CEO Narcissism, Company Value and Earnings Management in Industrial Sector of Indonesia

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Abstract

Purpose: (i) Analyze and test CEO Narcissism Against Corporate Value and Earnings Management; (ii) Analyzing and testing the effect of CEO Narcissism Intervening on Company Value and Earnings Management in Manufacturing Companies in the Industrial Sector Listed on the Indonesia Stock Exchange for period 2016-2020

Methodology: This study uses descriptive analysis, a type of quantitative research, which, when viewed from the data analysis method The data analysis technique used in the study used linear regression. Then for the company's value using the Tobin's Q ratio and to assess the level of earnings management using the Modified Jones Model

Findings: CEO narcissism has a positive effect on firm value, which means that every increase in CEO narcissism will increase firm value. CEO narcissism has a positive and significant effect on earnings management which this result explains that every increase in CEO narration will increase earnings management. CEO narcissism has a positive and significant effect on earnings management which this result explains that every increase in CEO narration will increase earnings management.

Originality/Value: This research is to have a view terms of the Effect of CEO Narcissism on Company Value and Earnings Management as an Intervening Variable in Manufacturing Companies in the Industrial Sector Listed on the Indonesia Stock Exchange for the 2016-2020 period in terms of contributions in the field of education and research results by the hypothesis, therefore That's the formulation for further research to consider the sector and additional variables.
Introduction

Profit is one of the important benchmarks that attract the attention of external parties used in assessing company performance by users of financial statements. This is in line with the *Statement of Financial Accounting Concepts* (SFAC) No.1 (1987) (Wandeca, 2012) that earnings information material is the main concern for assessing performance or management accountability. Responsibility arises because narcissism can affect cooperation, trust, risk-taking, motivation, decision-making, and long-term performance (Rani, 2021). In research (Godkin & Allcorn, 2011) The existence of management actions that report company profits by not describing the actual condition of the company results in the quality of the profits generated will be of doubtful quality as a decision-making medium.

Narcissism is an attitude of avoiding a bad image and forming a good image that cannot be separated from the attitude of individual narcissism. The narcissistic attitude has a great desire for the assertiveness of other people who are focused on the expertise they have (Kelly, 2017) obtained CEO (*Chief Executive Officer*) has a very important role in achieving good in a company. The CEO's responsibilities include developing and implementing high-level strategies, making company decisions, managing company operations and overall company resources, and acting as the main point of communication between the board of directors and operational management (Source: investopedia.com). The role of the CEO in each company is different, depending on the size of the company. In small-scale companies, the CEO has many roles in the company. However, in large-scale companies, CEOs are more concerned with higher-level strategy and overall management

One of the benchmarks in the success of a company can be seen from the results of the company's performance. According to Helfert’s (1996) research (Pratiwi & Laksito, 2014) company performance is the result of several individual decisions made in such a way continuously by the company. Company performance can be measured through financial and non-financial performance. Where the company's performance is the company's success in achieving the goals within a certain period. Judging from the company's ability to make a profit (*profitable*), the company's
ability to grow and develop \((\text{Growth})\), the company's ability to get sustainable projects \((\text{Sustainable})\), and the company's ability to be able to compete \((\text{Competitive})\) with other companies which is an indicator of the success of a company. Management behavior in the accrual basis process allow earnings management to increase or decrease the accrual number in the income statement.

Earnings management generally referred to as accruals earnings management is an action taken through accounting selection policies to obtain certain objectives, for example, to increase the value of the company or for the personal interests of company management. Earnings management can be defined as interference between two parties with a specific purpose by the manager in the profit recording process which has its objectives. Earnings management often involves a window-dressing of financial statements, especially the recording of earnings. if managers manipulate accruals that have no consequences with cash flows. Earnings management can be done in two ways. First, change the accounting method, which is a visible form of earnings management. Second, changing estimates and accounting policies that determine accounting numbers is a hidden form of earnings management.

