COMPENSATION OF NARCISSISTIC CEOs WITH STAKE IN EQUITY: A STUDY OF POLISH COMPANIES

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Abstract: Background: Behavioural personal characteristics are proven to have an impact on corporate decisions. There have been many behavioural biases and fallacies identified so far. One of the important behavioral traits is narcissism. Managerial narcissism and the belief in their own grandiosity affect their corporate behaviour. Previous research finds that narcissistic leaders have higher compensation. However, previous research takes into account only job-related compensation and ignores the common fact that the CEO is often the owner of the company. The aim of our research is to explore the impact of a narcissistic CEO who has a financial stake in the equity on their total income. Our research refers to the situation when narcissistic CEOs' labour and capital are involved in the same company, which is quite common in a business environment. Thus, the compensation consists of two parts: job-related (salary) and capital-related (dividend).

Methods: We have conducted our research on a sample of 160 companies from the Warsaw Stock Exchange over six years (2017-2022). We have performed statistical analysis of data with descriptive statistics, correlation matrix, and regression analysis.

Results: We have found that a narcissistic CEO with a stake in the company negatively affects both job and total compensation.

Conclusions: We believe that the lower compensation of narcissistic CEOs is the price they pay in return for both their prestige and the sound financial standing of the company. The financial soundness of the company allows them to stay in power (by meeting owners' expectations), and remain in the centre of attention.

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Structure of the paper: The paper starts with a literature review on the issues included in the research, especially: CEO compensation, CEO ownership, and CEO narcissism. Then, we present our research plan and the methodology. Later, we report our findings and discuss our findings with previous ones. Finally, we present the conclusions.

Key words: CEO narcissism, CEO ownership, CEO compensation, individual and interactive effects

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Introduction

There is quite abundant research on CEO characteristics in psychology with a recent flourishing on narcissism. There is also a lot of research on the impact of narcissistic leaders on teamwork in the workplace. And just recently narcissism was included in the research on corporate finance. All of them show that CEO narcissism has a strong impact on corporate finance. In this stream of research, there are findings providing evidence of higher narcissistic CEOs' compensation. In previous research on narcissistic CEO compensation, only cash compensation was analyzed, while in a business environment, it is quite common for CEOs to have a financial stake in the companies they work for (to be co-owner of the company). Moreover, findings on the impact of CEO ownership on CEO compensation are inconclusive – some show that CEO ownership leads to higher CEO compensation (which is in line with the managerial power theory) while others show lower CEO compensation (which is in line with the agency theory). We do not find any research on the compensation of narcissistic CEOs who have a stake in the company they work for. This is especially interesting as narcissistic CEOs involve their labour and capital in one company and in return, they get both job-related compensation (their cash salary) and capital-related compensation (dividends depending on their capital involvement in the company).

The aim of our paper is to explore the impact of a narcissistic CEO, who has ownership in the company, on their total income when their job and capital involvement are connected with the same company.

We have conducted the research on a sample of 160 companies listed on the Warsaw Stock Exchange over six years (2017-2022). Our measure of CEO narcissism is based on the size of the photo, the size of the signature, and the number of social media accounts. We have implemented statistical methods to process the data: descriptive statistics and correlation matrix, and in order to verify our research hypotheses we employ regression analysis with individual and interactive effects of CEO narcissism and CEO ownership.

We have found that a narcissistic CEO with a stake in the equity has a negative impact on job-related compensation and total compensation. However, we have found a lack of impact of a narcissistic CEO with a stake in the company on capital-related compensation (dividend payments). Moreover, we have found a positive impact of CEO narcissism and CEO ownership on job-related, capital-related compensation, and total compensation (being the sum of job-related and capital-related compensation) – but this is true when CEO narcissism and CEO ownership are analyzed separately.

