	-0.1471 (-1.182)	-0.0623 (-0.652)
VOL	-0.5618*** (-11.428)	-0.4677*** (-12.464)	-0.0545 (-1.067)	-0.1302 (-1.604)	-0.0920 (-1.476)
Constant	0.0053 (0.066)	0.0353 (0.578)	0.0497 (0.598)	0.0677 (0.512)	0.0476 (0.470)
Year-Fixed Effect	YES	YES	YES	YES	YES
Industry-Fixed Effect	YES	YES	YES	YES	YES
Observations	5,564	5,564	5,570	5,570	5,570
R-squared	0.200	0.247	0.043	0.035	0.041

To ensure the robustness of our results and address concerns regarding the potential overlap between CEO overconfidence and narcissism, we conducted additional analyses. Campbell et al. (2004) previously identified a positive correlation between these two characteristics, which led to criticisms suggesting that the influence of narcissism may be driven by CEO



overconfidence.

To address this issue, we included CEO overconfidence as an additional control variable in the regression analysis. Following the approach of Aktas et al. (2016), we constructed a measure of CEO overconfidence using earnings call transcripts. We counted the frequency of confident (optimism, optimistic, confident, confidence) and non-confident (conservative, reliable, cautious, practical, frugal, steady) words in speeches given by CEOs and calculated the ratio between the confident and non-confident words.

Even after controlling for CEO overconfidence, the results remained consistent, providing further support for the distinct nature of CEO narcissism and CEO overconfidence. Although these two traits overlap, our findings suggest that they capture different aspects of CEO behavior and independently affect dividend payout.

**Table 8. Robustness test using alternative measure**

This table shows the linear regression result of the dividends policy on CEO narcissism and CEO overconfidence using different measure of CEO narcissism and CEO overconfidence. To control for unobserved heterogeneity, industry-fixed effect and year-fixed effect are included. The t-statistics are in parentheses and \*\*\*, \*\* and \* represents significance at 1%, 5% and 10% respectively. STDPO is the standard dividends payout ratio, calculated as the yearly dividends divided by net income after tax. APO is the adjusted dividends payout ratio, calculated as the yearly dividends divided by net income after tax plus depreciation. SDPO is the yearly special dividends payout amounts. SD Dummy is a dummy variable given a value of 1 if the firm has declared special dividends at least once. SDC is a discrete variable counting the number of special dividends distribution. CEO overconfidence\_a is calculated as the ratio of the confident word usage to confident and non-confident word usage in the CEO’s speech from earnings conference call’s whole session. LEV is a leverage ratio, calculated as the long-term debt divided by the total assets. RND is calculated as the R&D expenditure divided by the total sales. CF is the natural logarithm of operating cash flow. ROA is the return on assets, calculated as the earnings before interests, taxes, depreciation and amortization divided by the total assets. CASH is the cash and marketable securities divided by the total assets minus cash and marketable securities. TANG is the tangibility, calculated as the net property, plant and equipment divided by the total assets. SIZE is calculated as the natural logarithm of the total assets. BSIZE is the number of directors on the board, and BIND is the fraction of independent directors on the board. GROW is the annual sales growth, and EININDEX is the E index proposed by Bebchuk et al. (2009). RET is the annual stock return and VOL is the annual stock return volatility.

VARIABLES	(1) STDPO	(2) APO	(3) SD	(4) SDC	(5) SDPO
CEO narcissism_a	0.0749*** (2.998)	0.0533*** (2.814)	0.0998*** (3.814)	0.1083*** (2.590)	0.1248*** (3.953)