Within a company, Managers can manage information about parties outside the company, such as creditors and investors. This arrangement of information occurs when managers have the authority to choose different methods for posting transactions and for selecting records according to accounting principles. This authority is used by management to manage earnings and managers have a lot of information within the company and know this information before external parties. This information allows managers to act more opportunistically by obtaining personal benefits in terms of the company's financial reporting, managers can practice earnings management regarding the results of the company's financial statements. One way for managers to influence the level of reported earnings is to practice earnings management. Earnings management is related to the selection of accounting methods carried out by managers in financial reporting to increase profits or reduce profits to suit the interests of managers or the interests of the
company and the parties involved in the contract (Indra Kusuma & Mertha, 2021). The method used by managers in practicing earnings management is accrual-based accounting because this method is considered more appropriate in providing financial information and providing a clearer picture of the company's financial condition. However, the accrual method is very vulnerable to manipulation because accrual accounts are generally nominal and based on estimates.

This is used by managers to maximize their interests. There are two perspectives in understanding the behavior of managers on earnings management practices, namely the opportunistic behavior perspective and the efficient contracting perspective (Putra, 2011). Company value is a description of the condition of a company during a certain period (Indra Kusuma & Mertha, 2021). Firm value reflects the good or bad operations in a company, so this also affects the prosperity of shareholders (Suhadak et al., 2019). The level of profit is one of the determining factors for the value of the company because the level of profit in the company's annual financial statements generally describes the results of the company's operational performance for one period. When the company's profit increases, this will affect the market response to the value or price of the company's stock so that the share price also increases. This increasing share price reflects the prosperity of the shareholders or it can be said that the shareholders benefit from the increase in the share price, because the share price is the result of an assessment of investment decisions, funding, and dividend policy.

In Indonesia, several cases occur in earnings management practices such as the Toyota automotive company. Tokyo, as reported by Kompas.com “The profit of the Japanese auto giant Toyota slumped for the first time in five years. In fact, Toyota has sold more cars in the first quarter of 2017 than in 2016," quoted the BBC on Thursday (11/5/2017). Toyota acknowledged that the slump in profits was caused by high costs and fluctuations in the exchange rate. Toyota's profit in the first quarter of 2017 was recorded at 1.83 trillion yen or 16.1 billion US dollars, this figure is down 21% compared to a profit in the first quarter of 2016. Toyota's management has also warned that profits in 2018 will be lower. This is due to the strengthening of
the Japanese Yen exchange rate. Toyota's prediction is based on the projection that the Yen exchange rate will be around the level of 105 per US dollar until March 2018. This level is lower than in the previous financial year. Toyota has lost its status as the car manufacturer in Indonesia with the highest sales. This status is now carried by the German car manufacturer, Volkswagen. Toyota sold 10.25 million units of cars in the first quarter of 2017, higher than 10.19 million units in the same period the previous year. However, revenue from car sales in the first quarter of 2017 fell to 27.6 trillion yen. Toyota is now in a struggle to maintain its business in the United States, its largest market. Sales plunged in North America as Toyota struggled to meet the demand for larger cars, such as sport utility vehicles (SUVs), which became cheaper in the future due to lower fuel prices. (Quoted from the source Kompas.com).

In 2019, the Indonesia Stock Exchange (IDX) will summon the directors of PT Tiga Pilar Sejahtera Food Tbk (AISA) to ask for an explanation related to the results of the 2017 financial report investigation by PT Ernst & Young Indonesia (EY). The results of EY's investigation of the financial statements showed that there were findings of alleged inflated accounting posts worth Rp 4 trillion as well as several other allegations.

Some of the above phenomena can explain that investors use profits in making decisions, so these profits cannot explain the actual state of profits in the company's financial statements. While the quality of earnings in the financial statements is an important element for stakeholders for contracts and investment decisions.

Research on narcissism in accounting found that companies led by narcissistic CEOs tend to publish misstatements in financial statements (Rijsenbilt and Commandeur 2013). (Rani, 2021), perform real earnings management (Olsen, Dworkis, and Young 2014), carry out tax sheltering (K. Olsen and Stekelberg 2014), and are aggressive in the acquisition process (Aktas et al. 2016). quality of the company's financial statements, among others, is identical to the tendency to carry out earnings management, weak internal controls, delays in profit recognition, and the probability of restatements (Ham et al., 2017).
which affects earnings management practices that occur in Sunbeam Company and its CEO, namely J. Dunlap who has manipulated the company's financial statements. All reports that are produced turn out to be the result of engineering and not following the reality that occurred. This began to emerge in July 1998 when an article appeared saying this and the article became known as the baron's article. The emergence of this problem to the public led to a board meeting to discuss this and in the end, the board of directors decided to fire Dunlap. Subsequently, an investigation was conducted on Sunbeam Company by the SEC (Security Exchange Commission). During its investigation, the SEC found that from the final quarter of 1996 to June 1998, Sunbeam's management had succeeded in inventing a restructuring lie to increase the stock price, thereby blinding the company's value. To achieve this, the management has used improper earnings management techniques to falsify company reports or results and hide bad financial conditions.