We have contributed to the existing research in several ways. First, we have provided additional evidence supporting previous findings on the positive impact of CEO narcissism on CEO compensation. This expands the understanding of narcissism and its impact on compensation which might be important for the owners. Second, we have provided new evidence on how a narcissistic CEO affects their compensation when they have a capital stake in the company. In this way, we have attempted to explain the differences in the existing research on CEO compensation. Thirdly, we have contributed to the research on the development of the Polish stock exchange as it is one of the biggest stock markets in Central and Eastern Europe. This is an important market, as for some CEE countries, Poland is a benchmark of their activities.

The paper is organized in a structured way. First, we provide a literature review not only on the role of CEO narcissism on CEO compensation and dividend payouts but also on the role of CEO ownership on CEO compensation and dividend payouts. Then, we present our research plan and the methodology. Later, we report our findings and discuss our findings with previous ones. Finally, we present the conclusions.

1.Literature review

1.1.The narcissism of CEO in research

The research on CEO narcissism lies within behavioural finance and upper echelon (TMT) theory and has recently drawn a lot of attention (just like previously overoptimism, overconfidence, and many other behavioural biases). According to the American Psychiatric Association (APA, 2013) and the Diagnostic and Statistical Manual for Mental Disorders (DSM), narcissism is defined as a multifaceted personality trait that combines grandiosity, attention seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced through self-regulation, and a general lack of regard for others (Cragun et al., 2020). They also tend to blame others for their own failures and shortcomings (Russ & Shedler, 2013). At the same time, there is a ‘narcissism paradox’ (Aabo & Eriksen, 2018) that refers to the fact that narcissistic individuals, on a deeper level, have low self-esteem and a fragile self. It is, therefore, plausible that, when faced with distress and setbacks, narcissistic managers are more likely to crumble.

Previous research indicates that there is growing evidence that individuals exhibiting these traits often exist in the work environment as leaders. Narcissistic CEOs may make more impulsive decisions and narcissistic CEOs prefer very bold actions that will attract attention and enhance their own image, ultimately resulting in impressive victories or huge losses but their firms' performance is generally no better or worse than firms with non-narcissistic CEOs (Chatterjee & Hambrick, 2007).

Moreover, Gong et al. (2018) but also Fahy (2017) and Nevicka et al. (2018) find that narcissistic leaders have a negative impact on the team. They use bullying and deception. Narcissistic leadership has a negative impact on subordinate job satisfaction and well-being, whereas it is positive on stress and intentions to quit.

In the existing research, it has been shown that narcissism affects many spheres of corporate finance related to earnings, dividend payments, or influence on the corporate policies of the company in which the narcissistic CEO holds a position. CEOs significantly affect their firms: firm performance, innovation and growth, risk, and financial leverage (e.g. Cragun et al., 2020; Oesterle et al., 2016).

Narcissistic CEOs in company management put overwhelming effort into achieving their own goals, sometimes through unethical behaviour, especially earnings management. There is a great number of research on CEO narcissism and earnings management. Google Scholar search provides a list of almost 1,000 research after 2019 on ‘CEO narcissism and earning management” phrase (eg. Capalbo et al., 2018; Marquez-Illescas et al., 2019; Lin et al., 2019; Christian & Sulistiawan, 2022). Existing research proves the positive impact of CEO narcissism on earning management which means that narcissistic CEOs manage earnings. The research shows that CEOs manipulate earnings to meet positive earnings thresholds, owners’ expectations, and analysts' forecasts (apart from satisfying personal motives that are often selfish for the narcissistic CEO).

1.2. The impact of CEO narcissism on compensation and dividend payouts

Executive compensation is an extremely controversial topic not only for the boards of directors but also for investors. Narcissistic CEOs are oriented towards raising their own prestige, making contacts that will allow them to climb higher up the career ladder, and having power. Having power over others, being the centre of attention, and the need to count on their opinion affect the level of remuneration. A review of the literature shows that the results are not similar. Narcissistic CEOs have higher absolute and relative compensation (Ham et al., 2018; O'Reilly et al., 2014). However, Aabo et al. (2022) suggest that companies with high media coverage can take advantage of CEOs' narcissistic tendencies by giving them a relatively low salary in exchange for high visibility and media coverage of their position.