CEO overconfidence_a	0.0206*** (2.904)	0.0128** (2.367)	-0.0173** (-2.324)	-0.0227* (-1.910)	-0.0195** (-2.170)
LEV	-0.0223* (-1.947)	-0.0129 (-1.481)	0.0160 (1.330)	0.0806*** (4.191)	0.0213 (1.468)
RND	-0.1463*** (-4.183)	-0.1341*** (-5.058)	-0.1478*** (-4.032)	-0.1432** (-2.444)	-0.1972*** (-4.459)
CF	-0.0124*** (-3.156)	-0.0031 (-1.038)	-0.0078* (-1.900)	-0.0126* (-1.919)	-0.0128*** (-2.587)
ROA	0.2818*** (8.067)	0.2520*** (9.511)	0.1611*** (4.401)	0.1358** (2.320)	0.1811*** (4.101)
CASH	0.0418*** (5.951)	0.0369*** (6.926)	0.0399*** (5.416)	0.0515*** (4.373)	0.0569*** (6.410)
TANG	-0.0247** (-2.008)	-0.0475*** (-5.084)	0.0183 (1.416)	0.0603*** (2.917)	0.0162 (1.042)
SIZE	0.0228*** (5.442)	0.0122*** (3.837)	0.0007 (0.165)	0.0016 (0.228)	0.0043 (0.805)
BSIZE	0.0001 (0.076)	0.0005 (0.825)	0.0002 (0.214)	-0.0015 (-1.041)	0.0000 (0.007)
BIND	-0.0013 (-0.069)	-0.0124 (-0.870)	-0.0435** (-2.220)	-0.0256 (-0.817)	-0.0297 (-1.257)
GROW	-0.1228*** (-10.975)	-0.0963*** (-11.348)	0.0042 (0.359)	0.0157 (0.835)	0.0125 (0.885)
EINDEX	-0.0150*** (-5.843)	-0.0127*** (-6.503)	-0.0068** (-2.509)	-0.0143*** (-3.326)	-0.0050 (-1.528)
RET	-0.2895*** (-3.909)	-0.2147*** (-3.822)	-0.0911 (-1.174)	-0.1419 (-1.143)	-0.0403 (-0.430)
VOL	-0.5971*** (-12.682)	-0.4840*** (-13.553)	-0.0751 (-1.523)	-0.1415* (-1.793)	-0.1119* (-1.880)
Constant	0.0092 (0.112)	0.0380 (0.611)	0.0695 (0.809)	0.1051 (0.766)	0.0426 (0.411)
Year-Fixed Effect	YES	YES	YES	YES	YES
Industry-Fixed Effect	YES	YES	YES	YES	YES
Observations	6,020	6,020	6,026	6,026	6,026
R-squared	0.188	0.234	0.044	0.033	0.040

In our additional analyses, we employed an alternative measure of CEO narcissism to further validate our findings. In the previous analyses, we focused on only counting the number of words from the Q&A sessions of the earnings conference calls, based on the belief that these sessions provide a more unprepared, spontaneous setting for speakers, reflecting their genuine personalities. However, in Table 8, we expanded our measure of

CEO narcissism by considering the entire earnings conference call, including the presentation and Q&A sessions.

By using this different measure of CEO narcissism, we obtained robust results that align with our baseline regressions, providing further support for the notion that narcissistic CEOs have a propensity to distribute higher dividends. These findings indicate that the relationship between CEO narcissism and dividends payout persists despite employing an alternative measure of CEO narcissism.

## **5. Conclusion**

This study investigates the impact of CEO narcissism on firms' dividend policy. Dividends are means by which firms communicate information about their excess cash and attract the interest of investors and the market. Furthermore, dividend payout can help address the agency problem by reducing free cash flow and preventing CEOs from making suboptimal organizational decisions with discretionary cash. Both the signaling and agency functions of dividends suggest a positive association with CEO narcissism, as narcissistic CEOs have a strong desire for admiration and are more likely to engage in grandiose projects (Young et al., 2015; Chatterjee and Hambrick, 2007).

This study's findings reveal that narcissistic CEOs tend to increase dividend payout. Moreover, a positive relationship between CEO narcissism and special dividend policy were observed. Specifically, narcissistic CEOs are more likely to declare special dividends, declare them more frequently, and distribute higher amounts as special dividends. This can be attributed to the fact that by paying special dividends, firms seek to attract market

interest without necessarily signaling long-term growth in its performance.

The main contribution of this paper is its ability to provide further insights into the upper echelon theory, which emphasizes the significance of top managers' personalities in influencing firms' strategies and performance. By specifically examining narcissism, a well-established concept in the field of psychology, we contribute to the existing literature on the impact of CEOs' characteristics on corporate policies.

Notably, this study fills a gap in the literature by exploring the relationship between CEO narcissism and dividend policy, which has received limited attention thus far despite being a crucial aspect of firms' strategies. While prior research on narcissism has primarily focused on its association with large-scale initiatives such as mergers and acquisitions, which are relatively infrequent occurrences, our examination of the link between narcissism and dividend policy allows for a broader analysis with larger samples.

Furthermore, this study employs a text-based measure of CEO narcissism, following the approach of Chatterjee and Hambrick (2007) and Aktas et al. (2016), enabling the use of continuous variables to represent CEOs' traits. By employing this method, we are able to derive statistically significant results that enhance the understanding of the impact of CEO narcissism on firms' dividend policies.

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