This research is motivated by the increasing number of CEO phenomena that occur in several companies, both companies in the world and including in Indonesia. Some of the above phenomena have attracted researchers to study CEO narcissism as an aspect that influences earnings management practices in a company. The Industrial Manufacturing Sector is the unit of analysis in this study because the Industrial Manufacturing Sector is one sector that is in the spotlight for investors. This is supported by sources obtained from data from the Indonesia Stock Exchange (IDX) where stock movements in manufacturing companies in the Industrial sector have increased from 2016-2020 (Source: Kemenperin.go.id).

The research on CEO narcissism is based on the Upper Echelon Theory decision making a chief executive officer and consequently stems from CEO characteristics (Rachman, 1984). Endah et al. (2021) theoretically propose that CEO narcissism as a personality trait is related to the quality of corporate earnings. Therefore, highly narcissistic CEOs tend to make vague accounting choices to best present their company's financial status. By inflating the perceived performance of the company, they try to achieve self-improvement through self-affirmation and/or admiration from third parties (Back et al., 2013) so that if the financial statements in companies
are listed with high profits, it will affect the value of the company and increase in value company stock.

Previous studies have been carried out in the context of developed countries such as the research conducted by (Taleatu et al., 2020), but cases of narcissism towards earnings management practices often occur in the context of developed countries and are still limited in developing countries such as in Indonesia. Therefore, this study is expected to contribute to additional literature on specific problems that occur in developing countries such as Indonesia. In Indonesia itself, narcissism is a phenomenon that still receives less attention from academic circles, especially among accounting graduates. Meanwhile, the relationship between narcissism and fraudulent behavior, such as earnings management practices, is very important to study in countries with high indications of corruption.

This study uses Industrial Sector Manufacturing companies listed on the Indonesia Stock Exchange from 2016 to 2020. The reason the author chooses Industrial Sector Manufacturing companies in Indonesia as the object of research is that Industrial Sector Manufacturing companies are companies that are experiencing very good growth supported by BPS data so companies in this sector have a great influence on stock trading that occurs on the Indonesia Stock Exchange and this makes investors interested in investing their capital in companies in the manufacturing sector.

This study uses CEO photos, signature size, and the type of CEO Gender in the annual financial statements to measure the level of the narcissism of a company's CEO. Then the number of photos displayed in the company's annual report, signature size, and gender differences can represent the level of arrogance and superiority of the CEO. Then the level of earnings management can be measured by accrual earnings management (Accrual Earnings Management) and the model used to measure accrual earnings management using the Modified Jones Model.

Based on the background described above, the authors are interested in discussing further the Effect of CEO (Chief Executive Officer) Narcissism on Company Value and Earnings Management as Intervening Variables in Manufacturing Companies Listed on the Indonesian Stock Exchange for period 2016-2020.
Literature Review

(Amernic & Craig, 2011) Using discourse, written documents, and language written by the CEO. Destructive narcissism is increasingly being recognized as a serious nuisance to good corporate leadership and ethical behavior. (Godkin & Allcorn, 2011) Using an organizational image model of resistance to arrogant narcissistic behavior when destructive narcissists reach positions of power unethical behavior occurs. Unethical decisions become reinforced in organizational structures and practices and embedded in technology. (Hsieh et al., 2014) Using descriptive statistical analysis statistics found that CEOs who are too confident tend to have discretionary accruals that increase income (Febyani, 2014) This study uses WarpPLS software to process and analyze all research data. The results show managerial ownership has an effect significant effect on firm value, managerial ownership has a significant effect on earnings management, and earnings management has a significant effect on firm value.