On the other hand, narcissistic CEOs take action to draw attention by meeting ownership expectations and analysts' forecasts. These actions include a higher propensity to pay dividends and higher dividend ratios (Bajo et al., 2022). Boamah (2022) points out that CEO narcissism affects the likelihood of announcing stock buybacks and dividend payments with the emphasis that companies with narcissistic CEOs are more likely to make higher buyback announcements. An interesting phenomenon is the link between the remuneration of narcissistic CEOs and dividend payments with reference to the crisis (COVID-19 pandemic) when CEOs decide to reduce their own remuneration after suspending dividend payments thus gaining the recognition and admiration of external shareholders. However, the results indicate that a narcissistic CEO does not accept a pay cut while a non-narcissistic one does (Alves et al., 2021). However, the attitude towards CEO compensation and dividend payments might depend on the CEO ownership as the total CEO income consisting of the cash compensation (job-related) and received dividend (ownership-related) might affect the decisions on the CEO compensation and dividend payouts.

1.3. The impact of CEO ownership on compensation and dividends

CEO ownership is one of the tools diminishing agency costs of principal-agent relations (Jensen, 1986). Agency theory stipulates that managerial ownership is an important mechanism for good governance that could foster a greater alignment of the interests of managers with those of shareholders. Thus, managerial ownership could serve as an agencyproblems-reducing mechanism and enhance activities in the shareholder interests. However, CEO ownership is one of the attributes that determine the level of CEO power (Finkelstein, 1992). This increases managerial power and affects the CEO's behaviour. CEO managerial power is connected with rent extraction and private benefits of control which suggests that the CEO takes decisions that increase their own interests (Fabisik et al., 2021).

So far, there is little research on the impact of CEO ownership on CEO compensation and they do not draw a consistent picture of the CEO's behaviour: Ozkan (2007) finds that CEO compensation is lower when the directors' ownership is higher. Sánchez-Marín et al. (2020) find that the quality of the monitoring process of CEO compensation is negatively correlated with CEO ownership. Song and Wan (2019) find that more powerful CEOs earn more than less powerful CEOs. Additionally, they assume that the powerful CEO can exert influence in selecting new directors who oversee the compensation arrangements of these CEOs. Powerful CEOs have better rent-extracting ability because they are more capable of capturing the board (Bebchuk & Fried, 2003). However, this rent-extraction ability might be constrained by the potential for unfavourable reactions from shareholders or co-workers. To avoid such unfavourable reactions, powerful CEOs use opaque and inefficient compensation arrangements to camouflage their rent extraction activities.

The findings on the impact of CEO ownership on dividend payments are quite abundant but they do not depict consistent CEO ownership impact. First, empirical studies, such as Rozeff (1982), and Jensen et al. (1992) find that a relationship between managerial ownership and dividend payout is negative. Firms with higher managerial ownership tend to increase internal funds at the expense of low dividend payouts to finance investments. Holmen et al. (2008) in Sweden, Farinha and López-de-Foronda (2009) in the United States, United Kingdom and Ireland, and Hommel (2011) in the Netherlands also find that there is a significant and negative relationship between managerial ownership and dividends. Others argue that high managerial ownership increases dividends. This explanation refers to the opportunistic behaviour. High managerial ownership leads to high levels of dividends. According to the results of studies by Kumar (2006) in India; Hardjopranoto (2006) in Indonesia; and Vo and Nguyen (2014) in Vietnam, there is a significant and positive relationship between managerial ownership and dividends. Florackis et al. (2015) find that dividends increase with the increase of managerial ownership but this increase is stronger for low-debt firms.

However, we find a lack of research on the capital engagement of narcissistic CEOs in the company. This gives us a free way in the hypotheses development. Thus, we formulate the following hypotheses:

H1: A narcissistic CEO with ownership in the company has a negative impact on their job-related compensation (cash compensation).

H2: A narcissistic CEO with ownership in the company has a positive impact on their capital-related compensation (dividend payouts).

The justification for the hypotheses is the general characteristic of narcissism and the findings of Aabo et al. (2022) and Alves et al. (2021). We believe that narcissistic CEOs with ownership in the company want to show how they are devoted to the company and thus they diminish their own compensation (and every worker should follow them and should agree to diminish their salary). On the other hand, narcissistic CEOs with ownership in the company want to show that they act in favour of owners and thus they increase the dividend payouts (while, in fact, they act in their own interest).

2.Methodology

Our research plan covers several steps. The first one is to adopt the way narcissism is identified. Then, we decide on the sample. After data collection, we conduct statistical data analysis with descriptive statistics, correlation matrix, and regression analysis. Regression analysis is the main tool used to verify the hypotheses.

2.1.CEO narcissism identification

Generally, narcissism is a latent variable that can be understood through mathematical models from observable variables that can be directly measured. There are several ways developed to identify and measure narcissism (but also other latent variables): psychometric self-report, or psychometric third-party test. However, respondents' testing might be biased by subjectivity errors. That is why several measures to reduce reliance on completing psychological scales have been developed recently. The method used to identify CEO narcissism relies on the size of the CEO's signature, the presence and size of a CEO photo in the annual report, and the number of social media accounts possessed by the CEO (Chatterjee & Hambrick, 2007; Ham et al., 2018; Christian & Sulistiawan, 2022).

Chatterjee and Hambrick's (2007) original index included five components: (1) the relative cash pay of the CEO to the next-highest paid executive, (2) the relative noncash pay of the CEO to the next-highest paid executive, (3) the size of the CEO's picture in the annual report, (4) the number of CEO mentions in company press releases, and (5) the number of first-person singular pronouns used by the CEO during interviews. Although some of the CEO narcissism index limitations, this index was used in the majority of research on CEO narcissism (Cragun et al., 2020). However, we are not able to use first-person singular pronouns during interviews due to limited access to this data. Additionally, we are not able to include CEO compensation as part of the index as it is the main subject of our research.

Following Chatterjee and Hambrick (2007), the CEO's photograph included in the annual report is rated on a scale of 1 to 5 as follows:

- 1 point: The annual report does not include a photo of the CEO.
- 2 points: The CEO is photographed with other managers.
- 3 points: The CEO is photographed alone and takes up less than half a page.
- 4 points: The CEO is photographed alone and takes up at least half a page, followed by text.
- 5 points: The chairperson is photographed alone and takes up an entire page.

Ham et al. (2018) employed an alternative measure of CEO narcissism by measuring the size of a CEO's signature in SEC filings. Their rationale posits that a larger signature represents the grandiose nature of a narcissist. Ham et al. (2018) provided validation by correlating the measure with CEO narcissism.

Following Ham et al. (2018), we have included the size of the signature in our research. The determinant of a CEO's narcissism based on his signature on the annual report also has strict rules. A rectangle is drawn around each CEO's signature, with each side of the rectangle touching the outermost endpoint of the signature in question. The area occupied by the signature is then determined by multiplying the length and width of the rectangle drawn around it (measurements are given in centimetres). To control the length of the CEO's name, the area of the square is divided by the number of letters in the CEO's name (Ham et al., 2018)

The final key measure for examining CEO narcissism is the number of social media accounts held. This dimension was used by Christian and Sulistiawan (2022) in their principal component analysis (PCA) method to determine the CEO narcissism score. Points are assigned depending on the number of social media accounts owned by CEOs on a scale of one (1) to (3), namely (Christian & Sulistiawan, 2022):

- 1 point: the CEO has only one or no social media accounts;
- 2 points: the CEO has two social media accounts;
- 3 points: the CEO has three or more social media accounts.

To calculate CEO narcissism we take into account all three pieces of information (photo, signature, social media accounts) and transform them into one value with the following equation:

$$CEO\ Narcissism_i = \frac{\sum \frac{X_{ij}}{max\ X_j}}{3}$$

All variables are measured for i CEO, and j partial measure of narcissism (photo, signature, social media accounts).