(Devy et al., 2017) Data collection is done indirectly, namely through intermediaries or internet media with the study documentation method in the form of financial reports. This study uses logistic regression analysis which is processed using the SPSS 19.0 program. The results show that (1) the frequent number of CEO’s pictures is influential in detecting fraudulent financial reporting; (2) the change of directors of the company affects the detection of fraudulent financial reporting, and (3) external pressure has an effect on detecting fraudulent financial reporting. (Capalbo et al., 2018) Using financial accounting data for the period 2007 to 2013 obtained from the Annual Compustat data set. The results show a positive relationship between CEO narcissism and earnings management. Alicia R. Ingersoll, Christy Glass, Alison Cook, Kari Joseph Olsen (2017) Using company financial statements and CEO profile photos in annual financial reports. Finding that female CEO are more likely to exhibit narcissistic personality traits than males CEOs. In addition, we found that gender moderated the relationship between CEO narcissism and the research outcome variables in risk-taking and questionable behavior.
This study uses a structural equation model (Structural Equation Model) which consists of institutional ownership, managerial ownership, frequency of board of commissioners meetings, frequency of audit committee meetings, earnings management, and firm value. Institutional ownership and managerial ownership hurt earnings management. The frequency of board of commissioners meetings and the frequency of audit committee meetings do not affect earnings management. Institutional ownership, managerial ownership, the frequency of board of commissioners meetings, and the frequency of audit committee meetings have a positive effect on firm value. Earnings management does not affect firm value and earnings management cannot mediate the effect of institutional ownership on firm value, managerial ownership on firm value, frequency of board of commissioners meeting on firm value, and frequency of audit committee meetings on firm value.

This study uses a purposive sampling method and uses manufacturing companies listed on the Indonesia Stock Exchange from 2017-2019. The results of the research on CEO narcissism have an impact on earnings management behavior, but also have an impact on company performance through earnings management practices or actions. Using OLS to examine the effect of salary differences in TMT on real earnings management. Pay differentials in TMT limit real activity manipulation and further increase firm value. In addition, the indirect effect is stronger when product market competition is high.

This study uses descriptive statistics then the regression is performed using a control panel regression for the year the fixed effect of narcissistic CEOs has a positive relationship with earnings management. This means that narcissistic CEOs have a tendency to manage company profits to fulfill their egos, which brings a new perspective to agency theory. This study uses a sample of Islamic Banking in Indonesia from 2014-2018, to measure CEO narcissism using the CEO photo size from the annual report, measuring earnings management using loan loss provisions. CEO narcissism variable has no effect on earnings management in Islamic banking. This is contrary to the upper echelon
theory which states that the psychological aspect of the CEO will affect the company’s results.

(Yook & Lee, 2020) This study collects datasets of listed Korean companies listed on the Korea Exchange from 2010-2016. CSR rating size data were obtained from the Korea Corporate Governance Service. CEO narcissism promotes CSR initiatives and that CSR increases firm value in the capital market. However, the results do not support our prediction that CSR mediates the relationship between CEO narcissism and desired organizational outcomes. (Taleatu et al., 2020) This study adopted a descriptive research design and a survey methodology. The upward management of corporate earnings and the display of high narcissism among the CFOs participating in this study were documented. (Almari et al., 2021) This study uses a purposive sampling strategy and multiple linear regression analysis. Earnings management, managerial ownership, and institutional ownership have minimal effect on business value. In addition, family ownership has a significant beneficial effect on the value of the business.

(Ginting, 2021) This study uses cross-sectional data analysis techniques with the help of Eviews 10 software. Capital structure and earnings management have a significant positive effect on firm value, while profitability and environmental costs have a significant positive effect on firm value. Negative and significant, free cash flow has a negative and insignificant effect on firm value. (Sardari et al., 2021) his study uses multiple regression. Companies with a high level of earnings management disclose more tax amnesty assets. The results also show that the higher the tax amnesty assets, the lower the value of the company. (Hernawati et al., 2021) this study is a manufacturing company listed on the Indonesia Stock Exchange for the 2015–2018 period. Sampling was carried out using the Purposive Sampling technique to increase income used as a way to transfer potential welfare from the company to stakeholders. Social welfare (taxes) and managerial remuneration are proven to be mediators in increasing the effect of increasing income on the value of the company in the future.
This study uses a collection technique using secondary data documentation and using the purposive sampling method. CSR can reduce earnings management because CSR not only increases information transparency but also creates interaction with stakeholders.