Xij – narcissism j partial measure (photo, signature, social media accounts) for the i CEO;

Max Xj – maximal level of the j partial measure of narcissism (photo, signature, social media accounts) in the sample;

3 – the fixed value reflecting the number of the partial measure of narcissism j (photo, signature, social media accounts);

In the results, we got a continuous value between 0 and 1. The closer to 1 the higher CEO narcissism.

2.2.Variables

Table 1 presents the set of variables (with their formulas) included in the research.

Table 1.
The set of variables with their formulas

variable	formula	unit
CEO picture size	The size of the CEO picture (1, 2, 3, 4, or 5)	Points
CEO signature size	(width in cm x length in cm) / number of letters	Square cm per letter
CEO social media accounts	Number of social media accounts (1, 2, or 3)	Points
CEO narcissism	CEO narcissism index	From 0 to 1
CEO ownership	Percentage of capital owned by CEO	%
CEO compensation	Annual cash job-related compensation	Thousand PLN
CEO dividend	Capital-related compensation coming from the dividends received by the CEOs due to their ownership	Thousand PLN
Total CEO compensation (CEO comp div)	The sum of CEO compensation and CEO dividend	Thousand PLN
Size	Total Assets	million PLN
Profitability	Operating Profit to Total Assets x100	%
Debt ratio	Total Liabilities to Total Assets x100	%
Cash ratio	Cash and Equivalents to total assetsx100	%

Source: Authors' own elaboration.

2.3.Methods and models

To verify the hypotheses we implement a model with individual and interactive variables describing CEO narcissism and CEO ownership as follows:

$$DV = \beta_0 + \beta_1 CEO\ narcissism + \beta_2\ CEO\ ownership \\ + \beta_3 CEO\ narcissism\ x\ CEO\ ownership + \beta_4\ Size \\ + \beta_5\ Profitability + \beta_6\ Debt\ Ratio + \beta_7\ Cash\ Ratio + \varepsilon_i$$

Where:

DV – dependent variables reflecting CEO compensation (both job-related and capital-related) presented as the natural logarithm of job-related and capital-related, and total compensation;

CEO narcissism – independent variable;

CEO ownership - independent variable;

CEO narcissism x CEO ownership – interactive independent variable;

Size (natural logarithm of Total Assets), Profitability, Debt ratio, Cash ratio – control variables.

The interactive variable (CEO narcissism x CEO ownership) describes the combined effect of a narcissistic CEO with ownership in the company.

2.4.Sample and data source

Our research covers a period of six years: 2017-2022. We include three years before the crisis - 2017, 2018 and 2019, and three years covering the crisis period, i.e. 2020, 2021, 2022. We believe that this period is sufficient to explore the impact of a narcissistic CEO.

The study includes companies listed on the Warsaw Stock Exchange. WSE is internationally one of the largest stock exchanges in Central and Eastern Europe. Vychytilova (2018) finds it the biggest stock exchange in the Visegrad group (Poland, Czech Republic, Slovakia and Hungary). At the beginning of 2023, there were 417 companies listed on the main market of the Warsaw Stock Exchange. After eliminating companies from the financial sector, i.e. banks, insurers, or investment funds, we were left with 320 companies listed for the entire 6-year period, i.e. 2017-2022. We scanned 1,920 annual reports to find the name of the CEO. Among those 320 companies, we found only 160 companies with the same CEO over the whole six-year period; thus we got almost 960 firm-year observations.

Financial data were obtained from financial statements from the Notoria Serwis database. Other data (such as CEO compensation, CEO ownership, photo size, signature size, and number of social media accounts) were collected manually by reviewing annual reports. We read carefully almost 1,000 annual reports to obtain the data.

3.Findings

The description of our findings consists of descriptive statistics, correlation matrix, and regression analysis results. Regression analysis is the main tool used to verify hypotheses.

3.1.Descriptive statistics

Table 2 presents the descriptive statistics of the sample companies.