![Conceptual Framework](image)

**Figure 1: Conceptual Framework**

It can be concluded that higher narcissistic CEOs have an excessive degree of focus on setting unrealistic targets for the company. Highlighted in the scheme of giving company bonuses, if the CEO has the maximum performance to generate company profits, the practice of earnings management is often a shortcut taken by the CEO in achieving company targets to generate maximum profits. Targets that are too high and unrealistic make narcissistic CEOs take unethical actions by practicing earnings management to achieve profit targets that have been determined by the company. The higher the narcissism of the CEO, it leads to higher the earnings management practices and results in poor quality financial reports. Based on the description that has been described previously and the literature review to obtain the results of the Effect of CEO Narcissism on earnings management practices in the company's financial statements in Manufacturing companies

**The Research Tool**

The scope of this research consists of three variables, namely the independent variable, namely the influence of CEO narcissism and the dependent variable, namely firm value and earnings management as an intervening variable. The data used is quantitative data with secondary data sources, namely financial and non-financial data of companies in Manufacturing companies in the Industrial sector in 2016-2020.
Then the independent variable of CEO narcissism was measured from the CEO’s self-photo, signature size, and CEO gender in the company's annual report.

**The Sample Population**

This study uses industrial sector manufacturing companies with a population of 55 companies. a sample that meets the criteria of as many as 27 companies listed on the Indonesia Stock Exchange from 2016-2020 was selected using the purposive sample method with the following criteria:

1. Manufacturing companies in the industrial sector listed on the Indonesia Stock Exchange in 2016-2020.
2. Companies that have complete information regarding the 2016-2020 annual financial statements.

Company criteria and sample companies can be seen in table 1 and 2 as follows:

**Table 1 Criteria Company**

| Information                                                                 | Number of Company |
|-----------------------------------------------------------------------------|-------------------|
| Manufacturing companies in the industrial sector listed on the Indonesia Stock Exchange in 2016-2020 | 55 Company        |
| Companies that have complete information and publish annual reports published for the period 2016-2020 | 27 Company        |
| Companies that do not have complete information and do not publish annual reports published2020 | 28 Company        |

*Source: Indonesia Stock Exchange (2022) (processed)*
### Table 2 Sample List of Industrial Manufacturing Companies that listed on the IDX in 2016-2020

| No. | Company Name                               | Code Company |
|-----|-------------------------------------------|--------------|
| 1   | PT ABM Investama Tbk.                     | ABMM         |
| 2   | PT Asahimas Flat Glass Tbk.               | AMFG         |
| 3   | PT Atmindo Tbk.                           | AMIN         |
| 4   | PT Arwana Citramulia Tbk.                 | ARNA         |
| 5   | PT Astra Graphia Tbk.                     | ASGR         |
| 6   | PT Astra International Tbk.               | ASII         |
| 7   | PT Global Mediacom Tbk.                   | BMTR         |
| 8   | PT Bakrie & Brothers Tbk.                 | BNBR         |
| 9   | PT Dyandra Media International Tbk.        | DYAN         |
| 10  | PT Hexindo Adiperkasa Tbk.                | HEXA         |
| 11  | PT Island Concepts Indonesia Tbk.          | ICON         |
| 12  | PT Impact Pratama Industri Tbk.           | IMPC         |
| 13  | PT Tanah Laut Tbk.                        | INDX         |
| 14  | PT Intraco Penta Tbk.                     | INTA         |
| 15  | PT Jembo Cable Company Tbk.               | JEC          |
| 16  | PT KMI Wire & Cable Tbk.                  | KBLI         |
| 17  | PT Kabelindo Murni Tbk.                   | KBLM         |
| 18  | PT Keramika Indoensia Assosiasi Tbk.      | KIAS         |
| 19  | PT Kobexindo Tractors Tbk.                | KOBX         |
| 20  | PT Kokoh Inti Arebama Tbk.                | KOIN         |
| 21  | PT Lion Metal Works Tbk.                  | LION         |
| 22  | PT Multifiling Mitra Indonesia Tbk.        | MFMI         |
| 23  | PT Mulia Industrindo Tbk.                 | MLIA         |
| 24  | PT Multipolar Tbk.                        | MLPL         |
| 25  | PT Supreme Cable Manufacturing Tbk.        | SCCO         |
| 26  | PT United Tractors Tbk.                   | UNTR         |
| 27  | PT Voksel Electric Tbk.                   | VOKS         |

**Source:** Processed Data (2022) (processed)

**Data Analysis**

The data analysis technique used in the study used linear regression. Then for the value of the company using the Tobin’s Q ratio and to assess the level of earnings management using the Modified Jones Model and using descriptive analysis which is calculated using the average, mean, maximum and minimum values that are useful for providing views on each variable. This study uses an independent variable where CEO is the variable, the dependent variable is the value of the company which is the variable, and earnings management is the intervening variable in this study. And
using multiple linear regression analysis aims to test the level of CEO narcissism as an independent variable and to test firm value as an independent variable through earnings management which is the intervening variable.

**Research Limitations**

This study only examines companies in the industrial sector so the results of the study do not comprehensively explain the condition of CEO narcissism, corporate earnings, and earnings management, besides that the variables measured are only limited to CEO narcissism which should also be studied for broader variables in determining company profits and earnings management.

**Findings and Discussion**

**Descriptive Variable**

Description Analysis Descriptive statistical analysis aims to provide an overview or description of data. This analysis was carried out using the mean, standard deviation, variance, maximum, and a minimum of the data obtained as follows:

| Variable                  | Mean     | Value Company | Earnings Management |
|---------------------------|----------|---------------|---------------------|
| CEO Narcissim             | 6.400078 | 28.20617      | 2.899625            |
| Maximum                   | 7.604396 | 33.43916      | 3.691309            |
| Minimum                   | 4.718499 | 23.75687      | 1.604121            |
| Std. Dev.                 | 0.605455 | 2.03717       | 0.568127            |
| Observations              | 135      | 135           | 135                 |

**Source: Processed Data (2022) (processed)**

Based on Table 3 it is known that there are 135 research samples used to process data in 5 years, from 2016 to 2020. In total 27 Industrial Manufacturing Companies become The research sample, in Table 3 also shows that CEO Narcissism as an independent variable has a minimum value of 4.718499 percent which is the value of CEO Narcism at PT Hexindo Adiperkasa Tbk in 2018. The maximum value is 7.604396 percent which is the value of CEO Narcissism from PT Bakrie & Brothers Tbk in 2019.

Company Value variable which is the dependent variable which has a minimum value of 23,75687 which is the value of the company PT Bakrie & Brothers Tbk in 2020 and
Company Value which has a maximum value of 36.25950 which is the value of PT Astra International Tbk in 2018. The earnings Management variable is a variable intervening which has a minimum value of 1.604121 which is the value of PT Jembo Cable Company Tbk in 2018 and Earnings Management which has a maximum value of 3.691309 which is the value of PT KMI Wire & Cable Tbk in 2018.

Model Diagnostic

Based on panel data testing in terms of strengthening the decision results for model selection, the data comparison can be seen as follows:

| Model 1 | Variable Model       | Coefficient | Prob  | Description       |
|---------|----------------------|-------------|-------|-------------------|
|         | Common Effect Model  | -0.002473   | 0.9237| Not Significant   |
|         | Fixed Effect Model   | -0.024234   | 0.0319| Significant       |
|         | Random Effect Model  | -0.006898   | 0.7825| Not Significant   |

*Source: Processed Data (2022) (processed)*

Based on Table 4 Model 1 shows that the Common Effect Model (CEM) is not significant and the Random Effect Model (REM) also shows not significant while for Fixed Effect Model (FEM) showed significant results. The conclusion based on the comparison of the estimation results shows that in general, the Fixed Effect Model (FEM) is the best.

| Model 2 | Variable Model       | Coefficient | Prob  | Description       |
|---------|----------------------|-------------|-------|-------------------|
|         | Common Effect Model  | 0.180345    | 0.0497| Significant       |
|         | Fixed Effect Model   | 0.025906    | 0.3343| Not Significant   |
|         | Random Effect Model  | 0.144253    | 0.0413| Significant       |