Table 2.
Descriptive statistics

	mean	median	min	max	SD	Normality test (S-W)
CEO picture size	1.5	1.0	1.0	5.0	0.9	0.571 ***
CEO signature size	1.7	0.0	0.0	22.5	3.5	0.568 ***
CEO social media accounts	1.6	1.0	1.0	3.0	0.8	0.690 ***
CEO narcissism	0.3	0.3	0.2	0.7	0.1	0.888 ***
CEO ownership	24.8	19.0	0.0	99.6	25.3	0.867 ***
CEO compensation	1,348	761	26	43,338	2758	0.343 ***
CEO dividend	283,549	0	0	50,848,990	2,180,364	0.085 ***
Size	834.7	273.1	3.8	20,131.3	1,792.6	0,434 ***
Profitability	5.8	6.7	-5.8	12.7	3.0	0.264 ***
Debt ratio	51.1	47.9	0.4	135.5	60.1	0.281 ***
Cash ratio	10.0	6.0	0.0	80.0	11.9	0.713 ***

Source: Authors' own elaboration.

We find that 119 (out of 160 which stands for 75%) CEOs do not include their picture in annual reports. This means that only 41 CEOs (25%) present their picture. Only 71 CEOs (44% of the sample) put their handwritten signature on the annual reports. And 102 CEOs (64% of the sample) have at least one account on social media. In the results, we got the average narcissism at the level of 0.3.

The average CEO ownership is 25% with a median of almost 20%.

The average annual CEO compensation is 1.3 mln PLN (with a median of 761 thousand PLN). The average monthly CEO compensation is 100 thousand PLN, while the Polish monthly minimum wage is app. 3 thousand PLN. This means that the average CEO earns 33 times higher than the minimum wage.

The variables do not show normal distribution – the p-value for the results of the Shapiro-Wilk test of normality is lower than 0.001. We reject the hypothesis assuming a normal distribution.

3.2.Correlation matrix

Table 3 presents the correlation coefficients. Due to the fact that our data are not normally distributed, we employed Spearman correlation analysis.

Table 3.
Correlation matrix (Spearman)

	CEO narcissism	CEO ownership	Ln CEO Comp	Ln CEO Div	Ln CEO Comp Div	Size	Profitability	Debt ratio
CEO narcissism	1							
CEO ownership	0.022	1						
Ln CEO Comp	-0.027	**-0.150 *****	1					
Ln CEO Div	**0.056 ***	**0.244 *****	**0.288 *****	1				
Ln CEO Comp Div	**0.085 ***	**0.193 *****	**0.552 *****	**0.907 *****	1			
Size	0.046	**-0.134 *****	**0.630 *****	**0.275 *****	**0.445 *****	1		
Profitability	0.048	0.046	**0.272 *****	**0.405 *****	**0.438 *****	**0.172 *****	1	
Debt ratio	**-0.063 ***	0.018	-0.014	-0.002	-0.029	**0.229 *****	**-0.166 *****	1
Cash ratio	**0.126 *****	-0.026	0.044	**0.092 ****	**0.104 ****	0.049	**0.222 *****	**-0.199 *****

, **, and * indicate significance at the 10%, 5%, and 1% levels, respectively.*
Source: Authors' own elaboration.

We find several relationships in our sample. We find a positive relation between CEO narcissism and CEO capital-related compensation (dividend), and total CEO compensation (obtained due to their job and capital engagement). Additionally, we find a statistically significant relation between CEO narcissism and debt ratio (negative) and cash ratio (positive).

The CEO ownership is related to job-related CEO compensation (negative), capital-related CEO compensation (positive), total CEO compensation (positive), and size (negative).

Job-related CEO compensation is related to the size of the company and profitability (positively). This might imply that job-related compensation depends on firm performance. Capital-related compensation (received dividends by the CEO) is also related to the size of the company and profitability (positively). This suggests that in bigger companies with higher profitability, both the job-related and capital-related compensation are higher.

The correlation coefficients between independent variables do not exceed 0.4 and thus we might employ the regression analysis to model the relation between dependent and independent variables.

3.3.Regression analysis results

Table 4 presents the regression analysis results. The regression model includes independent variables with individual and interactive variables describing CEO narcissism and CEO ownership.