*Source: Processed Data (2022) (processed)*

Based on Table 5 Model 2 shows that the Fixed Effect Model (FEM) is not significant. A variable is Common Effect Model (CEM) the Random Effect Model (REM) variable is significant. The conclusion based on the comparison of the estimation results shows that in general, the Random Effect Model (REM) model is the best model.
Based on Table 6 Model 3 shows that the Common Effect Model (CEM) is not significant and the Random Effect Model (REM) also shows that it is not significant while the Fixed Effect Model (FEM) shows significant results. The conclusion based on the comparison of the estimation results shows that in general, the Fixed Effect Model (FEM) is the best.

This test is conducted to see whether each independent variable has an effect on the dependent variable or to determine the significance level of the independent variable. The t-test can be seen by comparing the value of t-statistics with t-tables, or comparing the probability of t-statistics with a significance level ($\alpha = 5\%$)

$\alpha = 0.05/2 = 0.025$ (2-way-test)

$df (n-k) = 135-2= 133$

$t$-table $= 1.978$

### Table 7 Table t-Statistics Research Model Research

| Model Research | Variables                                      | t-Statistics | Prob  | Description |
|----------------|-----------------------------------------------|--------------|-------|-------------|
| Model 1        | CEO Narcissism and Firm Value                 | -2.174686    | 0.0319| Significant |
| Model 2        | CEO Narcissism and Earnings Management        | 2.060440     | 0.0413| Significant |
| Model 3        | Earnings Management and Firm Value            | -2.702866    | 0.0080| Significant |

Source: Processed Data (2022) (processed)
2. **CEO Narcissism and Earnings Management (Model 2):**

   $H_2$: CEO Narcissism significant effect on Earning Management

   According Estimation Model Regresi Table 10 showing $t$-count = 2.060440 > $t$-table = 1.978 that mean $H_2$ received, therefore CEO Narcissism significant effect on Earning Management

3. **Earnings Management and Firm Value (Model 3):**

   $H_3$: Earnings Management significant effect on Firm Value

   According Estimation Model Regresi Table 10 showing $t$-count = -2.702866 > $t$-table = 1.978 that mean $H_3$ received, therefore Earnings Management significant effect on Firm Value

   Test The F test is a statistical test tool to see whether simultaneously the regression coefficients of the independent variables affect the dependent variable. The F-test can be seen by comparing the F-statistical value with the F-table value or by comparing the F-statistical probability with a significance level ($\alpha = 5$ percent) $df_1=2-1=1$, $df_2=135-2=133$ obtained $F_{table} = 3.064$

   **Table 8 Table F-Statistics Research Model**

   | Model Research | Model Research | Model Research | Model Research |
   |----------------|----------------|----------------|----------------|
   | Model 1        | CEO Narcissism and Firm Value | 5.515093 | 0.000000 | Significant |
   | Model 2        | CEO Narcissism and Earnings Management | 3.740225 | 0.000209 | Significant |
   | Model 3        | Earnings Management and Firm Value | 88.31750 | 0.000000 | Significant |

   **Source: Processed Data (2022) (processed)**

1. **CEO Narcissism and Firm Value (Model 1):**

   $H_1$: CEO Narcissism significant effect on Firm Value

   According Estimation Model Regresi Table 11 with level significant 0.05 showing $df_1=2-1=1$, $df_2=135-2=133$ obtained $F_{Table} = 3.064$ dan $F_{Count} = 5.515093$ ($5.15093 > 3.064$) and significant 0.000 more smaller that level 0.05, that mean $H_1$ received, therefore CEO Narcissism significant effect on Firm Value.