Table 4.
Regression analysis results

variables	Ln CEO Comp	Ln CEO Comp	Ln CEO Div	Ln CEO Div	Ln CEO Comp Div	Ln CEO Comp Div
CEO narcissism	**0.116** *	**0.062** *	**0.085** *	0.038	**0.170** ***	**0.112** **
CEO ownership	**0.148** *	**0.159** **	**0.219** *	**0.240** **	**0.353** ***	**0.379** ***
CEO narcissimxCEO ownership	**-0.321** ***	**-0.273** ***	-0.099	-0.095	**-0.234** *	**-0.221** **
Size	X	0.581 ***	X	0.280 ***	X	0.416 ***
Profitability	X	-0.007	X	0.131 ***	X	0.115 ***
Debt ratio	X	-0.041	X	0.013	X	0.002
Cash ratio	x	0.027	x	0.097 **	x	0.109 ***
F statistics	9,781 ***	75.959 ***	6.650 ***	19.629 ***	11.443 ***	40.840 ***
R squared	0.031	0.366	0.021	0.128	0.035	0.235

*, **, and *** *indicate significance at the 10%, 5%, and 1% levels, respectively.*
Source: Authors' own elaboration.

We find a strong and positive impact of CEO narcissism on CEO job-related compensation, CEO capital-related compensation (dividend), and total CEO compensation (being the sum of the job-related and capital-related received money).

We also find that CEO ownership positively affects CEO job-related compensation, CEO capital-related compensation (dividend), and total CEO compensation (the sum of the job-related and capital-related received money).

However, we find that a narcissistic CEO having a stake in the company negatively affects job-related compensation. This means that companies managed by narcissistic CEOs, who are owners of the company, set the CEO compensation at a lower level. This finding provides evidence confirming our H1 (assuming that a narcissistic CEO with ownership in the company has a negative impact on their job-related compensation - cash compensation). However, we cannot confirm our H2 (assuming that a narcissistic CEO with ownership in the company has a positive impact on their capital-related compensation - dividend payouts) as we do not find any statistically significant estimates. Interestingly, we find that a narcissistic CEO having a stake in the company negatively affects total CEO compensation (being the sum of job and capital-related compensation). This means that the CEO gets lower total compensation in companies managed by narcissistic CEOs who are the owners of the company.

Out of control variables, size positively affects CEO compensation (both job-related and capital-related, and total). This means that CEO compensation is higher in bigger companies. Although profitability positively affects dividend payouts, profitability has no impact on CEO job-related compensation. This might mean that CEO job-related compensation does not depend on firm performance.

4. Discussion

Because we find a strong and positive impact of CEO narcissism on job-related, capital-related, and total CEO compensation, we provide support for the findings of Ham et al. (2018) and O'Reilly et al. (2014) who also find that narcissistic CEOs have higher absolute and relative compensation. This also supports the notion of the grandiosity of narcissistic CEOs and their expectations to be rewarded according to their self-feelings of grandiosity.

However, we also find that CEOs' narcissistic tendencies (especially when a narcissistic CEO has a stake in the equity) lead them to lower their salary (both CEO job-related compensation and total CEO compensation), which is in line with the results of Aabo et al. (2022). Moreover, this is in line with the general characteristics of narcissistic CEO characteristics that they take very bold actions that will attract attention and enhance their own image, ultimately resulting in impressive results (Chatterjee and Hambrick, 2007). By agreeing to the lower CEO compensation they powder the face to look good to the workers and owners. However, we believe that the lower compensation is the price in exchange for high power, fame and position (Aabo et al., 2022). Narcissistic CEOs are focused on raising their own prestige and establishing contacts that will allow them to climb the career ladder. Having power over others, being the centre of attention and the need to take their opinions into account comes at a lower level of compensation. High recognition and expanding the number of contacts are important for the narcissistic CEO, more important than the salary (Chatterjee & Hambrick, 2007).