2. **CEO Narcissism and Earnings Management (Model 2):**
H$_2$: CEO Narcissism significant effect on Earning Management

According Estimation Model Regresi Table 11 with level significant 0.05 showing $df_1=2-1=1$ $df_2=135-2=133$ obtained $F$-Table $= 3.064$ dan $F$-Count $= 3.740225$ ($3.740225 > 3.064$) and significant 0.000 more smaller that level 0.05, that mean $H_2$ received, therefore CEO Narcissism significant effect on Earning Management

3. Earnings Management and Firm Value (Model 3):

$H_3$: Earnings Management significant effect on Firm Value

According Estimation Model Regresi Table 11 with level significant 0.05 showing $df_1=2-1=1$ $df_2=135-2=133$ obtained $F$-Table $= 3.064$ dan $F$-Count $= 88.31750$ ($88.31750 > 3.064$) and significant 0.000 more smaller that level 0.05, that mean $H_3$ received, therefore Earnings Management significant effect on Firm Value

**Discussion**

**The Effect of CEO Narcissism on Firm Value**

Based on the estimation test results indicate that CEO narcissism has a positive effect on firm value, which means that every increase in CEO narcissism will increase firm value. This is in line with Upper Echelon Theory, Personality of company leaders will determine various strategies, policies, and practices that run in the company. The unrealistically high and unrealistic targets set by a narcissistic CEO will encourage the CEO to take unethical actions by pursuing earnings management practices in favor of predetermined targets that have an impact on company value.

This study is supported by research results that are in line with this study, namely Lee (2020) who found that CEO narcissism will initiate CSR promotions in supporting increasing company value which explained that CEO narcissism is the attitude of company leaders who make aggressive policies and strategies in achieving targets. the company so that it affects the increase in the value of the company. In line with this, Ashley (2020) explains that CEOs who have aggressive characteristics can manage company profits by fulfilling their egos which are explained based on a new perspective in agency theory.
The Effect of CEO Narcissism on Earnings Management

The estimation results show that CEO narcissism has a positive and significant effect on earnings management which this result explains that every increase in CEO narration will increase earnings management. This is explained theoretically based on Upper Echelon which explains that CEO characteristics can affect the activities of a company where CEOs who have a narcissistic spirit tend to be more aggressive and will show their performance excessively in a company. Thus, the characteristics of the CEO have a large influence which shows that the strategic choice is very influential and is influenced by the demographic characteristics of the CEO that affect the cognitive base and value of the brand.

In line with this, how many studies show the same conclusions, several studies found a positive effect of CEO characteristics on earnings management, namely Hsien and Johnstone (2014) with the results of research on aggressive CEO characteristics that will support an increase in discretionary accruals proven to have an impact on improving earnings management of a company. In line with this, the study of Devi and Sulindawati (2016) found that the characteristics of an aggressive CEO affect detecting fraudulent financial reporting. This study is also supported by Capalbo et.al and Alicia et.al (2017), Kotesa et.al (2017), and Lee (2020) with the results of the study that there is a positive and significant relationship between CEO narcissism and earnings management.

Effect of Earnings Management on Firm Value

The estimation results show that earnings management has a positive and significant effect on firm value. The results of this study explain that any increase in earnings management will significantly increase firm value. The results of the study are in line with Signaling Theory which explains that managers as company managers know more about internal information and company prospects in the future than owners (shareholders) it causes information asymmetry. Managers are required to give a signal about the condition of the company to the owner. The signal given is a reflection of the value of the company through the disclosure of accounting information such as financial statements. The financial statements are important for
external users of the company because that group is in a condition that is at least a high level of certainty. The asymmetry between management and owners provides an opportunity for managers to carry out earnings management to increase firm value.

The results of this study are in line with several research studies that prove that earnings management has a positive and significant effect, namely Devie (2015) and Taleatu Adetula (2020) who find that increasing earnings management supported by information from company managers as management elements is proven to increase firm value. Meanwhile, it is different from Aziza's research (2019) which finds that earnings management does not affect firm value and earnings management cannot mediate the effect of institutional ownership on firm value, managerial ownership on firm value, frequency of board of commissioners meetings on firm value, and frequency of audit committee meetings to the value of the company.

Conclusions
The conclusions in this study are
1. CEO narcissism has a positive effect on firm value, which means that every increase in CEO narcissism will increase firm value.
2. CEO narcissism has a positive and significant effect on earnings management which this result explains that every increase in CEO narration will increase earnings management.
3. CEO narcissism has a positive and significant effect on earnings management which this result explains that every increase in CEO narration will increase earnings management.
4. Recommendations for further research to classify CEO narcissism in terms of cognitive level, besides that it is necessary to add variables that affect earnings management and firm value such as corporate governance, gender diversification, and Corporate Social Responsibility (CSR).
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