Another explanation for a lower CEO job- and capital-related compensation is that narcissistic CEOs with a stake in the company try to avoid cash outflow and try to increase internal funds to keep the company safely going. That is why CEO narcissism is positively correlated with cash holdings (the Table with the Spearman correlation coefficient). This is in line with the findings of Rozeff (1982), and Jensen et al. (1992) on cash flow management by the CEO as owner - higher managerial ownership tends to increase internal funds at the expense of low dividend payouts in order to finance investment. Narcissistic CEOs are aware that the good financial standing of their company is the source of their power and status. As long as the company exists, the narcissistic CEO has the opportunity to have control over others, show their position, and establish new contacts that will allow them to climb the career ladder.

Although CEO ownership and dividend payouts are perceived as tools diminishing agency costs, there are no conclusive findings on the relationship between CEO ownership and dividend payouts so far. Our findings on the positive impact of CEO ownership on capital-related compensation (dividend payouts) support the managerial power theory and the notion that powerful CEOs make decisions that meet their own interests and thus increase the dividend payment (Fabisik et al., 2021; Kumar, 2006; Hardjopranoto, 2006; Vo & Nguyen, 2014). This means that they act in their own interests.

We find the positive impact of CEO ownership on job-related compensation and we confirm previous research on the positive impact

(Ozkan, 2007; Song & Wan, 2019; Bebchuk & Fried, 2003), but not the negative impact (Sánchez-Marín et al., 2020). Again, this is in line with the assumption of managerial power theory and the notion that powerful CEOs make decisions that meet their own interests.

Our findings are in the stream of research on CEO compensation in CEE countries. However, there is quite a modest amount of research referring to CEO compensations in CEE countries. Braje and Galetić (2019) analyze ownership structure and top management compensation in Croatia, but they include in their research division between domestic and foreign ownership. Eriksson (2005), when analyzing the managerial pay in Czech and Slovak Republics, includes in his research state, private and foreign ownership. Berber et al. (2017) compare the level of the top management compensation in CEE countries with Western European countries finding several similarities and differences. Sahakiants and Festing (2016) investigated the use of executive share-based compensation in Poland and explored whether theoretical explanations developed in the context of developed countries were also held in the CEE context.

Conclusions

Our research aims to find the impact of a narcissistic CEO with a stake in the company on both job-related and capital-related compensation. We find that a narcissistic CEO with a stake in the company has a negative impact on job-related, and total compensation. However, we find a lack of impact of a narcissistic CEO with a stake in the company on capital-related compensation (dividend payments). We believe that a lower compensation is the price in exchange for high power, fame, position, prestige, and establishing contacts that will allow them to climb the career ladder.

Moreover, we find a positive impact of CEO narcissism and CEO ownership on job-related, capital-related compensation, and total compensation (being the sum of job-related and capital-related compensation) – but this is true when CEO narcissism and CEO ownership are analyzed separately.

Our findings have both theoretical and practical implications. We contribute to the existing theories on top management theory by providing evidence that CEO characteristics matter for the decision-making process. We find that narcissistic CEOs affect positively the level of their compensation, but when they become the owner of the company they work for they diminish their compensation both job- and capital-related. We believe that these findings have practical implications as they show that narcissistic CEOs change their attitude (higher or lower compensation) depending on the context (having or not a stake in the company) just to draw attention and be in power. This notion is important for co-workers and the company's owners. They should take into account that the main aim of the narcissistic CEOs are narcissistic CEOs themselves and the rest (co-workers, owners, company) are only the tools to achieve their aim. Thus, narcissism testing should be included in the recruitment process to avoid the promotion of narcissistic people to leadership positions or even hiring narcissistic people.

However, our study is not free of limitations. One of them is that our research is restricted to one country only. Another one refers to dealing with listed companies while most companies are private. We also implement specific measures of narcissism based on the size of the photo, the size of the signature, and the number of social media accounts.

The limitations mentioned above give a good ground for future research. Including other measures of narcissism, expanding the sample might provide additional evidence on the role of narcissistic CEOs. We also believe that narcissistic CEOs affect financial decisions: raising capital, investment spending, dividend payouts, internal funds retention, cash holdings, and capital structure. Thus, it is important to investigate the role of narcissistic CEOs not only in teamwork but also in financial decisions.

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